# City Council Agenda

## June 7, 2016

(For General Information and Rules of Courtesy, please see opposite side.)
(La Información General y las Reglas de Cortesía que Deben Observarse Durante las Asambleas del Consejo Municipal Aparecen en el Lado Opuesto. Por Favor, Leerlas.)

## I. General Information

The Arlington City Council is comprised of a Mayor and eight City Council members. Elections are conducted every spring in May.

Arlington City Council meetings are broadcast live on the Arlington Government Channel (A.G.C.)and replayed throughout the week. Visit the City's Web site for the A.G.C. broadcast schedule.
www.arlingtontx.gov

### CITY COUNCIL SCHEDULE-2016

| MONTH | SCHEDULED |
|---|---|
| January | 12, 26 |
| February | 9, 23 |
| March | 1,22 |
| April | 12, 26 |
| May | 10, 17*, 24*** |
| June | 7, 14.28** |
| July | Break |
| August | 2, 9**, 23 |
| September | 6, 15**, 20 |
| October | 11, 25 |
| November | 1, 29 |
| December | 6, 13 |

* Special Meeting – Official Canvass of Votes
**Special Meeting - Budget Related Items Only
*** Swear in newly elected Council members

## II. Support or Opposition on Agenda Items

Anyone wishing to speak or register their support or opposition on a given matter should fill out a card available at the entrance and give it to a staff member at the main table before the opening of the meeting. If you've signed up that you wish to speak, and your name is called:

- Please come to the microphone at the podium and state your name and address before you begin your presentation.
- To the extent possible, please refrain from repeating testimony which has already been given.
- Speakers in support or in opposition of an item will be given **two** minutes to make their statements.
- Public Hearings: an applicant has **five** minutes for their presentation and **two** minutes for any rebuttal.
- A bell will signal at the end of the speaker's time. Please wrap up your comments promptly.
- We ask that you address your comments to the Mayor and Council.

## III. Citizen Participation

Citizen participation gives the public an opportunity to make comments or address concerns that are not posted on the evening's agenda. Please understand that the Mayor and Council are not permitted by law to respond to or address your concerns at this time, as these items are not included on the posted Council Agenda for this evening. The Mayor and Council may only ask clarifying questions and/or direct staff to take appropriate action.

## IV. Rules of Courtesy

We ask that citizens and other visitors in attendance assist in preserving the order and decorum of this meeting. Any person making personal, profane, slanderous, or threatening remarks or who becomes disruptive while addressing the Mayor and the City Council or while attending the City Council meeting may be removed from the Council Chambers.

## I. Información General

El Ayuntamiento de la Ciudad de Arlington consiste de un Alcalde y ocho miembros del concilio municipal. Las elecciones se llevan acabo cada Mayo en la primavera.

Las reuniones del Ayuntamiento de la Ciudad de Arlington se transmiten en vivo en el canal del Gobierno de Arlington (A.G.C.) y se repiten durante la semana. Visita la página web de la Ciudad para el horario del programa. www.arlingtontx.gov

### EL HORARIO DEL AYUNTAMIENTO-2016

| EL MES | PROGRAMADO |
|---|---|
| Enero | 12, 26 |
| Febrero | 9, 23 |
| Marzo | 1, 22 |
| Abril | 12, 26 |
| Mayo | 10, 17*, 24*** |
| Junio | 7, 14, 28** |
| Julio | Descanso |
| Agosto | 2, 9**, 23 |
| Septiembre | 6, 15**, 20 |
| Octubre | 11, 25 |
| Noviembre | 1, 29 |
| Diciembre | 6, 13 |

* Reunion especial – sólo para aprobar los votos officials de eleccion
** Reunions especial - sólo los artículos relacionados con el presupuesto de la cuidad
*** Jurar los nuevos miembros electos del Ayuntamiento municipal

## II. Apoya u Opone los Artículos del Orden del Día

Alguno que desea hablar o registrar su apoyo u oposición en un asunto dado debe llenar una tarjeta disponible en la entrada y darlo a un empleado localizado en la mesa principal antes de la apertura de la reunión. Si usted se ha inscrito que desea hablar y tu nombre es llamado:

- Venga por favor al micrófono en el podio e indique su nombre y la dirección antes que empiece su presentación.
- Hasta el punto possible, por favor de abstenerse de repetir testimonio que ya ha sido dado.
- Los oradores en apoyo u oposición de un articulo sera dado **dos** minutos de hacer sus declaraciones.
- Las Audiciones Publicas: un solicitante tiene **cinco** minutos para su presentación y **dos** minutos para cualquier refutación.
- Una campana señalara a fines del tiempo del orador. Por favor, concluye tus comentarios inmediatamente.
- Pedimos que dirige sus comentarios al Alcalde y el Concilio.

## III. Participación de los Ciudadanos

La participación del ciudadano da el publicó una oportunidad a hacer comentarios o dirigir preocupaciones que no son anunciados en el orden del día o agenda. Comprenda por favor que el Alcalde y el concilio no son permitidos por ley a responder o abordar tus preocupaciones en este tiempo, porque estos artículos no son incluidos en los anunciados del orden del día del Ayuntamiento para esta tarde. El Alcalde y el Concejo sólo pueden pedir clarificacion a preguntas y/o dirigen el personal a tomar accion apropiada.

## IV. Reglas de Cortesía

Pedimos que los ciudadanos y otros visitantes presente asisten en la preservación del orden y el decoro de esta junta. Cualquier persona que haga comentarios personales, profanos, difamatorios o intimidatorios, o alguien que lo haga en forma disruptivo durante dirigirse el Alcalde y el Ayuntamiento, o cuando está asistiendo la reunión del Ayuntamiento puede ser quitado de la Sala del Ayuntamiento.

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# Agenda

# Arlington City Council Meeting

**Council Briefing Room**
**101 W. Abram St., 3rd Floor**

## Tuesday, June 07, 2016
## 6:30 PM

I. **CALL TO ORDER**

II. **INVOCATION AND PLEDGE OF ALLEGIANCE TO U.S. AND TEXAS FLAGS**

III. **SPECIAL PRESENTATIONS**

IV. **APPOINTMENTS TO BOARDS AND COMMISSIONS**

V. **SPEAKER GUIDELINES AND GENERAL DECORUM**

VI. **APPROVAL OF ITEMS FROM EXECUTIVE SESSION**

VII. **APPROVAL OF MINUTES**

Afternoon Meeting, May 24, 2016
Evening Meeting, May 24, 2016

- The Arlington City Hall is wheelchair accessible. For accommodations or sign interpretive services, please call 817-459-6100 no later than 24 hours in advance.
- Council meetings are broadcast live on Arlington's Government Channel, and rebroadcast throughout the week at the following times:

| | Afternoon meetings | Evening Meetings |
|---|---|---|
| Sunday | 1:00 p.m. | 6:00 p.m. |
| Wednesday | 1:30 p.m. | 6:30 a.m. |
| Saturday | 6:00 p.m. | 6:30 a.m. |

The Council agenda can be viewed on the City's website at www.ArlingtonTX.gov

- For a complete Arlington Government Channel program schedule, please visit www.ArlingtonTX.gov/Broadcast

## VIII. APPROVAL OF CONSENT AGENDA

Approval of the Consent Agenda authorizes the City Manager to implement each item in accordance with staff recommendations and all votes on final reading will be recorded as reflected on first reading unless otherwise indicated. Public comment will be accepted on items, with the exception of those items on which a public hearing has been held and closed by Council, which will be indicated as ***(CLOSED)*** on the agenda.

A. Minute Orders

1. **Purchase and Installation of Wall Coverings for Arlington Convention Center Operable Doors, Bid Project 16-0098 (MO06072016-001)**
   Authorize the City Manager or his designee to approve the purchase and installation of new wall coverings for the Arlington Convention Center operable walls with Gomez Floor Covering, Inc. of Dallas, Texas in the estimated amount of $130,000, and execute any and all documents necessary to carry out such purchase. Funds are budgeted in the Convention Center 2016 Ancillary Projects Account No. 970107-63101.

2. **Purchase & Installation of HVAC Boilers for Arlington Convention Center, Bid Project 16-0133 (MO06072016-002)**
   Authorize the City Manager or his designee to approve the purchase and installation of new HVAC Boilers at the Arlington Convention Center with Entech Sales & Service of Haltom City, Texas through the Texas Local Government Purchasing Cooperative (TLGPC) in the estimated amount of $131,500, and execute any and all documents necessary to carry out such purchase. Funds are budgeted in the Convention Center 2016 Ancillary Projects Account No. 970107-63101.

3. **Purchase of Four (4) Vehicles, Bid Project 16-0131**
   Authorize the City Manager or his designee to approve the purchase of four (4) vehicles in the total amount of $109,464, and execute any and all documents necessary to carry out such purchase.

   - Two (2) 2016 Dodge Charger Sedans for the Police Department, to be purchased with Freedom Chrysler Dodge Jeep Ram of Dallas, Texas, through the Houston-Galveston Area Council (H-GAC) Cooperative Purchasing Program in the amount of $51,830. **(MO06072016-003)**

   - Two (2) 2017 Chevrolet 2500 Express Passenger Vans for the Police and Parks and Recreations Departments, to be purchased with Caldwell County Chevrolet of Caldwell, Texas, through the Texas Local Government Purchasing Cooperative (TLGPC) in the amount of $57,634. **(MO06072016-004)**

   Funds are budgeted in Fleet Services Administration Account No. 790101-68200.

4. **Negotiate and Execute a Contract for Electricity Supply, Bid Project 16-0134 (MO06072016-005)**
Authorize the City Manager or his designee to negotiate and execute either a 7-year or 9-year contract for Electricity Supply for the City of Arlington with one of the following companies for an estimated total amount of $55,000,000, and execute any and all documents necessary to carry out such contract.

- Reliant Energy of Houston, Texas
- Texas General Land Office (GLO) of Austin, Texas
- TXU of Irving, Texas

5. **Renewal of Annual Requirements Contract for Newspaper Advertising, Bid Project 14-0156 (MO06072016-006)**
Authorize the City Manager or his designee to exercise the second of four, one-year renewal options in the contract for newspaper advertising with Fort Worth Star-Telegram of Fort Worth, Texas in the estimated amount of $108,645.50, and execute any and all documents necessary to carry out such contract. Funds are budgeted in various departmental accounts.

6. **Renewal of Annual Requirements Contracts for Electrical Services, Bid Project 15-0088 (MO06072016-007)**
Authorize the City Manager or his designee to exercise the first of four, one-year renewal options in the contract for electrical services with Nema 3 Electric, Inc. of Midlothian, Texas, in the estimated amount of $53,375 and Pinnacle Electric, Inc. of Fort Worth, Texas, in the estimated amount of $62,300 for a total estimated amount of $115,675, and execute any and all documents necessary to carry out such contract. Funds are budgeted in various departmental accounts.

7. **Annual Requirements Contract for Digital Media Collection On-Line Services, Bid 16-0104 (MO06072016-008)**
Authorize the City Manager or his designee to approve the annual requirements contract for the sole-source purchase of Overdrive Digital Library Reserve digital media collection on-line services with OverDrive, Inc. of Cleveland, Ohio, in the estimated amount of $195,000, and execute any and all documents necessary to carry out such purchase. This purchase is exempt from the competitive bidding statutes in accordance with the Texas Local Government Code, Section 252.022 as sole-source procurement. Funds are budgeted in Library Materials Account No. 960301-60015. Funds are budgeted in Library Materials Account No. 960301-60015.

8. **Wellsite Fire Prevention and Control School (MO06072016-009)**
Authorizing the City Manager or his designee to execute a Professional Services contract with Wild Well Control of Houston, Texas for Wellsite Fire Prevention and Control School in an amount not to exceed $50,000 per year for three years for an overall contract total of $150,000. Funding is available in Fire Gas Well Response Account No. 220801-66001.

9. **Contract Modifications Nos. 4, 5, and 7 to the Construction Contract for the Center Street Bridge over IH20 (Highlander Boulevard to Bardin Road); Project No. PWST07003 (MO06072016-010)**

a. Authorizing the City Manager or his designee to execute Contract Modification No. 4 to the construction contract with Texas Department of Transportation (TxDOT), for the Center Street/IH20 Bridge project, in the amount of $16,942.78

b. Authorizing the City Manager or his designee to execute Contract Modification No. 5 to the construction contract with Texas Department of Transportation (TxDOT), for the Center Street/IH20 Bridge project, in the amount of $86,701.28.

c. Authorizing the City Manager or his designee to execute Contract Modification No. 7 to the construction contract with Texas Department of Transportation (TxDOT), for the Center Street/IH20 Bridge project, in the amount of $13,165.16.

The funding for Contract Modification Nos. 4, 5 & 7 will be paid with the project cost reduction identified with prior Contract Modification No. 1, so there is no additional funding that will need to be added to the project.

10. **Construction Contract for 42"/39" Water Main Abandonment (Little Road to CFA Pump Station), Project No. WUPOP16007 (MO06072016-011)**
Authorizing the City Manager or his designee to execute a construction contract with ARK Contracting Services, LLC, of Kennedale, Texas, for 42"/39" Water Main Abandonment (Little Road to CFA Pump Station), in the amount not to exceed $514,340. Funding is available in Water Bond Fund Account No. 658502-18120205-68252.

11. **Engineering Services Contract for Road to Six Flags and Circle Drive Water and Sanitary Sewer Renewal, Project WUOP16010 (MO06072016-012)**
Authorizing the City Manager or his designee to execute an Engineering Services Contract with Westra Consultants, LLC, of Arlington, Texas, for the design of the Road To Six Flags and Circle Drive Water and Sanitary Sewer Renewal, in an amount not to exceed $197,490. Funding is available in Water Bond Fund Account No. 658502-18134205-61043 [$42,100], Sanitary Sewer Bond Fund Account NO. 648502-17971204-61043 [$110,000] and Street Bond Fund Account No. 358504-65880698-61043 [$45,390].

B. Consent Agenda Ordinances – Final Readings

Public comment will be accepted on items, with the exception of those items on which a public hearing has been held and closed by Council, which will be indicated as ***(CLOSED)*** on the agenda.

1. **Settlement with Atmos Energy Corp., Mid-Tex Division regarding the Atmos Mid-Tex 2016 Rate Review Mechanism filing**
An ordinance approving a negotiated settlement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-Tex Division regarding the company's 2016 Rate Review Mechanism filings; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement; finding the rates to be set by the settlement tariffs to be just and reasonable and in the public interest; requiring the company to reimburse ACSC's reasonable ratemaking expenses; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meetings Act; adopting a savings clause; declaring an effective date; and requiring delivery of this ordinance to the company and the ACSC's legal counsel.

C. Consent Agenda Resolutions

1. **Specialized Optical System for Ballistic Fingerprint Evidence - Criminal Justice Division Grant**
A resolution authorizing the application for and acceptance of a grant from the Criminal Justice Division of the Office of the Governor for funding in the amount of $45,616 to purchase equipment and provide operational training for a specialized optical system to process ballistic fingerprint evidence and authorizing the execution of contracts and other documents relative to the submission and later acceptance of such grant.

2. **Family Violence Intervention and Prevention Grant**
A resolution authorizing the acceptance of a grant, if awarded, from the Criminal Justice Division of the Office of the Governor for funding assistance not to exceed $464,171 from the Victims of Crime Act fund for funding of three Victim Services Counselors and authorizing the execution of documents relative to the acceptance of such grant.

3. **COPS Hiring Program (CHP) Grant**
A resolution authorizing the acceptance of a grant, if awarded, from the United States Department of Justice Office of Community Oriented Policing Services (COPS) in the amount of $1,875,000 over three years through the COPS Hiring Program for 15 police officers and authorizing the execution of documents relative to the acceptance of such grant.

4. **DOJ Federal Body Worn Camera Program Grant**
A resolution authorizing the submission of a grant application, and acceptance of the grant, if awarded, from the U.S Department of Justice, Bureau of Justice Assistance, in the amount of $377,400 for two years for implementation of a body worn camera program and authorizing the execution of documents relative to the later acceptance of such grant.

5. **2016 Police Promotional Process Agreement**
A resolution authorizing the execution of a Professional Services Agreement with Booth Research Group of Parker, Colorado, in the estimated amount of $65,000, plus approved travel expenses not to exceed $7,000, relative to developing and monitoring the administration of validated promotional processes for the ranks of Sergeant and Lieutenant in the Police Department.

6. **CDBG Agreement Modification with Child Care Associates**
A resolution authorizing the execution of a Contract Modification with Child Care Associates relative to the Community Block Grant Agreement for the Head Start Child Development Center at 2151 Browning Drive.

7. **Addition of Land into the Viridian Municipal Management District**
A resolution consenting to the addition of 19.997 acres of land into the Viridian Municipal Management District.

8. **Library Services – Amendment to Lease Agreement for Warehouse Space Located at 709 Stadium Drive**
A resolution authorizing the City Manager or his designee to execute a Library Services Warehouse Lease Amendment with 1055Farmroad134, LLC relative to property located at 709 Stadium Drive, Arlington, Texas.

9. **Authorize the Request for Proposal (RFP) Procurement Method for the Wrecker Services Contract, Bid Project 16-0140**
A resolution authorizing the competitive sealed proposal (Request for Proposal) procurement method for wrecker services.

10. **Interlocal Agreement with Tarrant County for the Surfacing of Texas Rangers Parking Lot R; Project No. PWST16010**
A resolution authorizing the execution of an Interlocal Agreement with Tarrant County in the estimated amount of $25,000 relative to the resurfacing of a City parking lot leased to the Texas Rangers for Parking Lot R.

11. **Tesla Supercharger Station Agreement**
A resolution authorizing the execution of a Supercharger Agreement with Tesla Motors, Inc. of Palo Alto, California, relative to the installation and operation of an electrical vehicle charging station, for an amount not to exceed $150,000.

**END OF CONSENT AGENDA**

## IX. ITEMS TO BE WITHDRAWN FROM THE CONSENT AGENDA

## X. CONSIDER AND VOTE ON WITHDRAWN ITEMS

## XI. PUBLIC HEARINGS: ORDINANCES FIRST READING

Speaker Regulations: Anyone wishing to speak for or against a Public Hearing must fill out a card at the entrance to the Council Chamber.

A. Public Hearing – Ordinances First Reading

1. **Zoning Case PD16-5 (Arby's - 8200 Matlock Road)**
Following the public hearing, consider a request for a change in the zoning of property to Planned Development (PD) for Community Commercial (CC) uses limited to a Restaurant with Drive-Through, with a Development Plan on approximately 0.83 acres zoned Office Commercial (OC) and generally located south of West Turner Warnell Road and west of Matlock Road.

**ORDINANCE FIRST READING**
First reading of an ordinance changing the zoning classification on certain property known as 8200 Matlock Road to Planned Development (PD) for Community Commercial (CC) uses limited to Restaurant with Drive-Through, with a Development Plan and amending the Zoning District Map accordingly.

2. **Youth Programs Standards of Care**
Following a public hearing, approve an ordinance adopting Youth Programs Standards of Care for the operation of youth-based parks and recreation programs and services. Adopted standards are an annual requirement of the Texas Department of Protective and Regulatory Services for receiving an exempt status relative to day care licensing.

**ORDINANCE FIRST READING**
First reading of an ordinance adopting the City of Arlington Youth Programs Standards of Care to provide staffing ratios; minimum staff qualifications; minimum facility, health, and safety standards; and mechanisms for monitoring and enforcing the adopted local standards for municipal youth recreation programs.

## XII. ORDINANCES – FIRST AND/OR FINAL READINGS

Public comment will be accepted on items, with the exception of those items on which a public hearing has been held and closed by Council, which will be indicated as ***(CLOSED)*** on the agenda.

A. Ordinances – First and Final Readings

1. **Ordinances authorizing the issuance of City of Arlington, Texas Combination and Revenue Certificates of Obligation, Taxable Series 2016C in the approximate amount of $14,200,000, Water and Wastewater System Revenue Bonds, Series 2016A in the approximate amount of $39,825,000**

a. An ordinance providing for the issuance of City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C in the approximate aggregate principal amount of $14,200,000; Levying a tax in payment thereof; prescribing the form of said certificates; approving and awarding the sale of the certificates; authorizing the execution and delivery of a Paying Agent/Registrar Agreement; Approving the official statement; and enacting provisions incident and relating to the subject and purposes of this ordinance.

b. An ordinance providing for the issuance City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2016A in the approximate aggregate principal amount of $39,825,000; Awarding the sale of the bonds; Authorizing the execution of a Paying Agent/Registrar Agreement; Approving the official statement; and enacting provisions incident and relating to the subject and purposes of this ordinance.

## XIII. MINUTE ORDERS

Public comment will be accepted at this time on the following items.

A. Minute Orders:

1. **(TABLED) Annual Requirements Contract for Trenchless Water Main Improvements, Bid Project 16-0124 (MO06072016-013)**
Authorize the City Manager or his designee to approve an annual requirements contract for trenchless water main improvements with Murphy Pipeline Contractors, Inc., of Jacksonville, Florida through an interlocal cooperative purchasing agreement with the Allied States Cooperative in the estimated amount of $2,900,000, and execute any and all documents necessary to carry out such contract. Funds are budgeted in Water Bond Fund 658502-18141205-68252.

**XIV. ANNOUNCEMENTS**

**XV. CITIZEN PARTICIPATION–** Recognition of visitors with items of business not on the agenda.

# Minutes

## Arlington City Council Meeting

## Council Briefing Room
## 101 W. Abram St.
## 3rd Floor

May 24, 2016

1:30 PM

The City Council of the City of Arlington, Texas, convened in Special Session on May 24, 2016, at 1:30 pm in the Council Briefing Room, 101 W. Abram Street, 3rd Floor with the meeting being open to the public and notice of said meeting, giving the date, place and subject thereof, having been posted as prescribed by V.T.C.A., Government Code, Chapter 551, with the following members present, to-wit:

Mayor J. Williams
Councilmember C. Parker
Councilmember S. Capehart
Councilmember R. Rivera
Councilmember K. Wilemon
Councilmember L. Wolff
Councilmember R. Shepard
Councilmember J. Bennett
Councilmember M. Glaspie

Trey Yelverton, City Manager
Teris Solis, City Attorney
Mary Supino, City Secretary

I. CALL TO ORDER

Mayor J. Williams called the meeting to order at 1:36 p.m. and immediately convened in Executive Session at 1:37 p.m.

II. EXECUTIVE SESSION

A. Section 551.071, CONSULTATION WITH ATTORNEY

B. Section 551.072, DELIBERATION REGARDING REAL PROPERTY

1. Storm Water Mitigation Project - All Cash Contract of Sale - Jay B. Atman -2701 and 2703 Parkchester Drive
A resolution authorizing the City Manager or his designee to execute an all cash

contract of sale with Jay B. Atman for the purchase of fee simple property rights in land being Block 2, Lot 16, Westchester West Addition; with a physical address being 2701 and 2703 Parkchester Drive, City of Arlington, Tarrant County, Texas, and authorizing acceptance of the conveyance of fee simple property rights.

C. Section 551.087, DELIBERATION REGARDING ECONOMIC DEVELOPMENT NEGOTIATIONS

1. Offers of Incentives to Business Prospects

At 3:10 p.m., Exe cutive Session was adjou rned, and Council immediately reconvened in Open Session.

III. RESOLUTIONS

A. Contract of Sale for Purchase and Transfer of Parking Lot Tracts:
A resolution authorizing the City Manager or his designee to execute a contract of sale and related documents with Ballpark Parking Partners LLC, for the purchase and transfer of fee determinable property rights in approximately 40.83 acres of land, commonly known as Texas Rangers parking lots F, G, J and N; and a contract of sale and related documents with Ballpark Parking Partners LLC, for the purchase and transfer of fee determinable property rights in approximately 8.066 acres of land, commonly known as Texas Rangers parking lot A

Councilmember S. Capehart made a motion to approve a resolution authorizing the City Manager or his designee to execute a contract of sale and related documents with Ballpark Parking Partners LLC, for the purchase and transfer of fee determinable property rights in approximately 40.83 acres of land, commonly known as Texas Rangers parking lots F, G, J and N; and a contract of sale and related documents with Ballpark Parking Partners LLC, for the purchase and transfer of fee determinable property rights in approximately 8.066 acres of land, commonly known as Texas Rangers parking lot A. Seconded by Councilmember R. Rivera, the motion carried with 9 ayes and 0 nays.

RESOLUTION NO. 16-082

Councilmember R. Shepard left the meeting at 3:11 p.m.

After a short break, Council reconvened in Open Session at 3:31 p.m.

IV. WORK SESSION

A. Electrical Utility Provider Update

Mike Finley, Chief Financial Officer, Finance Department, introduced Mr. John Bick, Principal Partner, Priority Power Management, who presented an Electrical Utility Provider Update to Council .

B. Master Agreement for Ballpark Complex Venue Project

Trey Yelverton, City Manager, presented the Maste r Agreement for the Ballpark Complex Venue Project to Council.

V. ISSUES SESSION

A. Discussion of informal staff reports

1. 6-Month Forecast of Anticipated Bid and Proposal Projects and Report on 2nd Quarter Formal Bid Awards

Reginald Cleveland, MWBE Coordinator, Finance Department, provided an update on the 6-Month Forecast of Anticipated Bid and Proposal Projects and Report on 2nd Quarter Formal Bid Awards to Council.

2. FY 2016 City Council Priority - Champion Great Neighborhoods

Dr. Theron Bowman, Deputy City Manager, presented the FY 2016 City Council Priority - Champion Great Neighborhoods newsletter.

B. Discussion of committee meetings

1. Municipal Policy - Executive Session: Legal advice related to towing contract

Councilmember R. Rivera reported that items were discussed in Executive Session.

2. Economic Development - Executive Session: Discuss Offers of Incentives to Business Prospects

Councilmember J. Bennett reported that items were discussed in Executive Session.

C. Discussion of miscellaneous items

1. Appointments to boards and commissions

2. Evening Agenda items

Item No. XI.A.1 was discussed.

3. Issues relative to City and TxDot projects

Keith Brooks, Assistant Director, Public Works and Transportation Department, provided a brief update on Brown Blvd. Construction Project, as well as on Cooper Street, Center Street Bridge and 360 South TxDOT projects. He further addressed other traffic concerns from Council.

4. Future Agenda Items

Mayor J. Williams requested a future agenda item to discuss a widow exemption for alarm permits.

There being no further business, the meeting adjourned at 5:01 p.m.

APPROVED:

W. Jeff Williams, Mayor

ATTEST:

Mary W. Supino, City Secretary

# Minutes

## Arlington City Council
## Regular Meeting

## Council Chamber
## 101 W. Abram St.

**May 24, 2016**

**6:30 PM**

The City Council of the City of Arlington, Texas, convened in Regular Session on May 24, 2016, at 6:30 pm in the Council Chamber of the City Hall Building, 101 West Abram Street, with the meeting being open to the public and notice of said meeting, giving the date, place and subject thereof, having been posted as prescribed by V.T.C.A., Government Code, Chapter 551, with the following members present, to-wit:

Mayor J. Williams
Councilmember C. Parker
Councilmember S. Capehart
Councilmember R. Rivera
Councilmember K. Wilemon
Councilmember L. Wolff
Councilmember R. Shepard
Councilmember J. Bennett
Councilmember M. Glaspie

Trey Yelverton, City Manager
Teris Solis, City Attorney
Mary Supino, City Secretary

## I. CALL TO ORDER

Mayor J. Williams called the meeting to order at 6:38 p.m.

## II. INVOCATION AND PLEDGE OF ALLEGIANCE TO U.S. AND TEXAS FLAGS

Pastor Charles Powell, Mt. Olive Baptist Church, gave the invocation and the Pledge of Allegiance to U.S. and Texas Flags were recited.

## III. SPECIAL PRESENTATIONS

Mayor J. Williams introduced Justin Chapa, Youth Training Director, and members of Youth Leadership Arlington. who presented a resolution that was created by members of Youth Leadership Arlington.

Mayor J. Williams proclaimed May 24, 2016 as "US Small Business Administration Region 6 Day". This

proclamation was presented by Mayor J. Williams and accepted by Ms. Yolanda Olivarez, Regional Administrator.

## IV. APPOINTMENTS TO BOARDS AND COMMISSIONS

## V. SPEAKER GUIDELINES AND GENERAL DECORUM

Mary W. Supino, City Secretary, recited the speaker guidelines and general decorum.

## VI. APPROVAL OF ITEMS FROM EXECUTIVE SESSION

1. Storm Water Mitigation Project - All Cash Contract of Sale - Jay B. Atman -2701 and 2703 Parkchester Drive
   A resolution authorizing the City Manager or his designee to execute an all cash contract of sale with Jay B. Atman for the purchase of fee simple property rights in land being Block 2, Lot 16, Westchester West Addition; with a physical address being 2701 and 2703 Parkchester Drive, City of Arlington, Tarrant County, Texas, and authorizing acceptance of the conveyance of fee simple property rights.

Funding is available in Stormwater Capital Budget Account No. 308501-111000199-68000.

**RESOLUTION NO. 16-083**

Councilmember R. Shepard made a motion to approve a resolution authorizing the City Manager or his designee to execute an all cash contract of sale with Jay B. Atman for the purchase of fee simple property rights in land being Block 2, Lot 16, Westchester West Addition; with a physical address being 2701 and 2703 Parkchester Drive, City of Arlington, Tarrant County, Texas, and authorizing acceptance of the conveyance of fee simple property rights. Seconded by Councilmember L. Wolff, the motion carried with 9 ayes and 0 nays.

## VII. APPROVAL OF MINUTES

Afternoon Meeting, May 10, 2016
Evening Meeting, May 10, 2016
Special Meeting, May 17, 2016

Councilmember K. Wilemon made a motion to approve minutes from the May 10, 2016 Afternoon and Evening Meetings and the May 17, 2016 Special Meeting. Seconded by Councilmember M. Glaspie, the motion carried with 9 ayes and 0 nays.

## VIII. APPROVAL OF CONSENT AGENDA

Councilmember S. Capehart made a motion to approve all items from the Consent Agenda, with the exception of Item No. VIII.A.8. Seconded by Councilmember K. Wilemon, the motion carried with 9 ayes and 0 nays.

### A. Minute Orders

1.

Negotiate and Execute Banking Professional Services Contract for Depository, Custody, and Merchant Payment Processing Services, RFQ-16-0056

a. Authorize the City Manager or his designee to negotiate and execute a bank depository contract with JP Morgan Chase Bank N.A. of Fort Worth, Texas effective October 1, 2016. **(MO#05242016-001)**

b. Authorize the City Manager or his designee to negotiate and execute a custody contract with Wells Fargo Bank of Dallas, Texas; and a Merchant Payment Processing contract with Elavon/US Bank Payment Solutions of Arlington, Texas effective October 1, 2016. **(MO#05242016-002)**

The depository and custody contract term is three years with a two year renewal option. The merchant payment processing contract term is two years with the option to renew each year thereafter for an additional 12 month term until the contract is terminated.

2. FY17 Tarrant County Tax Assessment/Collection Agreement **(MO#05242016-003)**
Authorize the City Manager or his designee to execute an Agreement for the Collection of Taxes with Tarrant County Tax Assessor-Collector and Tarrant County relative to assessment and collection services of ad valorem taxes for the City of Arlington, in the estimated amount of $366,394, which represents a $39,652 increase over FY16 due to an increased number of accounts. The funding sources for this contract will be the Treasury Division Account 140401-61002 in the amount of approximately $323,644 for the non-Mineral accounts, and the General Gas Lease Fund 3095 in the amount of approximately $42,750 for the Mineral accounts.

3. FY17 Tarrant County BID Assessment Collection Agreement **(MO#05242016-004)**
Authorize the City Manager or his designee to execute an Agreement for the Collection of Business Improvement District (BID) assessments with Tarrant County Tax Assessor-Collector and Tarrant County relative to assessment and collection services of special assessments for the Arlington Downtown BID, in the estimated amount of $380 for the 2016 Tax Year. Funding is available in Arlington Downtown BID Account No. 3028-480701-61002, subject to FY17 BID adoption and budget approval.

4. Renewal and Extension of Professional Services Contract for Employee Benefit Plan Administration and Insurance **(MO#05242016-005)**
Authorize the City Manager or his designee to exercise the option to renew and extend the professional services contract for employee benefit plan administration and insurance with United HealthCare Group of Plano, Texas, in the estimated annual amount of $1,055,822 and execute any and all documents necessary to carry out such contract. Funds are budgeted in Group Health Fund Account No. 520101-64008.

5. Renewal of Annual Requirements Contract for Security Guard Services for the City Tower, Bid Project 15-0080 **(MO#05242016-006)**
Authorize the City Manager or his designee to exercise the first of four, one-year renewal options in the contract for security guard services with Tex 1 Security, Inc., dba Texas Star Security of Waco, Texas in the estimated amount of $77,700, and execute any and all

documents necessary to carry out such renewal. Funds are budgeted in Police Department Operations Account No. 810901-61006.

6. Annual Requirements Contract for Law Enforcement Uniforms, Bid Project 16-0082 **(MO#05242016-007)**
Authorize the City Manager or his designee to execute an annual requirements contract for law enforcement uniforms with Miller Uniforms & Emblems, Inc. of Austin, Texas through the Texas Local Government Purchasing Program in the estimated amount of $125,000, and execute any and all documents necessary to carry out such contract. Funds are budgeted in Police Department Operations Account No. 810301-60003.

7. Annual Requirements Contract for Portable Toilet Rental & Maintenance, Bid Project 16-0109 **(MO#05242016-008)**
Authorize the City Manager or his designee to execute an annual requirements contract for portable toilet rental and maintenance with MMG Building & Construction Services of Forest Hill, Texas in the estimated amount of $51,227, and execute any and all documents necessary to carry out such contract. Funds are budgeted in various departmental accounts.

8. Annual Requirements Contract for Trenchless Water Main Improvements, Bid Project 16-0124 **(MO#05242016-009)**
Authorize the City Manager or his designee to approve an annual requirements contract for trenchless water main improvements with Murphy Pipeline Contractors, Inc., of Jacksonville, Florida through an interlocal cooperative purchasing agreement with the Allied States Cooperative in the estimated amount of $2,900,000, and execute any and all documents necessary to carry out such contract. Funds are budgeted in Water Bond Fund 658502-18141205-68252.

Councilmember R. Shepard made a motion to table a minute order authorizing the City Manager or his designee to approve an annual requirements contract for trenchless water main improvements with Murphy Pipeline Contractors, Inc., of Jacksonville, Florida through an interlocal cooperative purchasing agreement with the Allied States Cooperative in the estimated amount of $2,900,000, and execute any and all documents necessary to carry out such contract. Seconded by Councilmember L. Wolff, the motion carried with 9 ayes and 0 nays.

9. Annual Requirements Contract for the Fuel Card Services Program, Bid Project 16-0125 **(MO#05242016-010)**
Authorize the City Manager or his designee to approve a contract for Wright Express Universal Fleet fuel card services with Mansfield Oil Company of Gainesville, Georgia, through the Interlocal Agreement with the City of Plano in an estimated amount of $1,110,000, and execute any and all documents necessary to carry out such contract. Funds are budgeted in Fleet Services Account No. 790101-60018.

10. Annual Requirements Contract for LED Streetlights, Bid Project 16-0121 **(MO#05242016-011)**
Authorize the City Manager or his designee to execute an annual requirements contract for the purchase of LED Streetlights with Graybar Electrical Company, Inc. of Fort Worth, Texas, through the U.S. Communities Government Purchasing Alliance (U.S. Communities) in the estimated amount of $200,000, and execute any and all documents necessary to

carry out such contract. Funds are budgeted in Maintenance of Parking and Streetlights Account No. 720106-63119.

11. Engineering Services Contract for Sanitary Sewer Flow Monitoring, Project No. WUEN16001 **(MO#05242016-012)**
Authorizing the City Manager or his designee to execute an Engineering Services Contract with Burgess & Niple, Inc. of Austin, Texas, for Sanitary Sewer Flow Monitoring in the amount not to exceed $197,779. Funding is available in the Sanitary Sewer Bond Fund Account No. 648502-18130205-61043.

12. Engineering Services Contract for Eden Road (U.S. Highway 287 to Calender Road); Project No. PWST16008 **(MO#05242016-013)**
Authorizing the City Manager or his designee to execute an Engineering Services Contract with Wier & Associates, Inc. of Arlington, Texas, for the design of the Eden Road (U.S. Highway 287 to Calender Road) in an amount not to exceed $877,300. Funding is available in the Street Bond Fund Account No. 358504-61043-65840698 [$851,500] and Water Bond Fund Account No. 658502-61043-18135205 [$25,800].

13. Engineering Services Contract for 2014 Residential Street Rebuilds (Phase III); Project No. PWST16001 **(MO#05242016-014)**
Authorizing the City Manager or his designee to execute an Engineering Services Contract with Dunaway Associates L.P. of Fort Worth, Texas, for the design of the 2014 Residential Street Rebuilds (Phase III) in an amount not to exceed $305,217. Funding is available in the following accounts: Street Bond Fund Account No. 358504-61043-65870698 [$275,517], Water Bond Fund Account No. 658502-61043-18137205 [$20,000], and Sanitary Sewer Bond Fund Account No. 648502-61043-17969204 [$9,700].

14. Engineering Services Contract for 2016 Residential Street Rebuilds (Phase I); Project No. PWST16004 **(MO#05242016-015)**
Authorizing the City Manager or his designee to execute an Engineering Services Contract with Elder Engineering, Inc., of Mansfield, Texas, for the design of the 2016 Residential Street Rebuilds, Phase I, in an amount not to exceed $174,430. Funding is available in the Street Bond Fund Account No. 358504-61043-65790698 [$138,800] and Sanitary Sewer Bond Fund Account No. 648502-61042-17965204 [$35,630].

15. Professional Services Contract for the New Central Library, Council Chambers/Community Room Facility; Project No. CMLI14004
**(MO#05242016-016)**
Authorizing the City Manager or his designee to execute a Professional Services Contract with Fugro Consultants Inc., of Dallas, Texas, for Construction Materials Testing Services for the new Central Library, Council Chambers, and Community Room Facility in an amount not to exceed $137,394. Funding is available in the Library Capital Bond Account No. 968501-61002-89501199 [$120,907] and Library Capital Bond Fund Account No. 968501-61002-89511199 [$16,487].

16. Rush Creek at Bowen Road Erosion and Scour Protection; Project No. PWDR16001
**(MO#05242016-017)**
Authorizing the City Manager or his designee to execute an Engineering Services contract with Huitt-Zollars, Inc., of Fort Worth, Texas, for the Rush Creek and Bowen Road Erosion

and Scour Investigation in an amount not to exceed $121,769.78. Funding is available in the Storm Water Utility Fund Account No. 308501-61043-11130199.

17. Purchase of 13 Chevrolet Tahoes, Bid Project 16-0126 **(MO#05242016-018)**
Authorize the City Manager or his designee to purchase 13 Chevrolet Tahoes with Caldwell Country Chevrolet of Caldwell, Texas, through the Texas Local Government Purchasing Cooperative (TLGPC) in the estimated amount of $471,185, and execute any and all documents necessary to carry out such purchase. Funds are budgeted in Fleet Services Administration Account No. 790101-68200.

18. Purchase and Installation of New Surface Material for Miracle Field, Bid Project 16-0129 **(MO#05242016-019)**
Authorize the City Manager or his designee to purchase and install specialized surface material at Miracle Field from Landscape Structures, Inc. of Delano, Minnesota through the Houston-Galveston Area Council (H-GAC) Cooperative Purchasing Program in the estimated amount of $151,427.25, and execute any and all documents necessary to carry out such purchase. Funds are available in Field Enhancement Account No. 508503-68101-53550599.

**B. Consent Agenda Ordinances - Final Readings**

1. Zoning Case PD15-13 (Dial Independent Living - 131 and 175 East Bardin Road)
Consider a request for a change in the zoning of property to Planned Development (PD) for limited Community Commercial (CC) uses plus an Independent Senior Living facility, with a Development Plan on approximately 9.089 acres zoned Community Commercial (CC) and generally located north of East Bardin Road and east of Matlock Road. Final reading of an ordinance changing the zoning classification on certain property known as 131 and 175 East Bardin Road to Planned Development (PD) for limited Community Commercial (CC) uses plus an Independent Senior Living facility, with a Development Plan and amending the Zoning District Map accordingly.

**ORDINANCE NO. 16-027**

**C. Consent Agenda Resolutions**

1. Police Intelligence Consultant Contract
A resolution authorizing the execution of a retroactive Consultant Contract with Michael K. Winograd relative to intelligence consultant services for the Arlington Tactical Intelligence Unit, for an amount not to exceed $36,000.

Funding is available in Urban-Area Security Initiative (UASI grant) Account No. 228601-60014-228927.

**RESOLUTION NO. 16-084**

2. Authorize the Request for Proposal (RFP) Procurement Method for Employee Wellness Clinic Services, Bid Project 16-0117
A resolution authorizing the competitive sealed proposal (Request for Proposal) procurement method for an employee wellness clinic service.

**RESOLUTION NO. 16-085**

3. Continued Participation in the Oncor Cities Steering Committee and Payment of the Participation Fee
A resolution authorizing continued participation with the Oncor Cities Steering Committee; and authorizing the payment of 11 cents per capita to the Steering Committee to fund regulatory and legal proceedings and activities related to Oncor Electric Delivery Company, LLC.

Funding is available in Account No. 1000-61014.

**RESOLUTION NO. 16-086**

4. Stadium Drive (Abram Street to Division Street) - BSL, Inc. Project No. PWST09001
A resolution authorizing the settlement of five condemnation cases for the acquisition of street easements and temporary construction easements in, under, and through land situated in the Joel Blackwell Survey, Abstract No. 147, Tarrant County, Texas, being out of Block 4, Hillview Addition, and generally known as 122, 118, 114, 110, and 134 Stadium Drive in the City of Arlington, Tarrant County, Texas, for the Stadium Drive (Abram Street to Division Street) street reconstruction project.

Funding is available in Street Bond Funds Account No. 358504-68000-65240698.

**RESOLUTION NO. 16-087**

5. Loan Forgiveness Agreement with the Texas Water Development Board relative to the Issuance of Water and Wastewater Revenue Bonds, Series 2016
A resolution by the City Council of the City of Arlington, Texas approving a loan forgiveness agreement with the Texas Water Development Board and Authorizing the Mayor as the designated representative of the City to execute the loan forgiveness agreement for funding in the amount of $359,700; and approving other matters related thereto.

**RESOLUTION NO. 16-088**

## IX. ITEMS TO BE WITHDRAWN FROM THE CONSENT AGENDA

## X. CONSIDER AND VOTE ON WITHDRAWN ITEMS

Item No. VIII.A.8 was removed from the Consent agenda for separate consideration.

## XI. PUBLIC HEARINGS: ORDINANCES FIRST READING

### A. Public Hearing - Ordinances First Reading

1. (CONTINUED) Zoning Case PD14-9R (Legends Express Car Wash - 5521, 5523 and 5525 South Cooper Street)
Following the public hearing, consider a request to revise the zoning of property to Planned Development (PD) for Community Commercial (CC) uses plus a Car Wash and a commercial kennel with an outside run, with a Development Plan on approximately 3.002 acres zoned Planned Development (PD) for Community Commercial (CC) uses plus a Car Wash, with a Development Plan and generally located north of West Nathan Lowe Road

and east of South Cooper Street.

ORDINANCE FIRST READING
First reading of an ordinance changing the zoning classification on certain property known as 5521, 5523 and 5525 South Cooper Street to Planned Development (PD) for Community Commercial (CC) uses plus a car wash and an outside run for a commercial kennel, with a Development Plan and amending the Zoning District Map accordingly.

The public hearing was continued to August 2, 2016 at the applicant's request.

CONTINUED

## XII. ORDINANCES - FIRST AND/OR FINAL READINGS

### A. Ordinances- First Reading

1. Settlement with Atmos Energy Corp., Mid-Tex Division regarding the Atmos Mid-Tex 2016 Rate Review Mechanism filing
First reading of an ordinance approving a negotiated settlement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-Tex Division regarding the company's 2016 Rate Review Mechanism filings; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement; finding the rates to be set by the settlement tariffs to be just and reasonable and in the public interest; requiring the company to reimburse ACSC's reasonable ratemaking expenses; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meetings Act; adopting a savings clause; declaring an effective date; and requiring delivery of this ordinance to the company and the ACSC's legal counsel.

David Barber, Assistant City Attorney, presented the proposed ordinance to Council.

Councilmember S. Capehart made a motion to approve first reading of an ordinance approving a negotiated settlement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-Tex Division regarding the company's 2016 Rate Review Mechanism filings; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement; finding the rates to be set by the settlement tariffs to be just and reasonable and in the public interest; requiring the company to reimburse ACSC's reasonable ratemaking expenses; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meetings Act; adopting a savings clause; declaring an effective date; and requiring delivery of this ordinance to the company and the ACSC's legal counsel. Seconded by Councilmember R. Shepard, the motion carried with 9 ayes and 0 nays.

FIRST READING

## XIII. CONSIDERATION TO CALL A PUBLIC HEARING

### A. Calling a Public Hearing - Resolutions:

1. Youth Programs Standards of Care
A resolution calling for a public hearing relative to the adoption of Standards of Care for elementary age recreation program to be operated by the City of Arlington Parks and Recreation Department.

Lemuel Randolph, Director, Parks and Recreation Department, presented the proposed resolution to Council.

Councilmember K. Wilemon made a motion to approve a resolution calling for a public hearing relative to the adoption of Standards of Care for elementary age recreation program to be operated by the City of Arlington Parks and Recreation Department. Seconded by Councilmember L. Wolff, the motion carried with 9 ayes and 0 nays.

**RESOLUTION 16-089**

## XIV. RESOLUTIONS

### A. Resolutions:

1. Texas Rangers Complex Development Project

   a. Designating a Sports and Community Venue Project
   A resolution designating and providing for the Texas Rangers Complex Development Project as a Sports and Community Venue Project and designating the methods of financing the Texas Rangers Complex Development Project pursuant to Chapter 334, Texas Local Government Code.

   b. Master Agreement for Ballpark Complex Project
   A resolution authorizing the City Manager or his designee to execute a Master Agreement by and between Rangers Baseball, LLC and the City of Arlington, Texas relative to the Ballpark Complex Project.

Trey Yelverton, City Manager, presented the proposed resolutions to Council.

Richard Greene, 2114 Crosscreek Ct., 76017; Robert Kimbel, 1301 Blue Lake Blvd., 76005; Suzanne Taylor, 2209 Ventnor Ct., 76011; Christian Hibbs, 2326 W. Pleasant Ridge Rd., 76015; John Hibbs, 4006 Falcon Lake Dr., 76016; Donna Reinsch, 603 Atlee Ct., 76006; Kelly Curnutt, 505 S. Fielder Rd., 76013; Nick Stanley, 600 Country Green Ln., 76011; Craig Ownby, 7106 Lighthouse Rd., 76002; Michael Jacobson, 703 Findlay Dr., 76012; Blake Barry, 604 Lincoln Ct., 76005; Linda Dipert, 1512 Killian Dr., 76013; Carole Hoyer, 2206 Racquet Club Ct., 76017; Tim Beary, 3801 Ivywood Ct., 76016; and Ruby Woolridge, 2001 Norwood Ln., 76013, appeared in support of the proposed resolutions.
Forty individuals registered in support of the proposed resolutions. Jane Lynn, 2403 Havenwood Dr., 76018; Anthony Nagy, 1000 Curtis Ct., 76012; Sanjiv Awasthi; Warren Norred, 2803 Zinfandel, 76001; Zack Maxwell, 2449 S. Graham Dr., 76013; and Ed Pischedda, 76012 appeared in opposition of the proposed resolutions. Four individuals registered in opposition of the proposed resolutions.

Councilmember J. Bennett made a motion to approve a resolution designating and providing for the Texas Rangers Complex Development Project as a Sports and Community Venue Project and designating the methods of financing the Texas Rangers Complex Development Project pursuant to Chapter 334, Texas Local Government Code. Seconded by Councilmember R. Rivera, the motion carried with 9 ayes and 0 nays.

Councilmember J. Bennett made a motion to approve a resolution authorizing the City Manager or his designee to execute a Master Agreement by and between Rangers Baseball, LLC and the City of Arlington, Texas relative to the Ballpark Complex Project. Seconded by Councilmember S. Capehart, the motion carried with 9 ayes and 0 nays.

**RESOLUTION 16-090**

**RESOLUTION 16-091**

**2. Stonegate Improvements Agreement**
**A resolution authorizing the City Manager or his designee to execute the Stonegate Improvements Agreement by and between Ballpark Parking Partners LLC and the City of Arlington, Texas.**

Trey Yelverton, City Manager, presented the proposed resolution to Council.

Councilmember J. Bennett made a motion to approve a resolution authorizing the City Manager or his designee to execute the Stonegate Improvements Agreement by and between Ballpark Parking Partners LLC and the City of Arlington, Texas. Seconded by Councilmember R. Shepard, the motion carried with 9 ayes and 0 nays.

**RESOLUTION 16-092**

## XV. ADMINISTERING THE OATHS OF OFFICE

Mary W. Supino, City Secretary, administered the Oaths of Office to the following:

Councilmember Charlie Parker, District 1
Councilmember Sheri Capehart, District 2
Councilmember Robert P. Shepard, District 8

Mary Tom Curnutt, Justice of the Peace Precinct 2, administered the Oath of Office to the newly elected Victoria Farrar-Myers, Councilmember District 7.

## XVI. ANNOUNCEMENTS

## XVII. CITIZEN PARTICIPATION

There being no further business, the meeting adjourned at 9:51 p.m.

APPROVED:

W. Jeff Williams, Mayor

ATTEST:

Mary W. Supino, City Secretary

# Staff Report

| Purchase and Installation of Wall Coverings for Arlington Convention Center Operable Doors, Bid Project 16-0098 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorize the City Manager or his designee to approve the purchase and installation of new wall coverings for the Arlington Convention Center operable walls with Gomez Floor Covering, Inc. of Dallas, Texas in the estimated amount of $130,000.

**PRIOR BOARD OR COUNCIL ACTION**

None.

**ANALYSIS**

This contract is for the purchase and installation of new wall coverings for the operable walls at the Arlington Convention Center. The operable walls are original to the building and were installed in 1985. Each wall panel has three sections of carpet. The middle section was replaced in 1999 when the Grand Hall was built. The other two sections of carpet are original to the 1985 construction. Work will be scheduled based on the occupancy of events in the building and will be a turnkey job to include all labor, materials and equipment needed to complete the work.

| | |
|---|---|
| Bid closed: | March 31, 2016, 2:00 pm |
| Vendors notified through Demand Star: | 83 |
| Vendors notified through Supplier Portal: | 199 |
| Bids received: | 4 |

| VENDOR | MWBE | TOTAL |
|---|---|---|
| **Gomez Floor Coverings, Inc<br>Dallas, Texas** | Yes* | **$130,000** |
| Hutcherson Construction, Inc.<br>Arlington, Texas | No | $162,300 |
| Hufcor, Inc.<br>Dallas, Texas | No | $173,506.90 |
| Concord Commercial Services, Inc.<br>Balch Springs, Texas | No | $298,080 |

* Hispanic Owned

**FINANCIAL IMPACT**

Gomez Floor Covering, Inc. returned the lowest responsive bid in the amount of $130,000. The Convention Center and the Purchasing Division agree that Gomez Floor Covering, Inc. met the bid specification requirements. This is a one-time purchase; therefore, no financial impact is anticipated in future fiscal years directly related to this purchase.

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $130,000 | $0 | $0 |

Funds are budgeted in the Convention Center 2016 Ancillary Projects Account No. 970107-63101.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | None |
| Under separate cover: | None |
| Available in the Purchasing Division: | Bid file |
| Notarized Form 1295: | Yes |

**STAFF CONTACT(S)**


| | | |
|---|---|---|
| Mark Wisness, Director | Will Velasco, CPPB | Mike Finley |
| Convention Center | Purchasing Agent | Director of Finance |
| 817-459-5000 | 817-459-6302 | 817-459-6345 |
| Mark.Wisness@arlingtontx.gov | Will.Velasco@arlingtontx.gov | Mike.Finley@arlingtontx.gov |

# Staff Report

| Purchase & Installation of HVAC Boilers for Arlington Convention Center, Bid Project 16-0133 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorize the City Manager or his designee to approve the purchase and installation of new HVAC Boilers at the Arlington Convention Center with Entech Sales & Service of Haltom City, Texas through the Texas Local Government Purchasing Cooperative (TLGPC) in the estimated amount of $131,500.

**PRIOR BOARD OR COUNCIL ACTION**

On June 25, 2002, the City Council passed Resolution 02-314, authorizing the City of Arlington to participate in the TLGPC.

**ANALYSIS**

This is for the purchase and installation of a new hot water heating system at the Arlington Convention Center. The old boilers are original to the building and were installed in 1985. They will be completely removed and replaced with three new H7-1003A boilers. The new boilers will be scalable which will allow them to have higher energy efficiency than the original boilers. This is a turnkey project to include all installation, labor, and materials needed to remove the old units and install the new system.

**FINANCIAL IMPACT**

Utilizing the agreement with TLGPC was determined to be the most cost-effective method for purchasing and installing the new heating system. Entech Sales & Service is under contract with TLGPC and will install the new boilers in the estimated amount of $131,500. This is a one-time purchase and no significant financial impact is anticipated in future fiscal years directly related to this purchase.

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $131,500 | $0 | $0 |

Funds are budgeted in the Convention Center 2016 Ancillary Projects Account No. 970107-63101.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | None |
| Under separate cover: | None |
| Available in the Purchasing office: | Bid file |
| 1295 Form: | Yes |
| MWBE: | No |

**STAFF CONTACT(S)**


Mark Wisness, Director
Convention Center
817-459-5000
Mark.Wisness@arlingtontx.gov

Will Velasco, CPPB
Purchasing Agent
817-459-6302
Will.Velasco@arlingtontx.gov

Mike Finley
Director of Finance
817-459-6345
Mike.Finley@arlingtontx.gov

# Staff Report

| Purchase of Four (4) Vehicles, Bid Project 16-0131 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorize the City Manager or his designee to approve the purchase of four (4) vehicles in the total amount of $109,464.

- Two (2) 2016 Dodge Charger Sedans for the Police Department, to be purchased with Freedom Chrysler Dodge Jeep Ram of Dallas, Texas, through the Houston-Galveston Area Council (H-GAC) Cooperative Purchasing Program in the amount of $51,830.
- Two (2) 2017 Chevrolet 2500 Express Passenger Vans for the Police and Parks and Recreations Departments, to be purchased with Caldwell County Chevrolet of Caldwell, Texas, through the Texas Local Government Purchasing Cooperative (TLGPC) in the amount of $57,634.

**PRIOR BOARD OR COUNCIL ACTION**

On June 24, 1997, the City Council passed Resolution 97-411, authorizing the City of Arlington to participate in the H-GAC Cooperative Purchasing Program.

On June 25, 2002, the City Council passed Resolution 02-314, authorizing the City of Arlington to participate in the TLGPC.

**ANALYSIS**

This purchase is for four (4) vehicles for the Police and Parks and Recreations Departments. The new vehicles will replace existing vehicles that exceed specified useful service life. The City's fleet management contract defines replacement parameters (age and usage) for every vehicle in the fleet. The City risks increased annual maintenance cost and penalties under the contract with Centerra Integrated Services, LLC, if aged fleet is not replaced.

All new vehicles meet the most current U.S. EPA's Emission standards for pollutant emissions for both gasoline and diesel engines.

**FINANCIAL IMPACT**

Caldwell Country Chevrolet of Caldwell, Texas, is under contract with the TLGPC, and Freedom Chrysler Dodge Jeep Ram of Dallas, Texas, is under contract with H-GAC Cooperative Purchasing Program. The replacement vehicles will be provided for a total estimated amount of $109,464. This is a one-time purchase. No additional maintenance and fuel costs will be incurred for the replacement vehicles. The projected three-year financial impact is as follows:

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $109,464 | $0 | $0 |

Funds are budgeted in Fleet Services Administration Account No. 790101-68200.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Vehicle Replacement List |
| Under separate cover: | None |
| Available in the Purchasing office: | Bid file |
| Notarized 1295 Form | Yes |
| MWBE: | No |

**STAFF CONTACT(S)**


| | | |
|---|---|---|
| David Wynn, P.E., Interim Director | Will Velasco, CPPB | Mike Finley |
| Public Works & Transportation | Purchasing Agent | Director of Finance |
| 817-459-6560 | 817-459-6303 | 817-459-6345 |
| David.Wynn@arlingtontx.gov | Will.Velasco@arlingtontx.gov | Mike.Finley@arlingtontx.gov |

| 2016-2017 Vehicle Replacement List | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | Current |
| Unit # | Dept. | Year | Make | Model | Description | Mileage |
| | | | | | | |
| 2780 | APD-Victim Services | 2006 | FORD | E-150 | VAN PASSENGER 8 | 55,085 |
| 2781 | Parks-Dottie Lynn Rec. Center | 2006 | FORD | E-350 | VAN PASSENGER 12 | 33,284 |
| 530 | APD-Operations Support | 2009 | DODGE | CHARGER HEMI | PD CHARGER HEMI | 118,449 |
| 539 | APD-West Division | 2009 | DODGE | CHARGER V6 | PD CHARGER V6 | 106,530 |

# Staff Report

| Negotiate and Execute a Contract for Electricity Supply, Bid Project 16-0134 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorize the City Manager or his designee to negotiate and execute either a 7-year or 9-year contract for Electricity Supply for the City of Arlington with one of the following companies for an estimated total amount of $55,000,000.

- Reliant Energy of Houston, Texas
- Texas General Land Office (GLO) of Austin, Texas
- TXU of Irving, Texas

**PRIOR BOARD OR COUNCIL ACTION**

On April 12, 2016, City Council approved Minute Order MO04122016-016, authorizing the City Manager or his designee to execute a contract with Priority Power Management, LLC, (PPM) of Arlington, Texas, for professional consulting services for electric power consulting services in the estimated amount of $37,500.

**ANALYSIS**

An RFP was issued by Priority Power Management, LLC to solicit responses from various firms experienced with providing electricity supply ERCOT territory meters owned and managed by COA. Proposals were evaluated based on the following criteria:

- Pricing 70%
- Billing Capabilities 7.5%
- Service Rating 7.5%
- Financial Rating 5.0%
- Contract Language 5.0%
- Usage Flexibility 2.5%
- MWBE 2.5%

Eleven electric providers were queried and of the seven responding firms, the top three firms were selected to negotiate and submit final and best pricing. Due to the fast-paced, volatile nature of electric rates and the need to capture the best rate immediately, the City will simultaneously request both 7-year and 9-year locked-in rates from the firms and execute the contract with a single provider based on the best long-term solution for the City.

**FINANCIAL IMPACT**

This contract is for electricity supply for the City of Arlington. The electric supplier chosen after negotiation is anticipated to provide an approximate yearly cost savings of $2.5M over current expenditures.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attachments: | None |
| Under separate cover: | None |
| Available in the Purchasing Division: | Consultant Contract Documents |
| MWBE: | No |

**STAFF CONTACT(S)**


| | | |
|---|---|---|
| Mike Finley | Stephen Harper | Debra Carrejo |
| Director of Finance | Budget Administrator | Purchasing Manager |
| 817-459-6345 | 817-459-6388 | 817-459-6305 |
| Mike.Finley@arlingtontx.gov | Stephen.Harper@arlingtontx.gov | Debra.Carrejo@arlingtontx.gov |

# Staff Report

| Renewal of Annual Requirements Contract for Newspaper Advertising, Bid Project 14-0156 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorize the City Manager or his designee to exercise the second of four, one-year renewal options in the contract for newspaper advertising with Fort Worth Star-Telegram of Fort Worth, Texas in the estimated amount of $108,645.50.

**PRIOR BOARD OR COUNCIL ACTION**

On June 24, 2014, City Council approved Minute Order MO06242014-001, executing an annual requirements contract for newspaper advertising with Fort Worth Star-Telegram in the estimated amount of $108,645.50.

On June 16, 2015, City Council approved MO06162015-008 exercising the first of four, one-year renewal options in the contract for newspaper advertising with Fort Worth Star-Telegram in the estimated amount of $108,645.50.

**ANALYSIS**

This contract is for advertising in the Fort Worth Star-Telegram newspaper. The contract includes various legal notices and ordinances passed by the City Council, notice of public hearings, display advertising and employment ads to be printed in a hardcopy form and electronically. Advertisements are published in the local paper, which allows citizens a reasonable opportunity to examine, comment, inquire or respond.

| | |
|---|---|
| Original contract term: | One year/four one-year renewal options |
| Current term: | Second renewal (July 1, 2016 – June 30, 2017) |

**FINANCIAL IMPACT**

The Purchasing Division has determined that it is in the City's best interest to renew the contract for an additional term. The contract term is for one year and will be reviewed annually to determine subsequent renewal terms.

In accordance with specifications, the Purchasing Division has received a letter from the Fort Worth Star-Telegram requesting the second renewal at the current pricing. The projected financial impact for this contract term is as follows:

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $27,161.37 | $81,484.13 | $0 |

Funds are budgeted in various departmental accounts.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | None |
| Under separate cover: | None |
| Available in the Purchasing Division: | Bid file |
| Notarized Form 1295: | Yes |
| MWBE: | No |

**STAFF CONTACT(S)**

Mike Finley
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Janice Hughes, CPPB
Sr. Purchasing Agent
817-459-6304
Janice.Hughes@arlingtontx.gov

# Staff Report

| Renewal of Annual Requirements Contracts for Electrical Services, Bid Project 15-0088 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorize the City Manager or his designee to exercise the first of four, one-year renewal options in the contract for electrical services with Nema 3 Electric, Inc. of Midlothian, Texas, the estimated amount of $53,375 and Pinnacle Electric, Inc. of Fort Worth, Texas in the estimated amount of $62,300 for a total estimated amount of $115,675.

**PRIOR BOARD OR COUNCIL ACTION**

On August 4, 2015, City Council approved MO08042015-005 executing an annual requirements contract for electrical services with Nema 3 Electric, Inc. in the estimated amount of $43,375 and Pinnacle Electric, Inc. in the estimated amount of $52,300 for a total estimated amount of $95,675.

**ANALYSIS**

These contracts are for electrical services for the Parks and Recreation Department. These various electrical services will be issued on an as needed basis and shall include all labor, materials, miscellaneous parts, equipment and tools needed to complete the services as contracted. Other City departments may use this contract on an as needed basis. The contract amount is greater than previous contract due to unforeseen repairs and services having to be included.

| | |
|---|---|
| Original contract term: | One year/four, one year renewal options |
| Current term: | First renewal (June 8, 2016 – May 31, 2017) |

**FINANCIAL IMPACT**

The Parks and Recreation Department and the Purchasing Division have determined that it is within the City's best interest to renew these contracts early for an additional term. This contract term is for one year, and will be reviewed annually to determine subsequent renewal terms.

In accordance with the bid specifications, the Purchasing Division has received a letter from Nema 3 Electric, Inc. and Pinnacle Electric, Inc. requesting the first renewal at the current pricing. The projected financial impact for these contracts term is as follows:

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $38,558.33 | $77,116.67 | $0 |

Funds are budgeted in various departmental accounts.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | None |
| Under separate cover: | None |
| Available in the Purchasing Division: | Bid file |
| Form 1295 Notarized: | Yes |
| MWBE: | No – Nema 3 Electric<br>Yes – Pinnacle Electric |

**STAFF CONTACT(S)**


| | | |
|---|---|---|
| Lemuel Randolph | Will Velasco, CPPB | Mike Finley |
| Director of Parks & Recreation | Purchasing Agent | Director of Finance |
| 817-459-5479 | 817-459-6302 | 817-459-6345 |
| Lemuel.Randolph@arlingtontx.gov | Will.Velasco@arlingtontx.gov | Mike.Finley@arlingtontx.gov |

# Staff Report

| Annual Requirements Contract for Digital Media Collection On-Line Services, Bid Project 16-0104 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorize the City Manager or his designee to approve the annual requirements contract for the sole-source purchase of Overdrive Digital Library Reserve digital media collection on-line services with OverDrive, Inc. of Cleveland, Ohio, in the estimated amount of $195,000.

**PRIOR BOARD OR COUNCIL ACTION**

None.

**ANALYSIS**

Digital Library Reserved digital media collection on-line service enables patrons to download digital content materials, i.e., popular audio books and eBooks via the library's website for up to 21 days. This web-based resource is available to patrons at various library branches throughout the City and can also be accessed from home 24 hours a day/7 days a week.

This purchase includes the annual platform fee for the service ($10,000) and the on-going acquisition of additional digital media to enhance and increase the collection. It is anticipated that demand for downloadable materials will only continue to increase as the public obtains smart phones, tablets, laptops, MP3 players, and computers.

OverDrive Inc. of Cleveland, Ohio, is the only source for this selection of digital media through their platform; therefore, it is exempt from the competitive bidding statutes in accordance with the Texas Local Government Code, Section 252.022 as sole-source procurement.

Contract term: June 1, 2016 through May 31, 2017

**FINANCIAL IMPACT**

OverDrive Inc. of Cleveland, Ohio, will provide Overdrive Digital Library Reserve digital media collection on-line services and selected downloaded materials for an estimated amount of $195,000. This is a one-year contract that is reviewed and renewed annually. The projected financial impact for the contract term is as follows:

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $65,000 | $130,000 | $0 |

Funds are budgeted in Library Materials Account No. 960301-60015.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | None |
| Under separate cover: | None |
| Available in the Purchasing Division: | Bid file |
| Notarized Form 1295: | Yes |
| MWBE: | No |

**STAFF CONTACT(S)**

Yoko Matsumoto
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Mike Finley
Finance Director
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Mike.Finley@arlingtontx.gov

# Staff Report

| Wellsite Fire Prevention and Control School | |
|---|---|
| City Council Meeting Date: 06-07-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorizing the City Manager or his designee to execute a Professional Services contract with Wild Well Control, Inc. of Houston, Texas for Wellsite Fire Prevention and Control School in an amount not to exceed $50,000 per year for three years for an overall contract total of $150,000.

**PRIOR BOARD OR COUNCIL ACTION**

On June 26, 2012, the City Council approved MO 06262012-002 authorizing a three year contract for gas well response training. The vendor was unable to provide the training as contracted after the second year.

On August 4, 2015, the City Council approved MO 08042015-001 authorizing a three year contract for gas well response training. The vendor fulfilled the first year of training, but is unable to fulfill the two remaining years.

**ANALYSIS**

With the passing of this Minute Order, Wild Well Control, Inc. will provide gas well response preparedness training for firefighters. The overall cost per student will be $2,573.33, with an initial class of fifteen students.

**FINANCIAL IMPACT**

Funding is available in Fire Gas Well Response Account No. 220801-66001.

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $ 50,000 | $ 50,000 | $ 50,000 |

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Contract<br>Exhibit A |
| Under separate cover: | None |
| Available in the City Secretary's Office: | None |

**STAFF CONTACT(S)**


Don Crowson
Fire Chief
817-459-5501
don.crowson@arlingtontx.gov

Bill McQuatters
Assistant Chief/Fire Rescue Operations
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THE STATE OF TEXAS §
§ **Professional Services Contract**
COUNTY OF TARRANT §

THIS CONTRACT is entered into on this _____ day of _____, 2016, by and between the **CITY OF ARLINGTON, TEXAS,** a municipal corporation located in Tarrant County, Texas (hereinafter referred to as "CITY"), acting by and through its City Manager or his designee, and **Wild Well Control, Inc.** (hereinafter referred to as "CONTRACTOR") whose address is 2202 Oil Center Court, Houston, TX 77073.

WHEREAS, CITY desires to obtain professional services relative to training for tactical response and site inspections (related to code compliance, safety and security) specifically for the natural gas industry (hereinafter referred to as "Services"); and

WHEREAS, CONTRACTOR is a firm qualified to provide such Services and is willing to undertake such Services for CITY in exchange for fees hereinafter specified;

NOW, THEREFORE, THAT IN CONSIDERATION of the covenants and agreements hereinafter contained and subject to the terms and conditions hereinafter stated, the parties hereto do mutually agree as follows:

## I.
## Employment of CONTRACTOR

CONTRACTOR will perform as an independent contractor all services under this Contract to the prevailing professional standards consistent with the level of care and skill ordinarily exercised by members of its profession, both public and private, currently practicing in the same locality under similar conditions within the industry, including reasonable, informed judgments and prompt, timely action. If CONTRACTOR is representing that it has special expertise in one or more areas to be utilized in this Contract, then CONTRACTOR agrees to perform those special expertise services to the appropriate local, regional or national professional standards.

## II.
## Scope of Services

CONTRACTOR shall perform such services as are necessary to instruct the members of the Arlington Fire Department in Well Control Incident Management & Control School which is attached hereto as Exhibit "A". Any conflict between the language and term of this contract and the exhibit shall be resolved in favor of the language of this contract.

## III.
## Compensation to CONTRACTOR

CONTRACTOR shall submit periodic statements for services rendered and CITY shall make payments in the amount shown by CONTRACTOR's approved statements

and other documentation submitted. No interest shall accrue for late payments. Each invoice shall show work completed for each class, and the total of the invoice amount as well as running total balance. CITY shall pay all invoices within thirty (30) days after receipt of CONTRACTOR's invoice. All payments shall be made in U.S. Dollars to the address specified on the invoice. If CITY disputes an invoice or any part thereof, CITY shall, within fifteen (15) days after receipt, notify CONTRACTOR of the disputed item and payment of the disputed item may be withheld until settled, but timely payment shall be made on any undisputed portion.

CITY agrees to pay to CONTRACTOR a sum not to exceed $50,000 a year for the training services.

The Scope of Services shall be strictly limited. CITY shall not be required to pay any amount in excess of the original amount unless CITY shall have approved in writing in advance (prior to the performance of additional work) the payment of additional amounts. If at any time it becomes evident that the cost estimates provided to CITY will not be sufficient to complete the authorized instruction, CONTRACTOR will immediately notify CITY in writing of said fact.

## IV.
## Term

This Contract shall begin on the date first written above, and shall terminate three years from that date unless terminated earlier in accordance with this contract.

## V.
## Contract Termination Provision

This Contract may be canceled or terminated at any time by the CITY or the CONTRACTOR with or without cause by providing the other thirty (30) days written notice of such termination. Upon receipt of such notice, all work and labor being performed shall immediately cease, pending final cancellation at the end of such thirty (30) day period. CONTRACTOR shall be compensated in accordance with the terms of this Contract for all work accomplished prior to the receipt of notice of such termination.

## VI.
## Ownership of Documents

All materials and information prepared or assembled by CONTRACTOR under this Contract shall be delivered to the City after the Contractor has made first delivery of each Service in Section II of this Contract for the sole purpose of record keeping by the City for regulatory requirements by the Texas Commission on Fire Protection for continuing education. Unless the training materials were specifically developed and designed for the CITY, such training material shall remain the proprietary information of CONTRACTOR and ownership of such training materials shall remain with CONTRACTOR. However, CITY shall have a royalty free license to duplicate such material for training and educational purposes for those CITY employees and contractors

that have attended training provided by CONTRACTOR. Furthermore, all materials specifically developed and designed for the City contain sensitive Homeland Security information and shall be considered For Official Use Only and protected by the City from public or private use or dissemination under applicable law.

## VII.
## Insurance

A. CONTRACTOR shall, at its own expense, purchase, maintain and keep in force during the term of this Contract such insurance as set forth below. CONTRACTOR shall not commence work under this Contract until CONTRACTOR has obtained all the insurance required under this Contract, nor shall CONTRACTOR allow any subcontractor to commence work on its own subcontract until all similar insurance of the subcontractor has been obtained. All insurance policies provided under this Contract shall be written on an "occurrence" basis. The insurance requirements shall remain in effect throughout the term of this Contract.

1. Worker's Compensation Insurance, statutory limits as required by law; Employers Liability Insurance of not less than $1,000,000.00 for each occurrence, $1,000,000.00 disease-each employee, $1,000,000.00 disease-policy limit.

2. Commercial General Liability Insurance, including Independent Contractor's Liability, Completed Operations and Contractual Liability, covering but not limited to the indemnification provisions of this Contract, fully insuring CONTRACTOR's liability for injury to or death of employees of CITY and third parties, extended to include personal injury liability coverage and for damage to property of third parties, with a combined bodily injury and property damage limit of $1,000,000.00 per occurrence and $2,000,000.00 aggregate.

3. Comprehensive Automobile and Truck Liability Insurance, covering owned, hired and non-owned vehicles, with a combined bodily injury and property damage limit of $1,000,000.00 per occurrence; or separate limits of $250,000 for bodily injury (per person), $500,000 bodily injury (per accident), and $100,000 for property damage.

4. Professional Liability Insurance: CONTRACTOR shall obtain and maintain at all times during the prosecution of the work under this Contract professional liability insurance. Limits of liability shall be $1,000,000.00 per occurrence and $2,000,000.00 aggregate. Any such policy of insurance and the Declarations Page therefore shall identify if coverage is being provided on an "occurrence"

B. Each insurance policy to be furnished by CONTRACTOR shall include the following conditions by endorsement to the policy:

1. Name CITY as an additional insured as to all applicable coverage, except worker's compensation and professional liability insurance;

2. Each policy will <u>require</u> that thirty (30) days prior to the expiration, cancellation, non-renewal or any material change in coverage, a notice thereof shall be given to CITY by certified mail to:

   Risk Manager
   City of Arlington MS# 63-0830
   Post Office Box 90231
   Arlington, Texas 76004-3231

   *However, if the policy is canceled for nonpayment of premium, only ten (10) days advance written notice to CITY is required;*

   CONTRACTOR shall also notify CITY within five (5) after receipt of any notices of expiration, cancellation, nonrenewal or any material change in coverage it receives from its insurer(s).

4. All provisions of the Contract concerning liability, together with the indemnification provision shall be underwritten by contractual liability coverage sufficient to include such obligations within applicable policies.

C. Concerning insurance to be furnished by CONTRACTOR, it is a condition precedent to acceptability thereof that:

1. Any policy submitted shall not be subject to limitations, conditions or restrictions deemed inconsistent with the intent of the insurance requirements to be fulfilled by CONTRACTOR. CITY's decision(s) thereon shall be final;

2. All policies are to be written through companies that transact that class of insurance in the State of Texas; and

3. The General and Automobile liability policies required herein shall be written with an "occurrence" basis coverage trigger.

D. CONTRACTOR agrees to the following:

1. CONTRACTOR hereby waives subrogation rights for loss or damage to the extent same are covered by insurance. Insurers shall have no right of recovery or subrogation against CITY, it being the intention that the insurance policies shall protect all parties to this Contract and be primary coverage for all losses covered by the policies;

2. Companies issuing the insurance policies and CONTRACTOR shall have no recourse against CITY for payment of any premiums, or assessments for any deductible, as all such premiums are the sole responsibility and risk of CONTRACTOR;

3. All are included in the contract price and the contract unit prices.

Any of the insurance policies required under this section may be written in combination with any of the others, where legally permitted, but none of the specified limits may be lowered thereby.

The CITY is a governmental entity and has limited liability as provided by statute. CITY is self insured to provide coverage for liabilities as provided by statute. The CITY does have coverage for worker's compensation consistent with state law requirements and will retain same during the term of this contract. CITY shall provide CONTRACTOR with documents evidencing self-insurance and worker's compensation insurance.

## VIII.
## CONTRACTOR's Coordination with CITY

CONTRACTOR shall hold periodic conferences with CITY so that the Services can be performed with the full benefit of the CITY's experience and knowledge of existing needs. CITY shall make the final decision after appropriate approval as to any changes.

## IX.
## Right to Inspect Records

CONTRACTOR agrees that CITY shall, until the expiration of two (2) years after final payment under this Contract, have access to and the right to examine any directly pertinent books, documents, papers and records of CONTRACTOR involving transactions relating to this Contract at CITY's expense. CONTRACTOR agrees that CITY shall have access during normal working hours to all necessary CONTRACTOR facilities and shall be provided adequate and appropriate work space in order to conduct audits in compliance with the provisions of this section. CITY shall give CONTRACTOR reasonable advance notice of intended audits.

CONTRACTOR further agrees to include in subcontract(s), if any, a provision that any subcontractor or engineer agrees that CITY shall, until the expiration of two (2) years after final payment under any subcontract, have access to and the right to examine any directly pertinent books, documents, papers and records of such sub-contractor involving transactions to the subcontract; and further, that CITY shall have access during normal working hours to all such sub-contractor facilities and shall be provided adequate and appropriate work space, in order to conduct audits in compliance with the provisions

of this paragraph. CITY shall give any such sub-contractor reasonable advance notice of intended audits.

## X.
## Successors and Assigns

CITY and CONTRACTOR each bind themselves and their successors, executors, administrators and assigns to the other party to this Contract and to the successors, executors, administrators and assigns of such other party in respect to all covenants of this Contract. Neither CITY nor CONTRACTOR shall assign or transfer its interest herein without the prior written consent of the other.

## XI.
## INDEMNIFICATION

**Each party ("Indemnifying Party") to the extent allowed by law do hereby covenant to indemnify, defend, and hold harmless the other party, its parent company, subsidiaries, affiliates, and their respective officials, officers, agents, employees, subcontractors, and invitee from of all liability, claims, suits, demands or causes of action, including all expenses of litigation and/or settlement, that may arise by reason of death of or injury to persons or damage to or loss of use of property to the extent caused by the Indemnifying Party's sole negligence, contractual comparative negligence, concurrent negligence, gross negligence or willful misconduct in connection with its performance of this Contract. Nothing in this paragraph is intended to waive any defenses of CONTRACTOR or CITY under Texas law. This paragraph shall not be construed for the benefit of any third party, nor does it create or grant any right or cause of action in favor of any third party against CITY or CONTRACTOR.**

## XII.
## Independent Contractor

CONTRACTOR's status shall be that of an Independent Contractor and not an agent, servant, employee or representative of CITY in the performance of this Contract. No term or provision of or act of CONTRACTOR or CITY under this Contract shall be construed as changing that status. CONTRACTOR will have exclusive control of and the exclusive right to control the details of the work performed hereunder, and shall be liable for the acts and omissions of its officers, agents, employees, contractors, subcontractors and engineers and the doctrine of respondeat superior shall not apply as between CITY and CONTRACTOR, its officers, agents, employees, contractors, subcontractors and engineers, and nothing herein shall be construed as creating a partnership or joint enterprise between CITY and CONTRACTOR.

## XIII.
## Default

If at any time during the term of this Contract CONTRACTOR shall fail to commence the work in accordance with the provisions of this Contract or fail to diligently provide services in an efficient, timely and careful manner and in strict accordance with the provisions of this Contract or fail to use an adequate number or quality of personnel to complete the work or fail to perform any of its obligations under this Contract, then CITY shall have the right, if CONTRACTOR shall not cure any such default after seven (7) days written notice thereof, to terminate this Contract. Any such act by CITY shall not be deemed a waiver of any other right or remedy of CITY.

## XIV.
## Changes

CITY may, from time to time, require changes in the scope of services to be performed under this Contract. Such changes as are mutually agreed upon by and between CITY and CONTRACTOR shall be incorporated by written modification to this Contract.

## XV.
## Disclosure

By signing this Contract, CONTRACTOR acknowledges to CITY that it has made full disclosure in writing of any existing conflicts of interest or potential conflicts of interest, including personal financial interests, direct or indirect. CONTRACTOR further agrees that it will make disclosure in writing of any conflicts of interest which develop subsequent to the signing of this Contract and prior to final payment under the Contract.

## XVI.
## Confidential Information

CONTRACTOR hereby acknowledges and agrees that its representatives may have access to or otherwise receive information during the furtherance of its obligations in accordance with this Contract, which is of a confidential, non-public or proprietary nature. CONTRACTOR shall treat any such information received in full confidence and will not disclose or appropriate such Confidential Information for its own use or the use of any third party at any time during or subsequent to this Contract. As used herein, "Confidential Information" means all oral and written information concerning City of Arlington, its affiliates and subsidiaries, and all oral and written information concerning CITY or its activities, that is of a non-public, proprietary or confidential nature including, without limitation, information pertaining to customer lists, services, methods, processes and operating procedures, together with all analyses, compilation, studies or other documents, whether prepared by CONTRACTOR or others, which contain or otherwise reflect such information. The term "Confidential Information" shall not include such materials that are or become generally available to the public other than as a result of

disclosure of CONTRACTOR, or are required to be disclosed by a governmental authority.

## XVII.
## Applicable Law

The CONTRACT is entered into subject to the Arlington City Charter and ordinances of CITY, as same may be amended from time to time, and is subject to and is to be construed, governed and enforced under all applicable State of Texas and federal laws. CONTRACTOR will make any and all reports required per federal, state or local law including, but not limited to, proper reporting to the Internal Revenue Service, as required in accordance with CONTRACTOR's income. Situs of this Contract is agreed to be Tarrant County, Texas, for all purposes, including performance and execution.

## XIII.
## Severability

If any of the terms, sections, subsections, sentences, clauses, phrases, provisions, covenants, conditions or any other part of this Contract are for any reason held to be invalid, void or unenforceable, the remainder of the terms, sections, subsections, sentences, clauses, phrases, provisions, covenants, conditions or any other part of this Contract shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

## XIX.
## Remedies

No right or remedy granted herein or reserved to the parties is exclusive of any other right or remedy herein by law or equity provided or permitted; but each shall be cumulative of every other right or remedy given hereunder. No covenant or condition of this Contract may be waived without written consent of the parties. Forbearance or indulgence by either party shall not constitute a waiver of any covenant or condition to be performed pursuant to this Contract.

## XX.
## Entire Agreement

This Contract embodies the complete agreement of the parties hereto, superseding all oral or written previous and contemporaneous agreements between the parties relating to matters herein, and except as otherwise provided herein cannot be modified without written agreement of the parties.

## XXI.
## Non-Waiver

It is further agreed that one (1) or more instances of forbearance by either party in the exercise of its rights herein shall in no way constitute a waiver thereof.

## XXII.
## Headings

The headings of this Contract are for the convenience of reference only and shall not affect any of the terms and conditions hereof in any manner.

## XXIII.
## Venue

The parties to this Contract agree and covenant that this Contract will be enforceable in Arlington, Texas; and that if legal action is necessary to enforce this Contract, exclusive venue will any appropriate court with jurisdiction in Texas.

## XXIV.
## Equal Employment Opportunity

CONTRACTOR shall not discriminate against any employee or applicant for employment because of race, age, color, religion, sex, disability, ancestry, national origin or place of birth. CONTRACTOR shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment, without regard to their race, age, color, religion, sex, disability, ancestry, national origin or place of birth. This action shall include but not be limited to the following: employment; upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training including apprenticeship.

## XXV.
## No Third Party Beneficiary

For purposes of this Contract, including its intended operation and effect, the parties (CITY and CONTRACTOR) specifically agree and contract that: (1) the Contract only affects matters/disputes between the parties to this Contract, and is in no way intended by the parties to benefit or otherwise affect any third person or entity notwithstanding the fact that such third person or entity may be in contractual relationship with CITY or CONTRACTOR or both; and (2) the terms of this Contract are not intended to release, either by contract or operation of law, any third person or entity from obligations owing by them to either CITY or CONTRACTOR.

IN WITNESS WHEREOF, the parties hereto have set their hands by their representatives duly authorized on the day and year first written above.

_____

BY_____
Printed Name_____
Title _____

WITNESS:

_____

**CITY OF ARLINGTON, TEXAS**

BY_____
Theron Bowman
Deputy City Manager

ATTEST:

_____
Mary W. Supino
City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY_____

THE STATE OF TEXAS §
§ **CONTRACTOR'S**
COUNTY OF TARRANT § **Acknowledgment**

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared **_____.,** known to me (or proved to me on the oath of _____ or through _____ (*description of identity card or other document*)) to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for and as the act and deed of _____ and as Principal thereof, and for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 2016.

_____
Notary Public In and For
The State of Texas

_____ _____
My Commission Expires: Notary's Printed Name

THE STATE OF TEXAS §
§ **CITY OF ARLINGTON, TEXAS**
COUNTY OF TARRANT § **Acknowledgment**

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared **Theron Bowman,** known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for and as the act and deed of the **CITY OF ARLINGTON, TEXAS**, a municipal corporation of the State of Texas, Tarrant County, Texas, and as the **Deputy City Manager** thereof, and for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 2016.

_____
Notary Public In and For
The State of Texas

_____ _____
My Commission Expires: Notary's Printed Name

Exhibit "A"

May 3, 2016

Captain Pedro Arevalo
Special Operations
Arlington Fire Department
206 West Division Street
2nd Floor
Arlington, Texas 76010
Office: 817-6029
Email: **Pedro.Arevalo@arlingtontx.gov**

**SUBJECT:** HSE Training Services – Arlington Fire Department - TX
**REFERENCE:** 2016-P-181 REV. 1

Dear Captain Arevalo:

Pursuant to your recent inquiry, Wild Well (CONTRACTOR) is pleased to present this revised proposal to the Arlington Fire Department (COMPANY) to provide the following HSE Training service:

**Proposed Classes:**

- Well Control Incident Management – Fire Prevention & Control School

Based on the above scope of work, technical details and costs for this project have been prepared for your review and consideration directly following this letter.

Upon review, if you would like to proceed with scheduling the above services, please execute the Letter of Intent at the bottom of this proposal, and either 1) scan and email to proposals@wildwell.com or 2) fax back to my attention at 281-784-4750 so the work may be scheduled as quickly as possible.

We sincerely appreciate your consideration of Wild Well for these services, and if you should have questions or need any additional information to assist your evaluation of our offer, please feel free to contact me at your convenience.

Thank you again and we look forward to working with you and your colleagues soon.

Regards,

*Casey Davis*

Casey Davis
Vice President, HSE
Wild Well

# *HSE TRAINING SERVICES*

## *WELL CONTROL INCIDENT MANAGEMENT – FIRE PREVENTION & CONTROL SCHOOL*

## *ARLINGTON FIRE DEPARTMENT*

*Wild Well Proposal No. 2016-P-181 Rev. 1*

**MAY 2016**

2202 Oil Center Court
Houston, Texas 77073
www.wildwell.com

281 784 4700 (Tel)
281 784 4750 (Fax)
wildwell@wildwell.com

## HSE TRAINING SERVICES QUOTE FOR SERVICES (IN USD)

| ITEM DESCRIPTION | PRICE (USD) |
|---|---|
| **HSE TRAINING SERVICES** | |
| **FIRE PREVENTION & CONTROL SCHOOL**<br>This course covers the skills and competencies that are required to be successful in the role of a well site responder. Students receive the critical knowledge to safely respond to a land fire emergency. The course advances from the tactics for first on-scenes to responding safely and effectively to live fire conditions on full-size rig training equipment.<br>Note: Class size is based on 15 students maximum.<br>Note: Two (2) meals per student included in price per day. | **$33,000** |
| **ADDITIONAL INSTRUCTORS**<br>For the three (3) day class, an additional three (3) Instructors are required for live fire evolutions each day. | **$3,600** |
| **REIMBURSABLE CHARGES** | |
| **EXPENDABLE ITEMS/MATERIALS**<br>For fuel, and any other required expendable items or materials. | **$2,000** |
| **TOTAL** | **$38,600** |

**NOTE: Course dates subject to timing and availability of Contractor's personnel.**

**Minimum notification required for scheduling of courses is two (2) weeks.**

# FIRE PREVENTION & CONTROL SCHOOL FOR MUNICIPAL RESPONDERS

**Course Type:**

HSE Training – Fire Prevention & Control School

**Course Focus:**

Achieving successful outcomes for Oil and Gas Well Emergencies

**Course Description:**

Personnel responding to an oilfield emergency must deal with a unique set of safety factors, each with the potential to escalate catastrophically if initial response is inaccurate and resources are ineffectively assigned. This three-day course covers the skills and competencies that are required to be successful in the role of a well site emergency responder. Students receive the critical knowledge to safely respond to a land fire emergency. The course advances from tactics for first on-scene to responding safely and effectively to live fire conditions on full-size rig training equipment.

The structured competency based course will provide students the fundamentals of industrial firefighting and incident management. Students will benefit from the experience and knowledge of Wild Well's trainers while undertaking practical training scenarios using actual rig response equipment in realistic hands-on situations.

**Who Should Attend:**

Fire Departments Officers, Hazmat Teams, Safety Officers and Emergency Management Personnel

**Course Duration & Location:**

Course Duration: 3 Days

Course Location: Wild Well's Fire Prevention & Control School, Richmond Training Facility
260 Clay Street, Richmond Texas 77469

Course Date: June 28th to 30th, 2016

**Course Content:**

| MODULE NO. | DESCRIPTION |
|---|---|
| 1 | *Causes of Well Site Fires* |
| 2 | *Well Site Fire Prevention* |
| 3 | *Firefighting Strategies & Tactics* |
| 4 | *Communication, Leadership, and Teamwork* |
| 5 | *On-Scene Incident Management* |
| 6 | *Water Application Techniques* |
| 7 | *Hazmat Response to Well Site Emergencies* |
| 8 | *Well Site Search & Rescue* |
| 9 | *Table Top Exercise* |

## GENERAL QUALIFICATIONS, TERMS AND CONDITIONS

In this document, CONTRACTOR refers to Wild Well Control, Inc., and COMPANY refers to Arlington Fire Department.

In the event that CONTRACTOR commences performance of proposed service/s under the terms of this Offer without prior signed agreement in place (Contract, proposal, or otherwise), Company and Contractor shall be deemed to have unconditionally accepted the Offer upon its terms without qualification.

Unless and until mutual agreement between COMPANY and CONTRACTOR on final work scope specifications has been formalized, all quotes shall remain subject to revision or retraction at CONTRACTOR's sole discretion.

### *SPECIAL QUALIFICATION, TERMS AND CONDITIONS*

1. N/A

### *GENERAL QUALIFICATION, TERMS AND CONDITIONS*

1. All services subject to timing and availability of CONTRACTOR's personnel.
2. Unless and until mutual agreement between COMPANY and CONTRACTOR on final work scope specifications has been formalized, all quotes shall remain subject to revision or retraction at CONTRACTOR's sole discretion.
3. If not retracted by CONTRACTOR in advance of expiration, this proposal will remain valid for a period of thirty (30) days from date of issue.
4. Pricing in this proposal is shown in US dollars, and in the amounts payable net to CONTRACTOR.
5. Pricing <u>DOES NOT INCLUDE</u> any applicable freight charges, customs and import taxes, duties or fees, local sales tax, value added tax (VAT), or other similar taxes, duties or fees.
6. Unless otherwise expressly stated, pricing does not include any mobilization or demobilization charges for personnel or equipment.
7. Unless otherwise expressly stated, all quotes are estimates based on standardized project models and are provided for general planning and budgetary purposes only. Actual charges may vary, as affected by current unknowns including but not limited to:
    a. Final work scope specifications, as well as any mid-stream changes to the work scope at COMPANY's direction.
    b. Project complexities that impact the time and resources required to complete the assignment(s).
    c. Inclusion/provision of additional revisions, scenarios and/or other considerations at COMPANY's direction that exceed what CONTRACTOR considers normal or typical for the work.
    d. Travel requirements, work locations, project delays outside of CONTRACTOR's control, etc.
8. Where applicable, and for work outside of CONTRACTOR's office, personnel rates will apply as follows:
    a. <u>For domestic (US) work</u>, personnel day rates will apply from the date of arrival in service staging area up to and until the date of departure from service staging area.
    b. <u>For work outside of the United States</u>, personnel day rates will apply from the date of arrival in country of service up to and until the date of departure from country of service.
9. All rates, prices and other commercial information contained in this proposal are strictly for non-emergency work or service(s). Should a well control event occur, or should the scope of work identified in this proposal be amended or changed, CONTRACTOR will charge COMPANY for this additional work in accordance with the applicable master service agreement/contract. If no contract rate exists for a particular project resource, the applicable billing rate(s) will be determined by CONTRACTOR's current published price list.
10. Where applicable, all information and documentation provided to CONTRACTOR by COMPANY shall be provided in English. If any translation is required, costs shall be borne by COMPANY at cost plus 15% administrative charge.
11. CONTRACTOR will invoice COMPANY for 100% of the work pursuant to the following, in order of precedence:
    a. 100% due upon delivery of the first draft of project documentation.
    b. 100% due upon completion of the services, whenever absent a draft deliverables milestone.
    c. By way mutual agreement, if any deviation from the above is justified by the scope and/or timeline of the project.

12. COMPANY shall pay all invoices within 30 days from the date after receipt of CONTRACTOR's invoice. Any sums not paid within 30 days shall bear interest at a rate of one percent (1%) per month until paid.
13. This proposal is provided to COMPANY on a confidential basis. The contents of this proposal must not be made available to any third party without the express written permission from CONTRACTOR.
14. CONTRACTOR makes no warranty and expressly disclaims any warranty of merchantability or fitness for any particular purpose. In addition, CONTRACTOR does not provide to COMPANY any guarantee, warrant, or other representation of success with respects the results obtained from services provided by CONTRACTOR.
15. Neither party shall be liable to the other party hereto for any indirect, consequential, special, punitive, or speculative damages of any type or character, including but not limited to loss of profits, loss of production, loss or use, or loss or damage to the well or reservoir, arising from or related in any way to services provided under this proposal and the parties agree to protect, defend, indemnity, release and hold harmless each other therefrom.
16. COMPANY shall assume all responsibility for and shall protect, defend, indemnify, release and hold CONTRACTOR and its subcontractors harmless from and against any and all loss, cost or expense (including but not limited to well control costs, re-drilling costs, costs of clean up pollution or to restore damages to the environment). Without limit and without regard to the cause or causes thereof or the negligence of any party, arising from a blowout of the well or wells, rupture or other failure of pipelines or equipment, or any other form of pollution or other contamination of the environment.

# LETTER OF INTENT

**SUBJECT:** HSE Training Services – Arlington Fire Department - TX
**REFERENCE:** 2016-P-181 REV. 1

As a representative of the Arlington Fire Department (COMPANY), and authorized by said COMPANY to act on its behalf, I hereby acknowledge receipt of the subject proposal and confirm our intention to contract Wild Well (CONTRACTOR) for the services and deliverables indicated below. Additionally, I hereby authorize Wild Well (CONTRACTOR) to invoice the Arlington Fire Department (COMPANY) for this work pursuant to the Terms and Conditions as stated therein.

## ORDER PLACEMENT

Please indicate the services & deliverables you wish to contract from Wild Well in the below table by initialing in the appropriate space provided under the column header **"Item Acceptance"**. Additionally, please indicate your requested course date(s) and expected attendance to allow for proper planning and coordination.

| ITEM DESCRIPTION | ITEM ACCEPTANCE | REQUESTED COURSE DATE(S)* | TOTAL ATTENDEES |
|---|---|---|---|
| **WELL CONTROL INCIDENT MANAGEMENT – FIRE PREVENTION AND CONTROL SCHOOL** | | **June 28-30, 2016** | |

** Subject to timing and availability of CONTRACTOR's personnel.*

## ACCEPTANCE & AUTHORIZATION

Signature: _____ Date: _____

Name: _____ Title: _____

Please complete and return via fax to 281-784-4750 or by email to proposals@wildwell.com.

# Staff Report

| Contract Modifications Nos. 4, 5, and 7 to the Construction Contract for the Center Street Bridge over IH20 (Highlander Boulevard to Bardin Road); Project No. PWST07003 | |
|---|---|
| City Council Meeting Date: 06/07/16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorizing the City Manager or his designee to execute Contract Modification No. 4 to the construction contract with Texas Department of Transportation (TxDOT), for the Center Street/IH20 Bridge project, in the amount of $16,942.78.

Authorizing the City Manager or his designee to execute Contract Modification No. 5 to the construction contract with Texas Department of Transportation (TxDOT), for the Center Street/IH20 Bridge project, in the amount of $86,701.28.

Authorizing the City Manager or his designee to execute Contract Modification No. 7 to the construction contract with Texas Department of Transportation (TxDOT), for the Center Street/IH20 Bridge project, in the amount of $13,165.16.

**PRIOR BOARD OR COUNCIL ACTION**

On November 20, 2007, Council approved Resolution No. 07-713 authorizing the execution of a Local Project Advance Funding Agreement (LPAFA) with Texas Department of Transportation (TxDOT) and payment of $37,800 to Texas Department of Transportation Trust Fund for design review of the Center Street/IH20 Bridge project.

On May 1, 2012, Council approved Minute Order No. MO05012012-004 authorizing the execution of Amendment No. 1 to the Local Project Advance Funding Agreement with the Texas Department of Transportation (TxDOT) of Fort Worth, Texas, for the expansion of limits for the environmental assessment for the Center Street/IH20 Bridge project.

On May 21, 2013, Council approved Minute Order No. MO05212013-004 authorizing the issuance of a payment to the Texas Department of Transportation (TxDOT), of Fort Worth, Texas, for the direct costs associated with the design review for the Center Street/IH20 Bridge project in the amount of $40,000.

On March 4, 2014, Council approved Minute order No. MO03042014-011 authorizing payment to the Texas Department of Transportation (TxDOT) for the estimated costs for construction and the direct state costs for the Center Street/IH20 Bridge project in the amount of $11,103,360.25.

**ANALYSIS**

The Center Street/Interstate Highway 20 Bridge project (Highlander Drive to Bardin Road) is currently under construction with construction estimated to be complete by December 2016. There was a six month delay during construction due to the improper installation of backfill material for the mechanically stabilized earth (MSE) walls. This issue is being resolved and the contractor is currently making progress on the project.

Contract modification Nos. 1, No. 2, and No. 3 were approved by Staff in 2015. Contract modification No. 6 has no financial bearing on the City. Contract modification Nos. 4, No. 5, and No. 7 require Council authorization. Below is a summary of all of the contract modifications to date:

Contract Modification No. 1 included value engineering to reduce the overall depth of stabilization underneath the MSE wall foundation, which created a net cost reduction of $202,874.24 to the project cost. Staff approved modification on 11/20/2015.

Contract Modification No. 2 relocated the proposed waterline reducing future repair depth and provided steel casing not included in original bid quantities. The modification resulted in a $2,528 change to the project cost. Staff approved modification on 07/13/2015.

Contract Modification No. 3 added temporary seeding for erosion control to the contract. The modification resulted in a $22,910 change to the project cost. Staff approved modification on 06/25/2015.

Contract Modification No. 4 was the result of a water utility conflict when installing a bridge drilled shaft, resulted in damaged equipment, backfill, and remobilization costs to the contractor. This modification will reimburse the contactor $16,942.78.

Contract Modification No. 5 revises the illumination design to meet City's current LED standards and provide a median opening to Chesapeake Energy's Dorothy Stoner Well Site. This modification adds $86,701.28 to the project.

Contract Modification No. 6 is being drafted by TxDOT to compensate the contractor for the MSE wall backfill removal and replacement. TxDOT is bearing some of the financial responsibility for the improper MSE wall backfill installation because they were in charge of inspection. TxDOT has verified that the City will bear no cost for this modification.

Contract Modification No. 7 compensates the contractor for additional traffic control not required by the original contract. The City requested additional detours and messaging along local roads during the closure of IH-20 main lanes. This modification adds $13,165.16 to the project.

| **CHANGE ORDER ACTIVITY** | | |
|---|---|---|
| Original Contract Amount | **$11,103,360.25** | Percent Change |
| Change Order No. 1 | $-202,874.24 | -1.83% |
| Change Order No. 2 | $2,528.00 | 0.02% |
| Change Order No. 3 | $22,910.00 | 0.21% |
| Change Order No. 4 | $16,942.78 | 0.15% |
| Change Order No. 5 | $86,701.28 | 0.78% |
| Change Order No. 6 | $0.00 | 0.00% |
| Change Order No. 7 | $13,165.16 | 0.12% |
| **Revised Total** | **$11,042,733.23** | **-0.55%** |

**FINANCIAL IMPACT**

The funding for Contract Modification Nos. 4, 5 & 7 will be paid with the project cost reduction identified with Contract Modification No. 1, so there is no additional funding that will need to be added to the project.

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $0 | $0 | $0 |

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Contract Modification Nos. 4, 5, and 7<br>Location Map |
| Under separate cover: | None |
| Available in the City Secretary's Office: | None |

**STAFF CONTACT(S)**

David G. Wynn, P.E., Interim Director
Public Works & Transportation
817-459-6556
David.Wynn@arlingtontx.gov

Keith Brooks, P.E., Assistant Director
Public Works & Transportation
817-459-6335
Keith.Brooks@arlingtontx.gov

# TEXAS DEPARTMENT OF TRANSPORTATION

**CONSTRUCTION CONTRACT CHANGE ORDER NUMBER:** 4

**Third Party Funding Notification Sheet**

**This form is used when the subject change order involves funding by a source other than TxDOT/U.S. DOT, and involves third parties who are providing funding under an Advance Funding Agreement or Donation Agreement.**

1. Outside funding provided by:

City of Arlington
(Outside Entity's Legal Name)

2. Type of outside funding agreement for this change:

☒ Existing ☐ Amended ☐ New
[ Check one ]

3. Indicate the type and amount of funding:

☐ Fixed Price (Lump Sum) (Estimated Amount _____ )

☒ Actual Cost

| | | | | |
|---|---|---|---|---|
| (a) Contract Items (Bid Items): | | | | 16,942.78 |
| (b) E&C*: | (a) x | 0 (enter %) | = | 0.00 |
| (c) Indirect Cost**: | (a + b) x | 0 (enter %) | = | 0.00 |
| **TOTAL** | | | | 16,942.78 |

| | |
|---|---|
| **CCSJ:** | 0902-48-838 |
| **Project:** | CC 902-48-838 |
| **Highway:** | CS |
| **County:** | Tarrant |
| **District:** | Fort Worth |
| **Contract Number:** | 04143005 |

**Use as needed:**
I hereby acknowledge notification of the modifications covered by this Change Order.

Date _____

By _____

Typed/Printed Name _____

Typed/Printed Title _____

* The percentage (%) for E&C (Engineering and Contingencies) charges varies from project to project depending on the contract amount of the project. Projects with a higher contract amount will have a lower rate of E&C charge. For a specific project, E&C rate (%) can be derived from the cost of "Engineering and Contingencies" in the "Estimated Cost" of the project.

** Use the statewide district rate as established by Finance Division each year. This line 3(c) is for Service Project only, unless otherwise specified in the Advance Funding Agreement. See Stand Alone Manual Notice 98-2 for instructions.

Funding for this Change Order has been arranged:

_____
TxDOT Representative Date

Typed/Printed Name: _____

TXDOT Form 2146-AFA (Rev. 07/13) Page 1 of 1

Texas Department of Transportation

# MEMO

March 15, 2016

**To:** Mr. Tracy Cain, P.E.
Director – Construction Division

**Through:** Mr. Jay Tarwater
Transportation Specialist – Construction Division

**From:** Mr. Michael Bostic, P.E. MDB
Director – Fort Worth District Construction

**Subject:** Change Order 4

---

Project: CC 902-48-838

Control: 0902-48-838

Highway: CS

County: Tarrant

Enclosed is one copy of Change Order Number 4 on the above captioned project which has been approved by the Area Engineer. This is a LOCAL project. Project plans were prepared by consultant.

Bent 5, Drill Shaft G (STA 27+24, ~42.18 RT) was in conflict with the existing underground lateral water line. The City of Arlington's as-built plans reflected a capped 10 foot lateral stub-out from the 42 inch main water line. When drilling for the designed drilled shaft on 01/15/2015, the lateral water line was struck by the auger. Upon excavation, the lateral was found to be approximately 13 feet deep and 20 feet long. The Length of the lateral pipe was measured by both TxDOT and City of Arlington field inspector, Danny Wilson.

The Contractor moved on to complete other structures (e.g., Bent 4, Abutment #1, Bent #2, and finally Bent #3) while waiting for the conflict to be resolved.

Between 01/16/2015 and 02/02/2015, the City of Arlington excavated and performed necessary repairs to remove the conflict. On 02/03/2015, the City of Arlington's field representative (Danny Wilson) asked Ragle to backfill and compact the excavated area, because the City did not have the necessary equipment available to perform the backfill operation. TxDOT conducted density testing to verify quality requirements were met.

On 02/04/2015, Ragle had completed the excavated backfill work requested by the City of Arlington and Russo mobilized back to bent 5 to complete the drilling of Shaft G. The driller discovered that the water line lateral had been severed from the main and the lateral left in the ground. The drill rig was damaged when the abandoned lateral line was encountered, halting the work.

On 2/10/15, Russo was able to complete the work on Bent 5.

This Change Order compensates the Contractor for the impacts incurred from the delay and extra work requested by the City of Arlington.

Attached is one copy of the Area Engineer's memo, supporting the added item(s).

The cost in Control 0902-48-838 will increase by $16,942.78.

The equipment rates used in calculating the cost of this change order have been checked against the Blue Book Rates.

Your review and further handling will be appreciated.

If you should have any questions concerning this matter, please contact Mr. Greg Gorecki at (817) 370-6517.

CAM
Attachments

**CC:** Mr. G. Cedillo, P.E.
Area Engineer

Texas Department of Transportation

# MEMO

January 25, 2016

**To:** Michael D. Bostic, P.E.
Director of Construction

**From:** Gregory W. Cedillo, P.E.
South Tarrant County Area Engineer

**CC:** Project File

**Subject:** Change Order #4
Project: CC 902-48-838
CSJ: 0902-48-838
Highway: CS
County: Tarrant

---

| | |
|---|---|
| Contract Amount: | $10,457,967.33 |
| Previous Changes: | $ -177,436.24 |
| Proposed Changes: | $ 16,942.78 |
| Total Contract: | $10,297,473.87 |

Contractor: Ragle Construction, INC.
Plans were prepared by: AECOM Technical Services Inc.
Work on this change order is: Completed
Third Party Funding: City of Arlington

This project provides the construction of lime & cement treated subgrade, concrete pavement, grading, drainage facilities, bridge structure, retaining walls, pavement markings, signs, and illumination.

**CHANGE ORDER INFORMATION:**

LIMITS: Bent 5
DESCRIPTION: Bent 5, Drill Shaft G (STA 27+24, ~42.18 RT) was in conflict with the existing underground lateral water line. The City of Arlington's as-built plans
reflected a capped 10 foot lateral stub-out from the 42 inch main water line. When drilling for the designed drilled shaft on 01/15/2015, the lateral water line was struck
by the auger. Upon excavation, the lateral was found to be approximately 13 feet deep and 20 feet long. The Length of the lateral pipe was measured by both TxDOT
and City of Arlington field inspector, Danny Wilson.
The Contractor moved on to complete other structures (e.g., Bent 4, Abutment #1, Bent #2, and finally Bent #3) while waiting for the conflict to be resolved.

Between 01/16/2015 and 02/02/2015, the City of Arlington excavated and performed necessary repairs to remove the conflict. On 02/03/2015, the City of Arlington's
field representative (Danny Wilson) asked Ragle to backfill and compact the excavated area, because the City did not have the necessary equipment available to
perform the backfill operation. TxDOT conducted density testing to verify quality requirements were met .
On 02/04/2015, Ragle had completed the excavated backfill work requested by the City of Arlington and Russo mobilized back to bent 5 to complete the drilling of
Shaft G. The driller discovered that the water line lateral had been severed from the main and the lateral left in the ground. The drill rig was damaged when the
abandoned lateral line was encountered, halting the work.
On 2/10/15, Russo was able to complete the work on Bent 5.
This Change Order compensates the Contractor for the impacts incurred from the delay and extra work requested by the City of Arlington.
NEW AND/OR REVISED PLAN SHEET(S):
None

The Primary reason for this change order is Reason Code 6C- "UTILITIES NOT CLEAR".

The total cost of the change order is $16,942.78 with $16,942.78 funded by the City of Arlington.

The district has identified the funding source for this change order to be Category 3, "TMS Traffic Management (NHS)".

No additional environmental clearance was necessary for the work proposed and there are no TDLR issues to be addressed on this change order.

If you should need additional information please contact me at extension 6640.

Attachments

GWC/nta

SiteManager Construction Management Software

**CHANGE ORDER NBR.** 4

REPORT DATE: 1/22/2016 7:36:18AM

| | |
|---|---|
| **CONTRACT ID:** | 090248838 |
| **PROJECT:** | CC 902-48-838 |
| **CONTRACT:** | 04143005 |
| **AWARD AMOUNT:** | $10,457,967.33 |
| **PROJECTED AMOUNT:** | $10,483,515.33 |
| **ADJ PROJECTED AMT:** | $10,306,079.09 |
| **PEND ADJ PROJ AMT:** | $10,306,079.09 |
| **CONTRACTOR:** | RAGLE CONSTRUCTION, INC. |
| **CO AMOUNT:** | $16,942.78 |
| **CO TYPE:** | LOCAL |
| **3RD PARTY AMOUNT:** | $16,942.78 |
| **APPRV LEVEL:** | OVERRIDE |

| | |
|---|---|
| **HIGHWAY:** | CS |
| **DISTRICT:** | 02 |
| **COUNTY:** | TARRANT |
| **AREA ENGINEER:** | Gregory Cedillo, P.E. |
| **AREA NUMBER:** | 054 |
| **DESCRIPTION:** | Bent #5 - Utilities |
| **REASON:** | 6C - 6C-UTILITIES NOT CLEAR |
| **SECONDARY REASON(S):** | 002G - 2G-UNADJUSTED UTILITY (UNFORESEEABLE) |

**Functions:**

- [x] Extra Work
- [ ] Zero Dollar
- [ ] Overrun/Underrun
- [ ] Time Adjustment
- [ ] Stock Account
- [ ] Force Account
- [ ] Final Quantity
- [ ] Change Project Limits
- [ ] Delete/Add CSJ

**DESCRIBE THE REASON FOR THE CHANGE ORDER AND WHAT IS BEING CHANGED. WHEN NECESSARY, INCLUDE EXCEPTIONS TO THIS AGREEMENT:**

LIMITS: Bent 5
DESCRIPTION: Bent 5, Drill Shaft G (STA 27+24, ~42.18 RT) was in conflict with the existing underground lateral water line. The City of Arlington's as-built plans reflected a capped 10 foot lateral stub-out from the 42 inch main water line. When drilling for the designed drilled shaft on 01/15/2015, the lateral water line was struck by the auger. Upon excavation, the lateral was found to be approximately 13 feet deep and 20 feet long. The Length of the lateral pipe was measured by both TxDOT and City of Arlington field inspector, Danny Wilson.

The Contractor moved on to complete other structures (e.g., Bent 4, Abutment #1, Bent #2, and finally Bent #3) while waiting for the conflict to be resolved.

Between 01/16/2015 and 02/02/2015, the City of Arlington excavated and performed necessary repairs to remove the conflict. On 02/03/2015, the City of Arlington's field representative (Danny Wilson) asked Ragle to backfill and compact the excavated area, because the City did not have the necessary equipment available to perform the backfill operation. TxDOT conducted density testing to verify quality requirements were met .

On 02/04/2015, Ragle had completed the excavated backfill work requested by the City of Arlington and Russo mobilized back to bent 5 to complete the drilling of Shaft G. The driller discovered that the water line lateral had been severed from the main and the lateral left in the ground. The drill rig was damaged when the abandoned lateral line was encountered, halting the work.

On 2/10/15, Russo was able to complete the work on Bent 5.

This Change Order compensates the Contractor for the impacts incurred from the delay and extra work requested by the City of Arlington.

NEW AND/OR REVISED PLAN SHEET(S):
None

**ADDITIONAL TIME NOT NEEDED**

"By signing this change order, the contractor agrees to waive any and all claims for additional compensation due to any and all other expenses, additional changes for time, overhead and profit, or loss of compensation as a result of this change and that this agreement is made in accordance Item 4 and the Contract. Exceptions should be noted in explanation above."

**THE CONTRACTOR**

**BY:** _____ 1/22/16 DATE

**TYPED/PRINTED NAME:** Troy Rogle 1/22/16 DATE

**TYPED/PRINTED TITLE:** Vice President 1/22/16 DATE

**AREA ENGINEER:** Greg W. Cedillo, P.E. 1/22/2016 DATE

**AREA ENGINEER'S SEAL:**

STATE OF TEXAS
GREGORY W. CEDILLO
93868
LICENSED
PROFESSIONAL ENGINEER

**DISTRICT ENGINEER:** _____ DATE

**DIRECTOR, CONSTRUCTION DIVISION:** _____ DATE

**DEPUTY EXECUTIVE DIRECTOR:** _____ DATE

**FHWA:** _____ DATE

FUNDING SOURCES

| | | | | | |
|---|---|---|---|---|---|
| **1. Work Program:** | LOCAL | **Work Category:** | 3 | **Amount:** | $16,942.78 |

# Change Order Checklist

Form 2146
(Rev. 07/13)
Page 1 of 1

| | | | |
|---|---|---|---|
| Change Order Number: | 4 | Contractor: | Ragle Construction, INC. |
| CSJ: | 0902-48-838 | Project: | CC 902-48-838 |
| Highway: | CC | County: | Tarrant |
| Area Engineer: | Gregory W. Cedillo, P.E. | CO Amount: | $16,942.78 |

Is the change order for an interim adjustment? ☐ Yes ☒ No
Is the change order ☒ State oversight? ☐ Federal oversight? ☒ Participating? ☐ Non-Participating?
If Federal oversight, is the change order ☐ Major? ☐ or Minor?
Is the Reason Code correct? ☒ Yes ☐ No
Is the proposed work within project limits? ☒ Yes ☐ No
Does the change order affect the DBE commitment? ☐ Yes ☒ No
Has time been addressed? ☒ Yes ☐ No

| Yes | No | NA | **Signatures** |
|---|---|---|---|
| ☒ | ☐ | ☐ | Has the change order been signed by the Contractor? |
| ☒ | ☐ | | Is change order signed by AE? |
| ☐ | ☐ | ☒ | Is DE signature included? (If required) |
| ☐ | ☒ | | Is AED-DO signature required? (If so, see "Administrative Approval" below.) |

| Yes | No | NA | **3rd Party Funding** |
|---|---|---|---|
| ☒ | ☐ | | Is 3rd party funding involved in this project? (If no, move to next section) |
| ☒ | ☐ | ☐ | If yes, has the funding been requested and received? |
| ☒ | ☐ | | Does this change order impact 3rd party funding? |
| ☐ | ☒ | ☐ | Will this impact require a new or revised funding agreement? |
| ☐ | ☐ | ☒ | If an amendment or new agreement is required, has OGC-CSS reviewed the agreement? |
| ☐ | ☐ | ☒ | Has a Third Party Funding Notification Sheet (Form 2146-AFA) been sent and signed by the 3rd party? |

| Yes | No | NA | **Permitting: Environmental, Historical, etc** |
|---|---|---|---|
| ☒ | ☐ | | Is the work within the scope of the original environmental assessments and reviews? |
| ☐ | ☒ | | Does this change order impact pedestrian elements previously reviewed by TDLR or increase the cost of pedestrian elements to $50,000 or more? If yes, answer next question. |
| ☐ | ☐ | ☒ | Has TDLR reviewed the impact to pedestrian elements associated with this change order? |
| ☐ | ☒ | | Does work performed in the change order affect any current environmental commitments? |
| ☐ | ☐ | ☒ | Have the necessary environmental clearances or permits been obtained to address the affect? |
| ☐ | ☒ | | Does work performed in the change order increase the impact to wetlands; waters of the U.S.; archeological, historical or social issues; endangered species; or any other regulated areas? |
| ☐ | ☐ | ☒ | Have the necessary clearances or permits been obtained to address the increased impact? |
| ☐ | ☐ | ☒ | If the change order work causes the soil disturbance area to exceed the 1 acre and 5 acre thresholds, has a CSN or NOI been processed? |

| Yes | No | NA | **Stockpiled Materials** |
|---|---|---|---|
| ☐ | ☐ | ☒ | Are materials being received through this change order that will be placed in stock? |
| ☐ | ☐ | ☒ | If yes, have the materials been set up in MSMS? |

| Yes | No | NA | **Area Office and District Approval** |
|---|---|---|---|
| ☒ | ☐ | | Does the AE's memo include an explanation/description of the change order work? |
| ☒ | ☐ | ☐ | Is price justification information included? (per District procedures) |
| ☐ | ☐ | ☒ | Are plan sheets attached? (per District procedures) |
| ☐ | ☐ | ☒ | If a time extension is being granted, has it been justified? (per District procedures) |

| Yes | No | NA | **Administrative Approval** |
|---|---|---|---|
| ☐ | ☐ | | Is a copy of the AE memo included in the transmittal to CST? |
| ☐ | ☐ | | Does the transmittal indicate who prepared the plans? (TxDOT or Consultant) |
| ☐ | ☐ | ☐ | If consultant prepared, is the consultant name provided? |
| ☐ | ☐ | | Is the status of the change order work indicated? (awaiting CO approval, active, complete) |
| ☐ | ☐ | | Does the transmittal indicate if environmental clearance for extra work has been addressed? |
| ☐ | ☐ | | Has the bank balance category for funding been identified? |
| ☐ | ☐ | | Is the transmittal memo from the District to CST attached and signed? |
| ☐ | ☐ | | Is all required documentation attached? (Ex: Plan Sheets, Form 2146, Price Justification, Force Account Backup Data) |
| ☐ | ☐ | | Has prior verbal approval of the change order work been given by Administration? |

Comments:

**CHANGE ORDER NBR. 5**

REPORT DATE: **4/29/2016 2:29:51PM**

| | |
|---|---|
| **CONTRACT ID:** | 090248838 |
| **PROJECT:** | CC 902-48-838 |
| **CONTRACT:** | 04143005 |
| **AWARD AMOUNT:** | $10,457,967.33 |
| **PROJECTED AMOUNT:** | $10,483,515.33 |
| **ADJ PROJECTED AMT:** | $10,336,187.03 |
| **PEND ADJ PROJ AMT:** | $10,336,187.03 |
| **CONTRACTOR:** | RAGLE CONSTRUCTION, INC. |
| **CO AMOUNT:** | $86,701.28 |
| **CO TYPE:** | NON-PARTICIPATING |
| **3RD PARTY AMOUNT:** | $0.00 |
| **APPRV LEVEL:** | OVERRIDE |

| | |
|---|---|
| **HIGHWAY:** | CS |
| **DISTRICT:** | 02 |
| **COUNTY:** | TARRANT |
| **AREA ENGINEER:** | Gregory Cedillo, P.E. |
| **AREA NUMBER:** | 054 |

**Functions:**

- [x] Extra Work
- [ ] Force Account
- [ ] Zero Dollar
- [ ] Final Quantity
- [x] Overrun/Underrun
- [ ] Change Project Limits
- [ ] Time Adjustment
- [ ] Delete/Add CSJ
- [ ] Stock Account

| | |
|---|---|
| **DESCRIPTION:** | Illumination Redesign and Adding Crossover |
| **REASON:** | 4B - 4B-3RD PARTY REQUEST FOR ADDITIONAL WORK |
| **SECONDARY REASON(S):** | 003N - 3N-UPGRADE TO CURRENT STANDARDS |

**DESCRIBE THE REASON FOR THE CHANGE ORDER AND WHAT IS BEING CHANGED. WHEN NECESSARY, INCLUDE EXCEPTIONS TO THIS AGREEMENT:**

LIMITS: Entire Project
DESCRIPTION: This Change Order revises illumination sheets to update the proposed streetlights from HPS fixtures to LED fixtures, upon request from the City of Arlington. The City made the request in order follow their current specifications. This Change order also introduces turn lane and median break for driveway at station 35+16.75 (+/-), per City's Request.

Additionally, this Change Order adds Special Provision 000-249 "Certificate of Interested Parties (Form 1295)" to the project. This modification is required by House Bill 1295, Section 2252.908 passed by the Texas Legislature in 2015. A copy SP 000-249 and TxDOT memo regarding this subject is attached to Change Order.

NEW AND/OR REVISED PLAN SHEETS:

Revision (0): 204A, 204B, 204C;
Revision (1): 135, 136, 148, 149, 190, 196;
Revision (2): 8, 11,12, 43, 44, 183, 184, 185, 186, 187, 188, 189;

**ADDITIONAL TIME NOT NEEDED**

"By signing this change order, the contractor agrees to waive any and all claims for additional compensation due to any and all other expenses; additional changes for time, overhead and profit; or loss of compensation as a result of this change and that this agreement is made in accordance Item 4 and the Contract. Exceptions should be noted in explanation above."

**THE CONTRACTOR**

**BY:** _____
**DATE**

**TYPED/PRINTED NAME:** _____
**DATE**

**TYPED/PRINTED TITLE:** _____
**DATE**

**AREA ENGINEER:** _____
**DATE**

**AREA ENGINEER'S SEAL:**

**DISTRICT ENGINEER:** _____
**DATE**

**DIRECTOR, CONSTRUCTION DIVISION:** _____
**DATE**

**DEPUTY EXECUTIVE DIRECTOR:** _____
**DATE**

**FHWA:** _____
**DATE**

CONTRACT ITEMS

PROJECT NBR 090248838 (CC 902-48-838 NOT ELIGIBLE FOR FEDERAL PARTICIPATION)

| CATG NBR | LINE ITEM | ITEM CODE | SP NBR | DESCRIPTION | UNIT | UNIT PRICE | ORIG + PREV REV QTY | QTY THIS CO | NEW QTY | AMOUNT THIS CO |
|---|---|---|---|---|---|---|---|---|---|---|
| 001 | 0125 | 01612002 | 006 | COMPOST MANUF TOPSOIL (BOS) (4") | SY | 0.78000 | 31,321.000 | -803.000 | 30,518.000 | -$626.34 |
| 001 | 0135 | 01642027 | 002 | CELL FBR MLCH SEED(PERM)(URBAN)(CLAY) | SY | 0.33000 | 28,056.000 | -803.000 | 27,253.000 | -$264.99 |
| 001 | 0140 | 01682001 | 000 | VEGETATIVE WATERING | MG | 15.00000 | 1,096.250 | -28.110 | 1,068.140 | -$421.65 |
| 001 | 0165 | 03602002 | 003 | CONC PVMT (CONT REINF-CRCP)(9") | SY | 41.25000 | 20,354.000 | 699.000 | 21,053.000 | $28,833.75 |
| 001 | 0210 | 04162029 | 000 | DRILL SHAFT (RDWY ILL POLE) (30 IN) | LF | 111.09000 | 176.000 | -72.000 | 104.000 | -$7,998.48 |
| 001 | 0270 | 04322066 | 000 | RIPRAP (CONC)(CL B) | CY | 325.00000 | 11.000 | 2.000 | 13.000 | $650.00 |
| 001 | 0460 | 05282004 | 000 | LANDSCAPE PAVERS | SY | 200.00000 | 170.000 | 85.000 | 255.000 | $17,000.00 |
| 001 | 0465 | 05292006 | 000 | CONC CURB (MONO) (TY II) | LF | 4.00000 | 10,461.000 | -186.000 | 10,275.000 | -$744.00 |
| 001 | 0495 | 05362006 | 000 | CONC MEDIAN (MONO NOSE) | SY | 65.00000 | 26.000 | 13.000 | 39.000 | $845.00 |
| 001 | 0535 | 06102112 | 015 | INS RD IL AM (TY SA) 30T-8-8 (.15 KW)S | EA | 2,767.45000 | 19.000 | -19.000 | 0.000 | -$52,581.55 |
| 001 | 0540 | 06102113 | 015 | INS RD IL AM (TY SA) 30B-8 (.15 KW)S | EA | 2,216.93000 | 10.000 | -10.000 | 0.000 | -$22,169.30 |
| 001 | 0545 | 06102114 | 015 | INS RD IL AM (TY SA) 30T-8 (.15 KW)S | EA | 3,623.07000 | 3.000 | -3.000 | 0.000 | -$10,869.21 |
| 001 | 0546 | 96082004<br>ADDTL CO DESCR 1 | | UNIQUE CHANGE ORDER ITEM 4<br>IN RD IL (TY SA) 40T-8-8 (250W EQ) LED (CO# 5) (UOM: EA) | DOL | 6,704.07000 | 0.000 | 13.000 | 13.000 | $87,152.91 |
| 001 | 0547 | 96082003<br>ADDTL CO DESCR 1 | 015 | UNIQUE CHANGE ORDER ITEM 3<br>IN RD IL (TY SA) 40B-8-8 (250W EQ) LED (CO# 5) (UOM: EA) | DOL | 6,704.07000 | 0.000 | 6.000 | 6.000 | $40,224.42 |
| 001 | 0550 | 06182008 | 000 | CONDT (HDPE) (2") | LF | 5.11000 | 3,255.000 | -11.000 | 3,244.000 | -$56.21 |
| 001 | 0555 | 06182018 | 000 | CONDT (PVC) (SCHD 40) ( 2") | LF | 7.13000 | 4,341.000 | -474.000 | 3,867.000 | -$3,379.62 |
| 001 | 0560 | 06182019 | 000 | CONDT (PVC) (SCHD 40) (2") (BORE) | LF | 30.49000 | 76.000 | -76.000 | 0.000 | -$2,317.24 |
| 001 | 0570 | 06182052 | 000 | CONDT (RM) (2") | LF | 23.07000 | 26.000 | -20.000 | 6.000 | -$461.40 |
| 001 | 0575 | 06202009 | 001 | ELEC CONDR (NO. 6) BARE | LF | 0.90000 | 4,616.000 | -4,616.000 | 0.000 | -$4,154.40 |
| 001 | 0581 | 96082002<br>ADDTL CO DESCR 1 | | UNIQUE CHANGE ORDER ITEM 2<br>ELECTRIC CONDR (NO. 2) TRIPLEX ALUMINIUM (CO# 5) (UOM: EA) | DOL | 1.98000 | 0.000 | 4,117.000 | 4,117.000 | $8,151.66 |
| 001 | 0582 | 06282001<br>ADDTL CO DESCR 1 | | ELC SRV TY A 120/240 060 (NS)AL(E)PS(U)<br>CO#5 | EA | 5,737.91000 | 0.000 | 1.000 | 1.000 | $5,737.91 |
| 001 | 0585 | 06242011 | 014 | GROUND BOX TY C (162911) | EA | 549.37000 | 5.000 | -1.000 | 4.000 | -$549.37 |
| 001 | 0590 | 06242012 | 014 | GROUND BOX TY C (162911) W/APRON | EA | 648.70000 | 28.000 | -5.000 | 23.000 | -$3,243.50 |
| 001 | 0615 | 06442004 | 000 | IN SM RD SN SUP&AM TY10BWG(1)SA(T) | EA | 336.64000 | 10.000 | 1.000 | 11.000 | $336.64 |
| 001 | 0670 | 06662035 | 000 | REFL PAV MRK TY I (W) 8" (SLD)(090MIL) | LF | 1.40000 | 1,245.000 | 245.000 | 1,490.000 | $343.00 |
| 001 | 0685 | 06662053 | 000 | REFL PAV MRK TY I (W) (ARROW) (090MIL) | EA | 90.00000 | 10.000 | 2.000 | 12.000 | $180.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 001 | 0690 | 06662095 | 000 | REFL PAV MRK TY I (W) (WORD) (090MIL) | EA | 120.00000 | 10.000 | 2.000 | 12.000 | $240.00 |
| 001 | 0720 | 06662153 | 000 | REF PAV MRK TY II (W) 8" (SLD) | LF | 0.50000 | 1,245.000 | 245.000 | 1,490.000 | $122.50 |
| 001 | 0735 | 06662160 | 000 | REF PAV MRK TY II (W) (ARROW) | EA | 25.00000 | 10.000 | 2.000 | 12.000 | $50.00 |
| 001 | 0740 | 06662173 | 000 | REF PAV MRK TY II (W) (WORD) | EA | 35.00000 | 10.000 | 2.000 | 12.000 | $70.00 |
| 001 | 0765 | 06722017 | 034 | REFL PAV MRKR TY II-C-R | EA | 3.25000 | 152.000 | 13.000 | 165.000 | $42.25 |
| 001 | 0790 | 06782003 | 000 | PAV SURF PREP FOR MRK ( 8") | LF | 0.10000 | 1,245.000 | 245.000 | 1,490.000 | $24.50 |
| 001 | 0805 | 06782007 | 000 | PAV SURF PREP FOR MRK (ARROW) | EA | 10.00000 | 10.000 | 2.000 | 12.000 | $20.00 |
| 001 | 0810 | 06782018 | 000 | PAV SURF PREP FOR MRK (WORD) | EA | 15.00000 | 10.000 | 2.000 | 12.000 | $30.00 |
| 001 | 0925 | 20952001 | 000 | SUBGRADE WITH CEMENT STABILIZATION | SY | 1.50000 | 22,791.000 | 668.000 | 23,459.000 | $1,002.00 |
| 001 | 0930 | 20952002 | 000 | SUBGRADE WITH LIME STABILIZATION | SY | 1.50000 | 22,791.000 | 668.000 | 23,459.000 | $1,002.00 |
| 001 | 0935 | 20952003 | 000 | CEMENT | TON | 140.00000 | 513.000 | 14.000 | 527.000 | $1,960.00 |
| 001 | 0940 | 20952004 | 000 | LIME | TON | 140.00000 | 615.000 | 18.000 | 633.000 | $2,520.00 |

**CHANGE ORDER AMOUNT** $86,701.28

**FUNDING SOURCES**

| | | | | | |
|---|---|---|---|---|---|
| **1. Work Program:** | LOCAL | **Work Category:** | 3 | **Amount:** | $86,701.28 |

# TEXAS DEPARTMENT OF TRANSPORTATION

***CONSTRUCTION CONTRACT CHANGE ORDER NUMBER:*** 7

***Third Party Funding Notification Sheet***

***This form is used when the subject change order involves funding by a source other than TxDOT/U.S. DOT, and involves third parties who are providing funding under an Advance Funding Agreement or Donation Agreement.***

| | |
|---|---|
| ***CCSJ:*** | **0902-48-838** |
| ***Project:*** | **CC 902-48-838** |
| ***Highway:*** | **CS** |
| ***County:*** | **Tarrant** |
| ***District:*** | **02** |
| ***Contract Number:*** | **090948838** |

1. Outside funding provided by:

**City of Arlington**
(Outside Entity's Legal Name)

2. Type of outside funding agreement for this change:

☑ Existing ☐ Amended ☐ New
[ Check one ]

3. Indicate the type and amount of funding:

☐ Fixed Price (Lump Sum) (Estimated Amount _____)

☑ Actual Cost

| | | | | |
|---|---|---|---|---|
| (a) Contract Items (Bid Items): | | | | **$13,165.16** |
| (b) E&C*: | (a) x | _____ enter % | = | **$0.00** |
| (c) Indirect Cost**: | (a + b) x | _____ enter % | = | **$0.00** |
| **TOTAL** | | | | **$13,165.16** |

***Use as needed:***

I hereby acknowledge notification of the modifications covered by this Change Order.

Date _____

By _____

Typed/Printed Name _____

Typed/Printed Title _____

* The percentage (%) for E&C (Engineering and Contingencies) charges varies from project to project from approximately 6% to 11% depending on the contract amount of the project. Projects with higher contract amount will have the lower rate of E&C charge. For a specific project, E&C rate (%) can be derived from the cost of "Engineering and Contingencies" in the "Estimated Cost" of the project.

** Use the statewide district rate as established by Finance Division each year. This line 3(c) is for Service Project only, unless otherwise specified in the Advance Funding Agreement. See Stand Alone Manual Notice 98-2 for instructions.

Funding for this Change Order has been arranged:

_____
TxDOT Representative Date

Typed/Printed Name: _____

**CHANGE ORDER NBR.** 7

REPORT DATE: **4/7/2016 11:19:01AM**

| | |
|---|---|
| **CONTRACT ID:** | 090248838 |
| **PROJECT:** | CC 902-48-838 |
| **CONTRACT:** | 04143005 |
| **AWARD AMOUNT:** | $10,457,967.33 |
| **PROJECTED AMOUNT:** | $10,483,515.33 |
| **ADJ PROJECTED AMT:** | $10,323,021.87 |
| **PEND ADJ PROJ AMT:** | $10,323,021.87 |
| **CONTRACTOR:** | RAGLE CONSTRUCTION, INC. |
| **CO AMOUNT:** | $13,165.16 |
| **CO TYPE:** | LOCAL |
| **3RD PARTY AMOUNT:** | $0.00 |
| **APPRV LEVEL:** | OVERRIDE |

| | |
|---|---|
| **HIGHWAY:** | CS |
| **DISTRICT:** | 02 |
| **COUNTY:** | TARRANT |
| **AREA ENGINEER:** | Gregory Cedillo, P.E. |
| **AREA NUMBER:** | 054 |
| **DESCRIPTION:** | Supplemental Traffic Control for Beam Erection |
| **REASON:** | 4D - 4D-3RD PARTY ACCOMMODATION - OTHER |
| **SECONDARY REASON(S):** | |

**Functions:**

- [x] Extra Work
- [ ] Zero Dollar
- [ ] Overrun/Underrun
- [ ] Time Adjustment
- [ ] Stock Account
- [ ] Force Account
- [ ] Final Quantity
- [ ] Change Project Limits
- [ ] Delete/Add CSJ

**DESCRIBE THE REASON FOR THE CHANGE ORDER AND WHAT IS BEING CHANGED. WHEN NECESSARY, INCLUDE EXCEPTIONS TO THIS AGREEMENT:**

LIMITS: Entire Project

DESCRIPTION:
During preparatory review of the traffic control plan within the contract, the City of Arlington requested that additional traffic control be utilized for the needed detouring, beyond the standard TxDOT detour limits, for the City of Arlington's local citizenry. The supplemental barricades and signs requested by the City were utilized throughout the duration of IH-20 main lane closures from June 2015 through July 2015.

This change order adds Unique Change Order Item 9608-2002 "Supplemental Traffic Control for IH-20" to compensate the Contractor for the additional work. The work was performed by Dallas Lite and Barricade, Inc.

Additionally, this Change Order adds Special Provision 000-249 "Certificate of Interested Parties (Form 1295)" to the project. This modification is required by House Bill 1295, Section 2252.908 passed by the Texas Legislature in 2015. A copy of SP 000-249 and TxDOT memo regarding this subject is attached to this Change Order.

NEW AND/OR REVISED PLAN SHEETS:
None

**ADDITIONAL TIME NOT NEEDED**

"By signing this change order, the contractor agrees to waive any and all claims for additional compensation due to any and all other expenses; additional changes for time, overhead and profit; or loss of compensation as a result of this change and that this agreement is made in accordance Item 4 and the Contract. Exceptions should be noted in explanation above."

**THE CONTRACTOR**

**BY:** _____ DATE

**TYPED/PRINTED NAME:** _____ DATE

**TYPED/PRINTED TITLE:** _____ DATE

**AREA ENGINEER:** _____ DATE

**AREA ENGINEER'S SEAL:**

**DISTRICT ENGINEER:** _____ DATE

**DIRECTOR, CONSTRUCTION DIVISION:** _____ DATE

**DEPUTY EXECUTIVE DIRECTOR:** _____ DATE

**FHWA:** _____ DATE

CONTRACT ITEMS

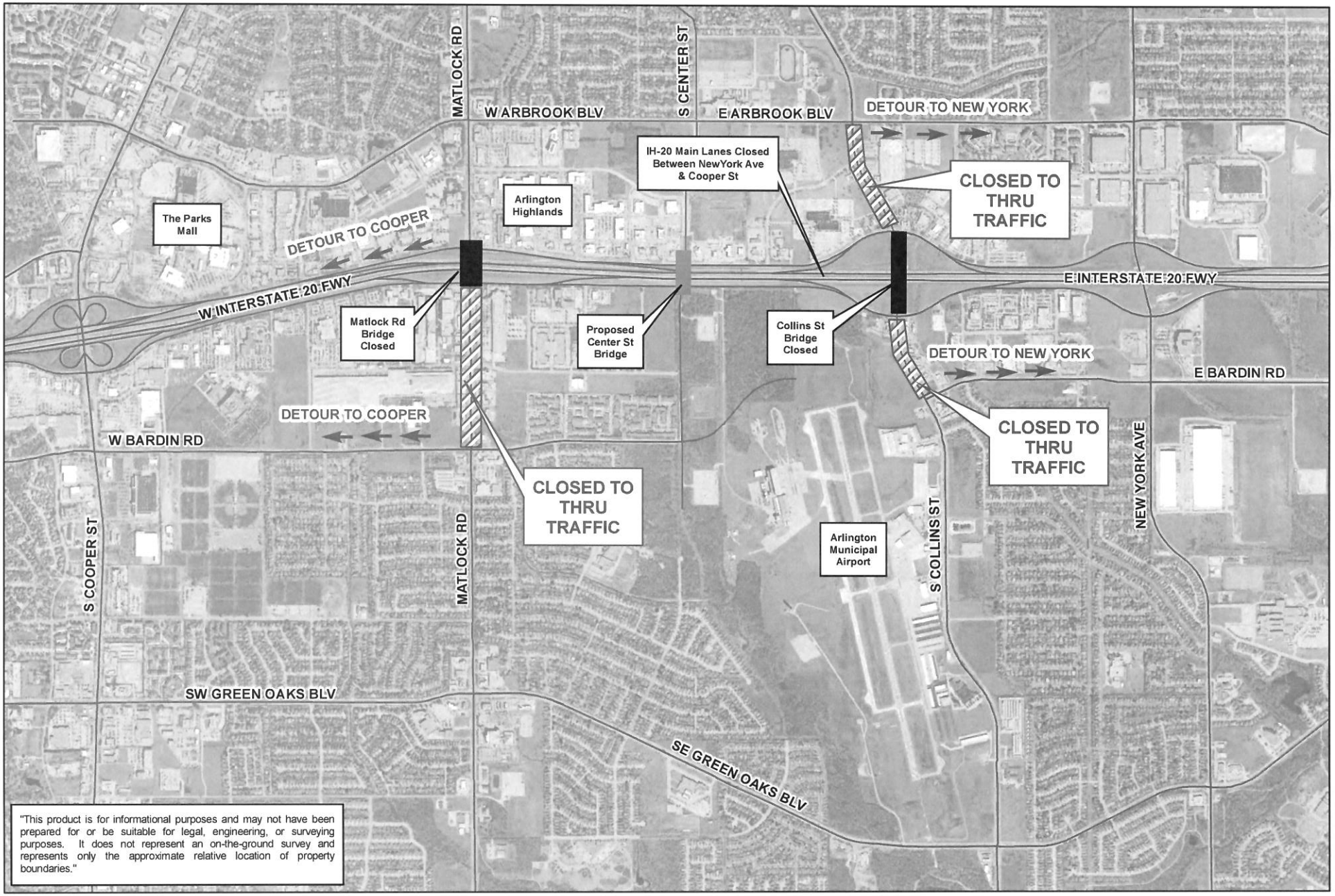
PROJECT NBR 090248838 (CC 902-48-838 NOT ELIGIBLE FOR FEDERAL PARTICIPATION)

| CATG NBR | LINE ITEM | ITEM CODE | SP NBR | DESCRIPTION | UNIT | UNIT PRICE | ORIG + PREV REV QTY | QTY THIS CO | NEW QTY | AMOUNT THIS CO |
|---|---|---|---|---|---|---|---|---|---|---|
| 001 | 0996 | 96082002 | | UNIQUE CHANGE ORDER ITEM 2 | DOL | 1.00000 | 0.000 | 13,165.160 | 13,165.160 | $13,165.16 |
| | | ADDTL CO DESCR 1 | | Supplemental Traffic Control for IH-20 (CO #7) (UOM: LS) | | | | | | |

CHANGE ORDER AMOUNT $13,165.16

FUNDING SOURCES

**1. Work Program:** LOCAL **Work Category:** 3 **Amount:** $13,165.16

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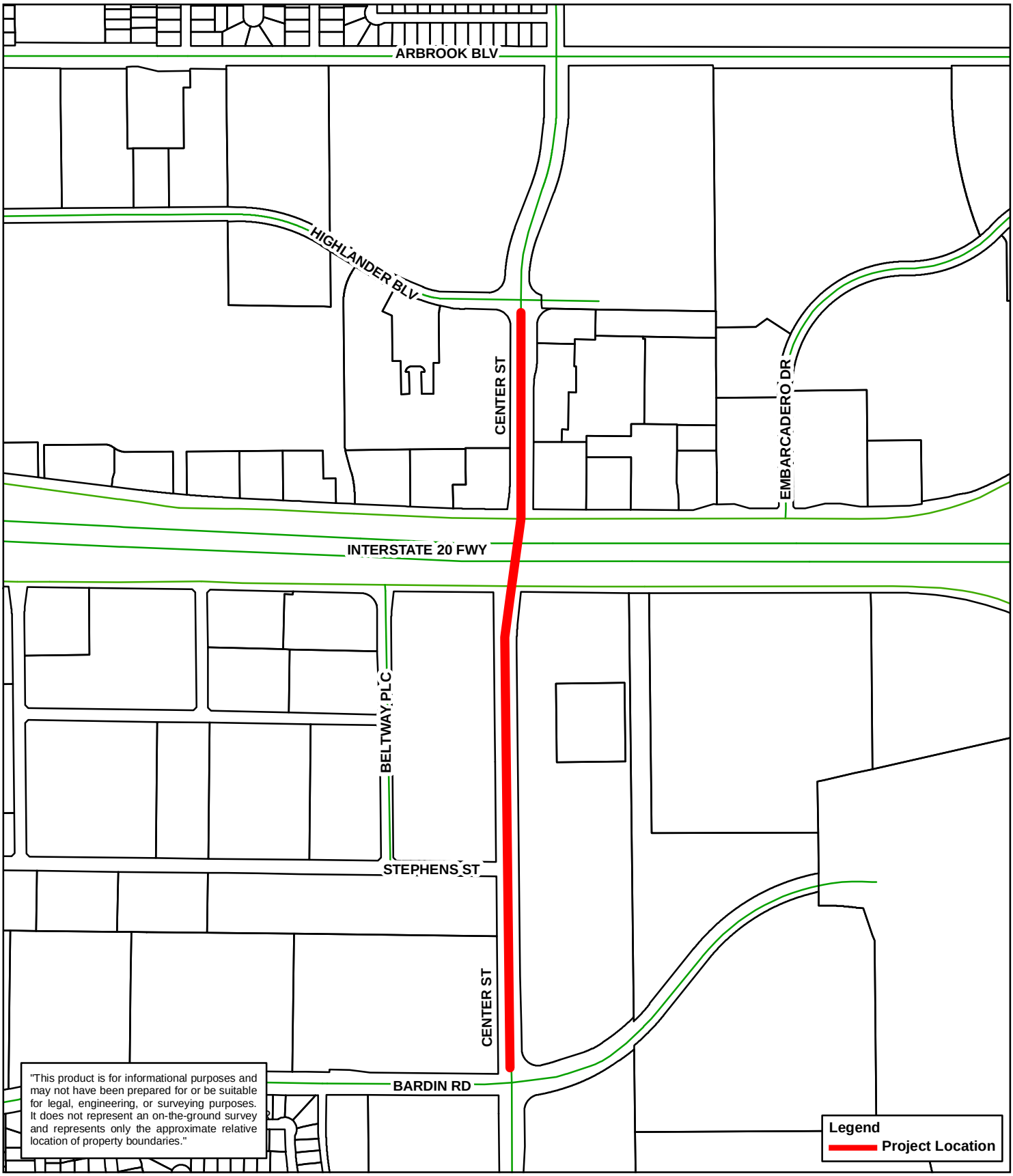
# IH-20 Main Lane Closure: (New York Ave. to Cooper St)
# Westbound Closure June 19th 9:00PM to June 20th 12:00PM

ARLINGTON
THE AMERICAN DREAM CITY

Prepared By:
PWT Engineering Operations
6/12/2015

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# Center Street/IH20 Bridge (Highlander Blvd. to Bardin Rd.) Project No. PWST07003

ARLINGTON
THE AMERICAN DREAM CITY

Prepared By:
PWT Engineering Operations
05/17/2016

# Staff Report

| 42-inch and 39-inch Water Main Abandonment (Little Road to Charles F. Anderson Jr. Pump Station), Project No. WUOP16007 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorize the execution of a construction contract with ARK Contracting Services,LLC of Kennedale, Texas, in an amount not to exceed $514,340.

**PRIOR BOARD OR COUNCIL ACTION**

None

**ANALYSIS**

This project consists of abandoning approximately 3.5 miles of an existing 42-inch and 39-inch water main from the intersection of Little Road and Pleasant Ridge Road to the Charles F. Anderson Jr. (CFA) pump station. This section of water main has a history of emergency breaks which has resulted in high maintenance cost and numerous service interruptions.

In 2013, a new 42-inch water main was installed along Green Oaks Boulevard from the intersection of Little Road and Pleasant Ridge Road to the CFA pump station. This water main has the similar function as the older 42-inch and 39-inch to be abandoned by this project. Therefore, abandonment of the 42-inch and 39-inch water main will have no impact on the current water system.

| | |
|---|---|
| Date of Bid: | May 17, 2016 |
| Number of Bids Received: | Four |
| Number of Bids from Arlington Firms: | One |
| Bidder Prequalification: | Yes |
| Engineer's Estimate: | $340,000 |
| Range of Bids: | $514,340 to $950,340 |
| Low Bid: | $514,340 |
| Recommended Low Bidder: | ARK Contracting Services, of Kennedale, Texas |
| Contract Scope: | Abandon approximately 3.5 miles of water main |
| Contract Time: | 90 calendar days |

| VENDOR | MWBE | BASE BID TOTAL |
|---|---|---|
| **ARK Contracting Services. LLC, Kennedale, Texas** | **No** | **$514,340** |
| Jackson Construction Ltd., Fort Worth, Texas | No | $629,670 |
| Gra-Tex Utilities Inc., Arlington, Texas | No | $784,630 |
| SYB Construction Company, Irving, Texas | Yes | $950,340 |

**FINANCIAL IMPACT**

Funding Sources:

| | | |
|---|---|---|
| Water Bond Fund | 658502-18120205-68252 | $514,340 |

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $400,000 | $114,340 | $0 |

There is no maintenance cost associated with this project during the referenced time period because the contract provides for a two-year maintenance bond.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Bid Tab |
| | Location Map |
| Under separate cover: | None |
| Available in the City Secretary's Office: | None |

**STAFF CONTACT(S)**

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Buzz.Pishkur@arlingtontx.gov

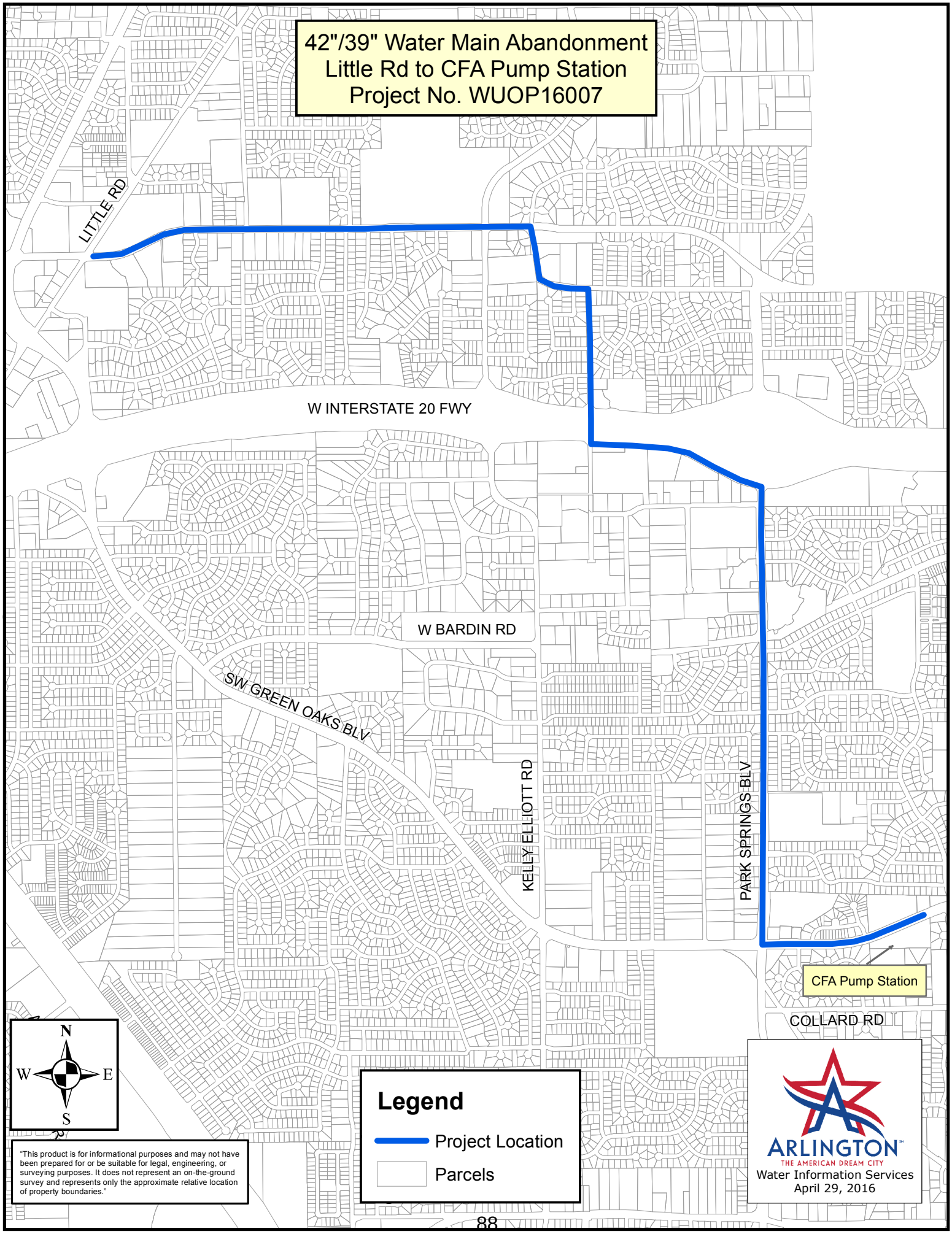
Brad Franklin, P.E.
Assistant Director of Water Utilities
817-459-6632
Brad.Franklin@arlingtontx.gov

# BID TABULATION REPORT

**42"/39" Water Main Abandonment (Little Road to CFA Pump Station), Project No. WUOP16007**

**BID OPENED: 5/17/2016 at 10am**

| | | | | ARK Contracting Kennedale, Texas | | Jackson Construction Fort Worth, Texas | | GRA-TEX Utility, Inc. Arlington, Texas | | SYB Construction Company Irving, Texas | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ITEM | DESCRIPTION | UNITS | QTY | UNIT PRICE | TOTAL COST | UNIT PRICE | TOTAL COST | UNIT PRICE | TOTAL COST | UNIT PRICE | TOTAL COST |
| 101 | Mobilization & bonds | LS | 1 | $ 8,000.00 | $ 8,000.00 | $ 8,000.00 | $ 8,000.00 | $ 8,000.00 | $ 8,000.00 | $ 8,000.00 | $ 8,000.00 |
| 102 | Furnish and install SWPPP | LS | 1 | $ 8,000.00 | $ 8,000.00 | $ 6,500.00 | $ 6,500.00 | $ 5,000.00 | $ 5,000.00 | $ 10,000.00 | $ 10,000.00 |
| 103 | Furnish and install traffic control | LS | 1 | $ 24,000.00 | $ 24,000.00 | $ 39,500.00 | $ 39,500.00 | $ 60,000.00 | $ 60,000.00 | $ 20,000.00 | $ 20,000.00 |
| 104 | Furnish G P S data | LS | 1 | $ 3,000.00 | $ 3,000.00 | $ 800.00 | $ 800.00 | $ 6,000.00 | $ 6,000.00 | $ 15,000.00 | $ 15,000.00 |
| 105 | Furnish and install temporary water services | LS | 1 | $ 3,000.00 | $ 3,000.00 | $ 5,200.00 | $ 5,200.00 | $ 3,000.00 | $ 3,000.00 | $ 10,000.00 | $ 10,000.00 |
| 106 | Support signal, street light, and power poles as needed | LS | 1 | $ 1,200.00 | $ 1,200.00 | $ 3,400.00 | $ 3,400.00 | $ 20,000.00 | $ 20,000.00 | $ 10,000.00 | $ 10,000.00 |
| 107 | Furnish and install sod to match existing condition for new water line | LF | 320 | $ 10.00 | $ 3,200.00 | $ 13.00 | $ 4,160.00 | $ 30.00 | $ 9,600.00 | $ 12.00 | $ 3,840.00 |
| 108 | Furnish and install sod to match existing condition | SY | 200 | $ 8.00 | $ 1,600.00 | $ 18.00 | $ 3,600.00 | $ 10.00 | $ 2,000.00 | $ 10.00 | $ 2,000.00 |
| 109 | Furnish and install 8-inch PVC water line C-900 (DR-18) by open cut | LF | 320 | $ 135.00 | $ 43,200.00 | $ 94.00 | $ 30,080.00 | $ 89.00 | $ 28,480.00 | $ 200.00 | $ 64,000.00 |
| 110 | Provide trench safety systems for water line by open cut | LF | 320 | $ 2.00 | $ 640.00 | $ 1.00 | $ 320.00 | $ 10.00 | $ 3,200.00 | $ 10.00 | $ 3,200.00 |
| 111 | Install city furnished 8" resilient wedge gate valve | EA | 3 | $ 2,500.00 | $ 7,500.00 | $ 1,200.00 | $ 3,600.00 | $ 1,500.00 | $ 4,500.00 | $ 8,000.00 | $ 24,000.00 |
| 112 | Connect to existing water line, gate valve, tee or cross | EA | 7 | $ 2,500.00 | $ 17,500.00 | $ 2,100.00 | $ 14,700.00 | $ 2,700.00 | $ 18,900.00 | $ 7,500.00 | $ 52,500.00 |
| 113 | Cut and plug existing water line 6"-12" | EA | 18 | $ 2,500.00 | $ 45,000.00 | $ 4,600.00 | $ 82,800.00 | $ 1,500.00 | $ 27,000.00 | $ 6,000.00 | $ 108,000.00 |
| 114 | Cut and plug existing 18" concrete water line at Pleasant Ridge/Woodside | LS | 1 | $ 25,000.00 | $ 25,000.00 | $ 54,000.00 | $ 54,000.00 | $ 150,000.00 | $ 150,000.00 | $ 30,000.00 | $ 30,000.00 |
| 115 | Cut and plug existing 30" DIP water line in Green Oaks median and inside of CFA pump station | EA | 2 | $ 22,000.00 | $ 44,000.00 | $ 13,000.00 | $ 26,000.00 | $ 35,000.00 | $ 70,000.00 | $ 30,000.00 | $ 60,000.00 |
| 116 | Cut and plug existing 39" concrete water line in Green Oaks median outside of CFA pump station | LS | 1 | $ 30,000.00 | $ 30,000.00 | $ 88,000.00 | $ 88,000.00 | $ 50,000.00 | $ 50,000.00 | $ 80,000.00 | $ 80,000.00 |
| 117 | Cut and plug existing 42" DIP water line at Pleasant Ridge/Little Road | LS | 1 | $ 24,000.00 | $ 24,000.00 | $ 60,000.00 | $ 60,000.00 | $ 150,000.00 | $ 150,000.00 | $ 45,000.00 | $ 45,000.00 |
| 118 | Abandon existing gate valve and box | EA | 30 | $ 1,500.00 | $ 45,000.00 | $ 850.00 | $ 25,500.00 | $ 350.00 | $ 10,500.00 | $ 2,500.00 | $ 75,000.00 |
| 119 | Cut, plug, abandon, and dispose existing air release valve and manhole | EA | 10 | $ 2,000.00 | $ 20,000.00 | $ 2,200.00 | $ 22,000.00 | $ 1,000.00 | $ 10,000.00 | $ 5,000.00 | $ 50,000.00 |
| 120 | Cut, plug, abandon, and dispose existing blow-off | EA | 8 | $ 2,000.00 | $ 16,000.00 | $ 2,300.00 | $ 18,400.00 | $ 1,000.00 | $ 8,000.00 | $ 5,000.00 | $ 40,000.00 |
| 121 | Remove existing 30" tapping valve in Green Oaks median | LS | 1 | $ 25,000.00 | $ 25,000.00 | $ 12,500.00 | $ 12,500.00 | $ 15,000.00 | $ 15,000.00 | $ 75,000.00 | $ 75,000.00 |
| 122 | Replace existing valve with 8" valve at 4001 W. Green Oaks | EA | 1 | $ 3,000.00 | $ 3,000.00 | $ 4,600.00 | $ 4,600.00 | $ 5,000.00 | $ 5,000.00 | $ 15,000.00 | $ 15,000.00 |
| 123 | Remove and replace concrete pavement (joint to joint) with minimum 8-inch | SY | 250 | $ 135.00 | $ 33,750.00 | $ 250.00 | $ 62,500.00 | $ 135.00 | $ 33,750.00 | $ 150.00 | $ 37,500.00 |
| 124 | Remove and replace concrete driveway approach | SY | 50 | $ 135.00 | $ 6,750.00 | $ 120.00 | $ 6,000.00 | $ 105.00 | $ 5,250.00 | $ 100.00 | $ 5,000.00 |
| 125 | Remove and replace concrete valley gutter | SY | 30 | $ 160.00 | $ 4,800.00 | $ 320.00 | $ 9,600.00 | $ 115.00 | $ 3,450.00 | $ 100.00 | $ 3,000.00 |
| 126 | Remove and replace concrete sidewalk | LF | 320 | $ 35.00 | $ 11,200.00 | $ 70.00 | $ 22,400.00 | $ 25.00 | $ 8,000.00 | $ 40.00 | $ 12,800.00 |
| 127 | Furnish and install ADA ramps | EA | 3 | $ 2,000.00 | $ 6,000.00 | $ 2,400.00 | $ 7,200.00 | $ 4,500.00 | $ 13,500.00 | $ 3,000.00 | $ 9,000.00 |
| 128 | Furnish and install paving striping | LS | 1 | $ 1,000.00 | $ 1,000.00 | $ 2,200.00 | $ 2,200.00 | $ 5,000.00 | $ 5,000.00 | $ 10,000.00 | $ 10,000.00 |
| 129 | Remove and salvage existing fire hydrant | EA | 3 | $ 1,000.00 | $ 3,000.00 | $ 1,900.00 | $ 5,700.00 | $ 500.00 | $ 1,500.00 | $ 7,500.00 | $ 22,500.00 |
| 130 | Construction Contingency | LS | 1 | $ 50,000.00 | $ 50,000.00 | $ 410.00 | $ 410.00 | $ 50,000.00 | $ 50,000.00 | $ 50,000.00 | $ 50,000.00 |
| | | | **Total Bid (101 - 130):** | | **$ 514,340.00** | | **$ 629,670.00** | | **$ 784,630.00** | | **$ 950,340.00** |



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# Staff Report

| Engineering Services Contract for Road To Six Flags and Circle Drive Water and Sanitary Sewer Renewal; Project No. WUOP16010 | |
|---|---|
| City Council Meeting Date: 06/07/16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorizing the City Manager or his designee to execute an Engineering Services Contract with Westra Consultants, LLC, of Arlington, Texas, for the design of the Road To Six Flags and Circle Drive Water and Sanitary Sewer Renewal, in an amount not to exceed $197,490.

**PRIOR BOARD OR COUNCIL ACTION**

None

**ANALYSIS**

The project scope includes the design of approximately 4,300 linear feet of sanitary sewer lines in Road To Six Flags Street from Collins Street to Pennant Drive, New Haven Street from Skyline Drive to Road To Six Flags Street, and in Circle Drive and Exchange Drive. It also includes design of approximately 3,300 linear feet of water line along Road To Six Flags and New Haven. Street reclamation, sidewalk, and curb and gutter improvements in Road To Six Flags and New Haven within project limits are part of the scope as well.

The Arlington Water Utilities department negotiated an Engineering Services Contract with Westra Consultants, LLC, to design the project for a base design fee of $161,275, plus an amount not to exceed $36,215 for general construction representation, easement preparation, subsurface utility engineering, printing, and reproduction expenses.

**FINANCIAL IMPACT**

Funding is available in the following accounts:

| | | |
|---|---|---|
| Water Bond Fund | 658502-18134205-61043 | $ 42,100 |
| Sanitary Sewer Bond Fund | 648502-17971204-61043 | $110,000 |
| Street Bond Fund | 358504-65880698-61043 | $45,390 |

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $80,000 | $117,490 | $0 |

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Engineering Services Contract |
| Under separate cover: | None |
| Available in the City Secretary's Office: | None |

**STAFF CONTACT(S)**


Walter J. Pishkur
Director of Water Utilities
817-459-6603
Buzz.Pishkur@arlingtontx.gov

David Wynn, P.E., Interim Director
Public Works & Transportation
817-459-6560
David.Wynn@arlingtontx.gov

THE STATE OF TEXAS §

**ENGINEERING SERVICES CONTRACT**

COUNTY OF TARRANT §

THIS CONTRACT is made and entered into this _____ day of _____, 2016 , by and between the City of Arlington, Tarrant County, Texas, a municipal corporation, hereinafter called "City," and Westra Consultants, LLC, hereinafter called "Engineer," whose address is 1601 East Lamar Blvd. Suite 116, Arlington, TX 76011.

W I T N E S S E T H:

That in consideration of the terms and conditions contained herein the parties do mutually agree as follows:

**Road to Six Flags and Circle Drive Water and Sanitary Sewer Renewal**
**City of Arlington Project No. WUOP16010**

## I.
## Employment of Engineer

Engineer shall perform all services under this contract to the prevailing engineering professional standards consistent with the level of care and skill ordinarily exercised by members of the engineering profession, both public and private, currently practicing in the same locality under similar conditions, including reasonable, informed judgments and prompt, timely action. If Engineer is representing that he/she has special expertise in one or more areas to be utilized in this contract, then Engineer agrees to perform those special expertise services to the appropriate local, regional or national professional engineering standards. Engineer shall provide services necessary for the construction of improvements to City's water and/or sanitary sewer system as described in Attachment "A" – Scope of Services and shown on Attachment "B" - Location Map, being located within the City of Arlington, Tarrant County, Texas, and hereinafter referred to as the "Project." Attachment "A" and "B" are hereby incorporated as if written word for word.

## II.
## Compensation to Engineer

A. BASE COMPENSATION: City agrees to pay Engineer for all services outlined in Section I and Section III, with the exception of work necessary for the preparation of right-of-way and/or easement acquisition data and field survey work for construction staking and layout, a total design compensation in an amount not to exceed $161,275. This compensation shall include the cost of all design surveys, as well as all surveys required to sufficiently determine the limits of existing right-of-way and/or easements. Payments shall be made on an hourly fee basis per the rates indicated in Attachment "C" as part of this Contract. Attachment "C" is hereby incorporated as if written word for word.

B. OTHER COMPENSATION: Compensation associated with easement preparation, subsurface utility engineering, general construction representation, and right-of-way acquisition data (exclusive of costs necessary to determine existing right-of-way or easement limits), shall be paid to the Engineer by City on an hourly fee basis per the hourly rates indicated in Attachment "C" as part of this Contract. This compensation also includes printing and reproduction expenses that are directly related to the Project. These costs are in addition to the base compensation for Engineering Services outlined in Section II.A. above. Payments for this compensation shall be made on an hourly basis not to exceed $36,215. Project inspection services are not part of this Contract unless specifically addressed elsewhere in this Contract.

C. Payment for services rendered by Engineer shall be made as follows:

1. For design, plans and specifications, Engineer will be paid on a monthly basis. Final payment will be due and payable upon delivery to City of final design construction plans and specifications for the Project and approval by City.

2. For utility easements and construction staking and layout, payment will be made on a monthly basis in accordance with the value of the work as hereinbefore provided.

3. City shall be invoiced in a form satisfactory to the City.

## III.
## Services

A. Field Survey Work - Engineer shall furnish a survey field party to collect all field information necessary to prepare complete and detailed plans, specifications, and contract documents consistent with prevailing engineering standards. This field information shall be based on NAD-83 and the latest version of the City's GPS Monument Manual located on Public Works & Transportation web page. Before the survey party is engaged in surveying on private property, City shall send letters to all adjacent property owners and other affected property owners notifying them of the survey party's intent to survey on private property. Engineer shall provide City with the name and address of the property owners, as well as the legal description and property address of the affected property. Permission to survey on private property shall be obtained by the City from the property owners before surveying is commenced. The letter of permission shall include permission for Engineer to set iron pins and control monuments for future right-of-way and/or easements to be acquired by City at a later date. Engineer shall direct the field party in the following:

1. Establishing the proposed centerline or a suitable reference base line on the ground as required by City.

2. Making complete and accurate cross-section field notes.

3. Making a complete topographic survey of all existing features above and below ground level that would or could affect proposed construction. These features shall include, but are not limited to, telephone poles, power poles, all other utilities or other structures located on or above or below the surface, fences, retaining walls, water meters, detector check valves, manholes, vaults, structures, culverts, pipes and all other facilities in close proximity to the construction. Also, all buildings, trees, steps, and other topographical features which would be of interest to the property owner in discussing the plans with City engineers must be shown accurately and drawn to scale. Engineer shall also show street numbers for all existing houses and structures.

4. Determining horizontal and vertical location of all underground utilities or other underground structures based upon information obtained in accordance with Section III where they cross any part of the proposed water and/or sanitary sewer system or may affect the proposed Project. The Engineer shall not be responsible for the cost of exposing these utilities or repairing damage caused by such exposure unless due to omission or other negligence by Engineer.

5. Making of all surveys necessary to determine limits of any existing right-of-way and/or easements.

B. General Requirements

1. Each time Engineer submits plans and specifications to City, four (4) copies (two {2} full size {22”x34”}, two {2} half scaled {11x17}) and .pdf files on a CD shall be submitted. These shall be reviewed and checked by City and returned to Engineer for corrections. When the corrected copies of the plans and specifications are returned to City, the original and reviewed hard copies of the plans and specifications shall also be returned to City. All plans, specifications, documents, provisions, attachments, and correspondence provided in accordance with this contract shall be dated. The City will supply plans for Project to all utility companies, including, but not limited to franchised utilities, pipeline companies, railroad companies, TxDOT, or any other entity which has facilities within or adjacent to the Project. (Rev. 12/2014)

2. Each set of plans shall be stamped “Review,” and each sheet of the plans shall be signed and dated with registration number noted by Engineer until approval of the final design construction plans by City, whereupon the word "Review" shall be omitted and the plans shall be stamped “Final” on the cover sheet.

3. Engineer shall coordinate with the utility companies, including, but not limited to franchised utilities, City of Arlington Water Utility Department, pipeline companies, railroad companies, TxDOT, or any other entity which has facilities within Project, any and all exposure, removal, and/or relocation work necessary for implementation of Project. This shall also include aiding City in obtaining any permits required by any of these entities. Engineer shall also attend any required utility coordination meetings for Project. (Rev. 12/2014)

4. Engineer shall coordinate with all utility companies, franchise companies and other entities for any proposed improvements, either on the surface, below or above the surface, that may be affected by the Project and indicate on the final plans said proposed improvements both on plans and profile, if available.

5. Engineer shall determine from existing records and field inspection, the type of existing pavement on Project, including all intersecting streets, driveways, and alleys, accurately showing this information on the plans.

6. Engineer shall establish the scope of and arrange for the soil and foundation investigations using City approved geotechnical firm. City shall approve in advance, and be responsible for costs of any authorized soil investigations.

7. Upon completion of the final design construction plans, special provisions and specifications, and contract documents, Engineer shall submit a letter of notification to City stating completion of design of Project.

8. Review by City does not relieve Engineer of responsibility to prepare construction plans and specifications in accordance with prevailing engineering standards.

9. Engineer shall coordinate and design the water and/or sanitary sewer system incorporating the following items into the conceptual, preliminary and final design plans and specifications.

   a. Research plans in map room for City of Arlington Utilities and facilities.

   b. Evaluate existing water and/or sanitary sewer system and make recommendations on existing lines based on the latest City of Arlington Design Criteria Manual and Texas Commission on Environmental Quality (TCEQ) Rulesand requirements.

      (1) Replace lines based on material type, depth and size or those having grade conflicts with existing and proposed improvements.

      (2) Replace services based on material type, depth, and size.

      (3) Eliminate lines that may become unnecessary.

      (4) Extend proper size lines and at proper connection point to serve vacant properties or properties that could be redeveloped.

      (5) Evaluate line sizes based on area served and future development.

   c. Evaluate and recommend remedies for conflicts with other Utility Companies and/or facilities.

d. Evaluate easement and/or right-of-way needs and prepare field notes.

e. Prepare alignment plans (1"=200' may be used) showing alternatives.

(1) Show proposed water and/or sanitary sewer lines along with existing lines.

(2) Show natural or man made features effecting design and/or easements and right-of-way.

(3) Show easement and/or right-of-way needs.

f. Submit plans, specifications, and engineering report for water and/or sanitary sewer system facilities to the TCEQ for review and approval.

g. Prepare opinions of costs for alternatives.

h. Incorporate plans and specifications by others (e.g. landscaping and/or tree planting) into contract document where applicable.

i. Provide recommendations to City regarding water and/or sanitary sewer system in relation to this contract.

C. Right-of-Way Determination - In conformance with City standards, Engineer shall survey, render field notes, and prepare detail plans (right-of-way strip maps) and individual parcel exhibits for any additional right-of-way and/or easements needed. Engineer shall also set control points, which shall be based on NAD-83 and the latest version of the City's GPS Monument Manual located on Public Works & Transportation web page, approximately every 600 feet on both sides of the road or project center line. Before setting the control points, Engineer shall obtain approved sketches and specifications from City for the placing of control points.

1. Detail plans shall be contained on standard size plan paper (22" X 34") at a scale not smaller than 1"=30', shall be sealed, dated, and signed by a Registered Professional Land Surveyor and shall contain the following:

a. Standard City title page including location map.

b. Summary sheet listing all parcels to be acquired, property owner, legal description of property, gross area of property, square footage and type of easements, net area of property after acquisition, and a column for volume and page of filing.

c. Corners of all parcels tied to the centerline.

d. Location of all existing property pins, including station and offset to centerline.

e. Location of all new property pins, including station and offset to centerline.

f. Parcel number.

g. Area required.

h. Area remaining.

i. Current owner.

j. Any existing platted easements or easements filed by separate instrument including easements provided by utility companies. The utility company easements should be requested by Engineer at the time conceptual plans, preliminary plans and final plans are sent to the utility companies.

2. Individual parcel exhibits shall be on 8½"x11" or 8½"x14" paper, shall be sealed, dated, and signed by a Registered Professional Land Surveyor and shall contain the following:

a. Parcel number.

b. Area required.

c. Area remaining.

d. Legal description.

e. Current owner.

f. Any existing platted easements or easements filed by separate instrument including easements provided by utility companies.

g. All physical features.

h. Meets and bounds description of parcel to be acquired. The description shall be provided on a separate sheet from the exhibit.

The above items are necessary for the acquisition of right-of-way required to construct Project. Said information shall be required prior to acceptance of final construction plans.

Upon written notification by City of acceptance of the right-of-way plans, exhibits and instruments, and as directed by City, Engineer's surveyor shall set all corners and points of curvature for the proposed right-of-way and submit final sealed

plans and exhibits, including location of the control points and their NAD-83 reference.

D. Conceptual Design Plans - Conceptual plans for this project shall be prepared on such a scale and to such detail as is necessary to resolve all conceptual issues. Conceptual plans must be approved by City prior to Engineer commencing with the preparation of preliminary design construction plans. Engineer shall prepare conceptual plans which will include the following:

1. Alignment of the project including sizes of mains, proposed stubouts six inches (6") in diameter and larger, and any major appurtenant structures required. Engineer may use base maps 1"=200'.

2. Natural and man-made features affecting design and/or right-of-way and/or easements.

3. Dimensions of all existing right-of-way and all easements.

4. Locations and approximate dimensions of all anticipated right-of-way and/or easements.

5. A preliminary opinion of probable cost of the project.

6. The location of all trees with a diameter of six inches (6") or greater.

E. Final Design Construction Plans - Engineer shall submit final design construction plans for review and approval by the City. Engineer shall prepare final design construction plans at a horizontal scale of 1"=20' and a vertical scale of 1"=5' (horizontal scale of 1"=40' and a vertical scale of 1"=4' may be used with prior permission by the City) on 22" x 34" sheets (each sheet shall be sealed, dated, and signed by a Registered Professional Engineer in the State of Texas), specifications and special provisions and abutting property attachment. Final design construction plans shall include the following:

1. Standard City title page with location map and revision block in the lower right corner showing date of revision, description of revision and initials of the revisor.

2. Plan and profile sheets of water and/or sanitary sewer improvements incorporating existing improvements as outlined in Sections III.A. and III.D. (A breakdown of the pay quantities shall be indicated for each plan and profile sheet. The breakdown may be shown on a summary of quantities sheet or may be indicated on the individual plan profile sheets.)

3. Detail and standard sheets.

4. Proposals, final opinion of probable cost, special provisions and specifications and contract document booklet.

5. All plans, documents, provisions, specifications, attachments and correspondence that leave Engineer's office shall be dated.

6. Street addresses and legal description.

7. Provide the final design construction plans on a CD with the formats as listed below. (Rev. 10/2014)

- The AutoCad 2012 files, including survey
- The Black and White Drawings (bi-tonal/single bit)
  - 300 DPI Tiff
  - CCITT Group 4 compression
- Color or Grey Scale
  - 300 DPI Tiff
  - LZW compression

F. Miscellaneous Requirements - Engineer shall furnish the City one (1) set of full size, one (1) set of half size, and an electronic file in .pdf format of the "Final" approved, sealed and dated plans. Engineer shall also submit an electronic file of the "Final" drawings in .dwg format. The following may also be required of the Engineer:

1. Assist City in the advertisement of Project for bids.

2. Assist City in the opening and tabulation of bids.

3. Engineer will review and approve (or take appropriate action with respect to) shop drawings, samples and other data which contractor(s) are required to submit.

4. In performing the services outlined above, Engineer will protect City to the extent reasonably possible against defects and deficiencies in the work of contractors. Engineer will report any observed deficiencies to City and Engineer will take any other appropriate actions; however, it is understood that Engineer does not guarantee the contractor's performance, nor is Engineer responsible for supervision of the contractor's operation and employees except to the extent defects, omissions or negligence is reasonably discoverable by Engineer. Engineer shall not be responsible for the means, methods, techniques, sequences or procedures of construction selected by the contractor, or the safety precautions and programs incident to the work of the contractor, unless a defective procedure, method, etc., is observed by the Engineer. In such case, the Engineer will report any observed deficiencies to City and the Engineer will take any other appropriate actions.

## IV.
## Time for Completion

Engineer agrees to complete and submit all work required by City as follows:

A. Conceptual design plans in 70 calendar days from date of written notice to proceed.

B. Preliminary design plans in 60 calendar days from acceptance of conceptual plans and written notice to proceed with preliminary plans.

C. Final design construction plans and specifications in 28 calendar days from acceptance of conceptual design plans and written notice to proceed with final plans. Subsequent submittals of final plans shall be returned to City within six (6) weeks of the date of the previous review letter.

Calendar days shall commence when Engineer is notified to proceed and shall terminate when City has accepted the plans as being final. No extensions of time shall be granted unless a written request is submitted by Engineer, and such request is approved in writing by City.

## V.
## Revisions of Plans and Specifications

City reserves the right to direct substantial revision of the plans, special provisions, and specifications after acceptance by City as City may deem necessary, but in such event City shall pay Engineer equitable compensation for services rendered in making such revisions. In any event, when Engineer is directed to make substantial revisions under this Section of the contract, Engineer shall provide to City a written proposal for the entire costs involved in providing City a completed set of plans, specifications and special provisions and the completion time involved in the revisions. Prior to Engineer undertaking any substantial revisions as directed by City, City must authorize in writing the nature and scope of the revisions and accept the method and amount of compensation and the time involved in all phases of the work.

If revisions of the final plans, special provisions, and specifications, or drawings are required by reason of Engineer's error or omission, then such revisions shall be made by Engineer without additional compensation to the fees herein specified, and in a time frame as directed by City.

It is expressly understood and agreed by Engineer that any compensation not specified in Section II, "Compensation to Engineer," may require Arlington City Council approval and is subject to funding limitations.

## VI.
## Engineer's Coordination with Owner

Engineer shall be available for conferences with City so that Project can be designed with the full benefit of City's experience and knowledge of existing needs and facilities and be consistent with current policies and construction standards. City shall make available to Engineer all existing plans, maps, field notes, and other data in its possession relative to the Project. Engineer may show justification to City for changes in design from City standards due to the judgment of said Engineer of a cost savings to City and/or due to the surrounding

topographic conditions. City shall make the final decision as to any changes after appropriate request by Engineer.

Engineer shall accompany City representatives on Project observation visits during construction of Project at appropriate frequencies to ensure the project is progressing based on Engineer's plans and specifications. City may require more frequent construction observation visits as construction problems arise as a result of Project design.

## VII.
## Contract Termination Provision

This contract may be terminated at any time by City for any cause without penalty or liability except as may otherwise be specified herein. Upon receipt of written notice by City, Engineer shall immediately discontinue all services and Engineer shall immediately terminate placing orders or entering into contracts for supplies, assistance, facilities or materials in connection with this contract and shall proceed to cancel promptly all existing contracts insofar as they are related to this contract. As soon as practicable after receipt of notice of termination, Engineer shall submit a statement showing in detail the services performed but not paid for under this contract to the date of termination. City shall then pay Engineer promptly the accrued and unpaid services to the date of termination, to the extent the services are approved by City.

This contract may be terminated by Engineer with mutual consent of City at any time for any cause without penalty or liability except as may otherwise be specified herein. Engineer shall submit written notice to terminate contract and shall submit to City all plans and documents relative to the design of Project. City shall then ascertain cost to complete the balance of the work under this contract. If the cost to complete the balance of the work is greater than the unpaid contract amount, City shall retain all unpaid balances and, in addition, Engineer shall pay directly to City the difference in the unpaid balance and the cost to complete the work. In no case shall City pay Engineer any additional monies other than those previously paid under the contract.

## VIII.
## Ownership of Documents

All drawings and specifications prepared or assembled by Engineer under this contract shall become the sole property of City and shall be delivered to City, without restriction on future use. Engineer shall retain in his files all original drawings, specifications and all other pertinent information for the work. Engineer shall have no liability for changes made to the drawings, specifications, and other documents by other engineers subsequent to the completion of the contract. City shall require that any such change be sealed, dated, and signed by the engineer making that change and shall be appropriately marked to reflect what was changed or modified.

## IX.
## Insurance

A. Engineer shall at Engineer's own expense, purchase, maintain and keep in force during

the term of this contract such insurance as set forth below. Engineer shall not commence work under this contract until Engineer has obtained all the insurance required under this contract and such insurance has been approved by City, nor shall Engineer allow any subcontractor to commence work on his or her own subcontract until all similar insurance of the subcontractor has been obtained and approved. All insurance policies provided under this contract shall be written on an "occurrence" basis, except for professional liability. The insurance requirements shall remain in effect throughout the term of this Contract. The policy limits stated below are at a minimum.

1. Workers' Compensation as required by law, Employers Liability Insurance of not less than $1,000,000.00 for each accident, $1,000,000.00 disease-each employee, $1,000,000.00 disease-policy limit.

2. Commercial General Liability Insurance, including Independent Contractor's Liability, Completed Operations and Contractual Liability, covering but not limited to the indemnification provisions of this contract, fully insuring Engineer's liability for injury to or death of employees of City and third parties, extended to include personal injury liability coverage, and for damage to property of third parties, with a combined bodily injury and property damage minimum limit of $1,00,000.00 per occurrence and a $2,000,000 aggregate. (Rev. 2/2016)

3. Commercial Automobile and Truck Liability Insurance, covering any auto or hired and non-owned vehicles, with a combined bodily injury and property damage limit of $1,000,000.00 per occurrence.

4. Professional Liability Insurance: Engineer shall obtain and maintain at all times during the prosecution of the work under this Contract professional liability insurance. Limits of liability shall be $1,000,000.00 per claim and $2,000,000.00 aggregate. Any such policy of insurance and the Declarations Page therefore shall identify if coverage is being provided on an "occurrence" or "claims-made" basis. If this coverage is being provided on a claims-made basis, Engineer must maintain this policy for a period of four (4) years after the completion of the project or shall purchase the extended reporting period or "tail" coverage insurance providing equivalent coverage for the same period of time.

5. Umbrella Liability Insurance of not less than $2,000,000.00 per occurrence, following form and drop down provisions included.

B. Each insurance policy to be furnished by Engineer shall include the following conditions by endorsement to the policy:

1. Except for Worker's Compensation and professional liability insurance, the policy shall name City as an additional insured as to all applicable coverage;

2. Each policy will require that thirty (30) days prior to the expiration in coverage, a notice thereof shall be given to City to:

City of Arlington
Risk Management - Mail Stop 63-0790
PO Box 90231
Arlington, Texas 76004-3231

If the policy is canceled for nonpayment of premium, only ten (10) days advance written notice to City is required. Engineer shall also notify CITY within twenty-four (24) hours after receipt of any notices of expiration, cancellation, nonrenewal or any material change in coverage it receives from its insurer(s);

3. The term "Owner" or "City" shall include all authorities, boards, bureaus, commissions, divisions, departments and offices of City and the individual members, employees and agents thereof in their official capacities, and/or while acting on behalf of City.

4. The policy phrase "other insurance" shall not apply to City where city is an additional insured on the policy; and

5. All provisions of the contract concerning liability, duty and standards of care, together with the indemnification provision, shall be underwritten by contractual liability coverage sufficient to include such obligations within applicable policies.

C. Concerning insurance to be furnished by Engineer, it is a condition precedent to acceptability thereof that:

1. All policies are to be written through companies duly approved to transact that class of insurance in the State of Texas; and

2. Insurance is to be placed with carriers with an A.M. Best rating of A:VII, or as otherwise acceptable to the City.

D. Engineer agrees to the following:

1. Except for professional liability, Engineer hereby waives subrogation rights for loss or damage to the extent same are covered by insurance. Insurers shall have no right of recovery or subrogation against City, it being the intention that the insurance policies shall protect all parties to the contract and be primary coverage for all losses covered by the policies.

2. Companies issuing the insurance policies and Engineer shall have no recourse against City for payment of any premiums or assessments for any deductible, as all such premiums and deductibles are the sole responsibility and risk of Engineer.

3. Approval, disapproval or failure to act by City regarding any insurance supplied by Engineer (or any subcontractors) shall not relieve Engineer of full

responsibility or liability for damages and accidents as set forth in the contract documents. Neither shall the insolvency or denial of liability by the insurance company exonerate Engineer from liability.

4. Engineer shall provide one (1) copy of a Certificates of Insurance completed on an Acord form or other State-approved form, and endorsements effecting coverage required by this section to the City by forwarding to:

City of Arlington
Water Utilities Department - Mail Stop 01-0200
Attn: Lori Du, P.E.
PO Box 90231
Arlington, Texas 76004-3231

E. Any of the insurance policies required under this section may be written in combination with any of the others, where legally permitted, but none of the specified limits may be lowered thereby.

## X.
## Monies Withheld

When City has reasonable grounds for believing that:

A. Engineer will be unable to perform this contract fully and satisfactorily within the time fixed for performance; or

B. A claim exists or will exist against Engineer or City arising out of the negligence of the Engineer or the Engineer's breach of any provision of this contract; then City may withhold payment of any amount otherwise due and payable to Engineer under this contract. Any amount so withheld may be retained by City for that period of time as it may deem advisable to protect City against any loss and may, after written notice to Engineer, be applied in satisfaction of any claim described herein. This provision is intended solely for the benefit of City, and no other person or entity shall have any right or claim against City by reason of City's failure or refusal to withhold monies. No interest shall be payable by City on any amounts withheld under this provision. This provision is not intended to limit or in any way prejudice any other right of City.

## XI.
## No Damages for Delays

Notwithstanding any other provision of this contract, Engineer shall not be entitled to claim or receive any compensation as a result of or arising out of any delay, hindrance, disruption, force majeure, impact or interference, foreseen or unforeseen.

## XII.
## Procurement of Goods and Services from Arlington

**Businesses and/or Historically Underutilized Businesses**

In performing this contract, Engineer agrees to use diligent efforts to purchase all goods and services from Arlington businesses whenever such goods and services are comparable in availability, quality and price.

As a matter of policy with respect to City of Arlington projects and procurements, City of Arlington also encourages the use, if applicable, of qualified contractors, subcontractors and suppliers where at least fifty-one percent (51%) of the ownership of such contractor or supplier is vested in racial or ethnic minorities or women. In the selection of subcontractors, suppliers or other persons in organizations proposed for work on this contract, Engineer agrees to consider this policy and to use its reasonable and best efforts to select and employ such company and persons for work on this contract.

The Engineer agrees to provide information about its minority status at time of contract execution. Engineer will also be required to submit cost information towards minority/woman owned businesses. The information submitted is for reporting purposes only and shall include the engineer and any other firms performing work as a part of this contract such as surveying services. See the sample Prime and Subs & Minority/Women Business Enterprise (MWBE) Report form at the end of this contract. Submitted form shall be accompanied by copy of certification(s) for Engineer and any applicable firms. Engineer will be required to submit anticipated dollar amounts towards these businesses (if applicable) upon execution of the contract for this project and actual dollar amounts spent with the monthly pay estimate. It will be the Engineer's responsibility to ensure submitted certification(s) are up-to-date, including for any applicable firms.

## XIII.
## Right to Inspect Records

Engineer agrees that City shall have access to and the right to examine any directly pertinent books, documents, papers and records of Engineer involving transactions relating to this contract. Engineer agrees that City shall have access during normal working hours to all necessary Engineer facilities and shall be provided adequate and appropriate work space in order to conduct audits in compliance with the provisions of this section. City shall give Engineer reasonable advance notice of intended audits.

Engineer further agrees to include in subcontract(s), if any, a provision that any subcontractor or consultant agrees that City shall have access to and the right to examine any directly pertinent books, documents, papers and records of such consultant or subcontractor involving transactions to the subcontract, and further, that City shall have access during normal working hours to all consultant or subcontractor facilities, and shall be provided adequate and appropriate work space, in order to conduct audits in compliance with the provisions of this paragraph. City shall give the consultant or subcontractor reasonable advance notice of intended audits.

## XIV.
## No Third Party Beneficiary

For purposes of this contract, including its intended operation and effect, the parties (City and Engineer) specifically agree and contract that: (1) the contract only affects matters/disputes between the parties to this contract, and is in no way intended by the parties to benefit or otherwise affect any third person or entity, notwithstanding the fact that such third person or entities may be in a contractual relationship with City or Engineer or both; and (2) the terms of this contract are not intended to release, either by contract or operation of law, any third person or entity from obligations owing by them to either City or Engineer.

## XV.
## Successors and Assigns

City and Engineer each binds himself and his successors, executors, administrators and assigns to the other party of this contract and to the successor, executors, administrators and assigns of such other party in respect to all covenants of this contract. Neither City nor Engineer shall assign or transfer its interest herein without the prior written consent of the other.

## XVI.
## Engineer's Liability

Acceptance of the final plans by City shall not constitute nor be deemed a release of the responsibility and liability of Engineer, its employees, associates, agents or consultants for the accuracy and competency of their designs, working drawings, specifications or other documents and work; nor shall such acceptance be deemed an assumption of responsibility by City for any defect in the designs, working drawings, specifications, or other documents and work; nor shall such acceptance be deemed an assumption of responsibility or liability by City for any defect in the designs, working drawings, specifications, or other documents prepared by said Engineer, its employees, subcontractor, agents and consultants.

## XVII.
## Indemnification

**ENGINEER does hereby covenant and contract to indemnify and hold harmless CITY and all of its officials, officers, agents, employees and invitees, in both their public and private capacities, from any and all liability, claims, suits, demands or causes of action, including reasonable attorney fees of litigation and/or settlement, that may arise by reason of death of or injury to persons or damage to or loss of use of property occasioned by any wrongful intentional act or omission of ENGINEER as well as any negligent omission, act or error of ENGINEER, its officials, officers, agents, employees and invitees, or other persons for whom ENGINEER is legally liable with regard to the performance of this Contract, whether said negligence is sole negligence, contractual comparative negligence, concurrent negligence or any other form of negligence. In the event of joint or concurrent negligence of ENGINEER and CITY, responsibility, if any, shall be apportioned comparatively in accordance with the laws of the State of Texas. Nothing in this paragraph is intended to waive any governmental immunity available to CITY under Texas law or waive any defenses of ENGINEER or CITY under Texas law. This paragraph shall not be construed**

**for the benefit of any third party, nor does it create or grant any right or cause of action in favor of any third party against CITY or ENGINEER.**

**ENGINEER warrants that no music, literary or artistic work or other property protected by copyright will be reproduced or used, nor will the name of any entity protected by trademark be reproduced or used by ENGINEER unless ENGINEER has obtained written permission from the copyright or trademark holder as required by law, subject also to CITY's consent. ENGINEER covenants to comply strictly with all laws respecting copyrights, royalties and trademarks and warrants that it will not infringe any related statutory, common law or other right of any person or entity in performing this Contract. ENGINEER will indemnify and hold CITY and its officers, agents and employees harmless from all claims, losses and damages (including reasonable attorney's fees) with respect to such copyright, royalty or trademark rights to the extent caused by ENGINEER or for whom ENGINEER is legally liable.**

**The provisions of this section are intended to only provide indemnification to the extent allowed by Texas Local Gov't Code Sec. 271. 904 and shall be construed to that effect. The ENGINEER as allowed by Texas Local Gov't Code Sec. 271.904 will still name CITY as additional insured in its General Liability Policy and provide any defense as allowed by the policy.**

## XVIII.
## Severability

If any of the terms, sections, subsections, sentences, clauses, phrases, provisions, covenants, or conditions of this contract are for any reason held to be invalid, void or unenforceable, the remainder of the terms, sections, subsections, sentences, clauses, phrases, provisions, covenants, or conditions of this contract shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

## XIX.
## Independent Contractor

Engineer covenants and agrees that he/she is an independent contractor, and not an officer, agent, servant or employee of City; that Engineer shall have exclusive control of and exclusive right to control the details of the work performed hereunder, and all persons performing same, and shall be liable for the acts and omissions of its officers, agents, employees, contractors, subcontractors and consultants; that the doctrine of respondent superior shall not apply as between City and Engineer, its officers, agents, employees, contractors, subcontractors and consultants, and nothing herein shall be construed as creating a partnership or joint enterprise between City and Engineer.

## XX.
## Disclosure

By signing this contract, Engineer acknowledges to City that he/she has made a full disclosure in writing of any existing conflicts of interest or potential conflicts of interest,

including personal financial interests, direct or indirect, in property abutting the proposed project and business relationships with abutting property owners. Engineer further agrees that he shall make disclosure in writing of any conflicts of interests which develop subsequent to the signing of this contract and prior to final payment under the contract.

## XXI.
## Venue

The parties to this contract agree and covenant that this contract shall be enforceable in Arlington, Texas; and that if legal action is necessary to enforce this contract, exclusive venue shall lie in Tarrant County, Texas.

## XXII.
## Entire Agreement

This contract embodies the complete agreement of the parties hereto, superseding all oral or written previous and contemporary agreements between the parties relating to matters herein; and except as otherwise provided herein, cannot be modified without written agreement of the parties.

## XXIII.
## Applicable Law

This contract is entered into subject to the Charter and ordinances of City, as they may be amended from time to time, and is subject to and is to be construed, governed, and enforced under all applicable State of Texas and federal laws. Situs of this contract is agreed to be Tarrant County, Texas, for all purposes, including performance and execution.

## XXIV.
## Default

If at any time during the term of this contract, Engineer shall fail to commence the work in accordance with the provisions of this contract or fail to diligently provide services in an efficient, timely, and careful manner and in strict accordance with the provisions of this contract or fail to use an adequate number or quality of personnel or equipment to complete the work or fail to perform any of its obligations under this contract, then City shall have the right, if Engineer does not cure any such default after thirty (30) days written notice thereof, to terminate this contract and complete the work in any manner it deems desirable, including engaging the services of other parties therefor. Any such act by City shall not be deemed a waiver of any other right or remedy of City. If after exercising any such remedy, the cost to City of the performance of the balance of the work is in excess of that part of the contract sum which has not therefore been paid to Engineer hereunder, Engineer shall be liable for and shall reimburse City for such excess.

## XXV.
## Headings

The headings of this contract are for the convenience of reference only and shall not affect in any manner any of the terms and conditions hereof.

## XXVI.
## Non-Waiver

It is further agreed that one (1) or more instances of forbearance by City in the exercise of its rights herein shall in no way constitute a waiver thereof.

## XXVII.
## Remedies

No right or remedy granted herein or reserved to the parties is exclusive of any other right or remedy herein by law or equity provided or permitted; but, each shall be cumulative of every other right or remedy given hereunder. No covenant or condition of this contract may be waived without consent of the parties. Forbearance or indulgence by either party shall not constitute a waiver of any covenant or condition to be performed pursuant to this contract.

## XXVIII.
## Equal Employment Opportunity

Engineer shall not discriminate against any employee or applicant for employment because of race, age, color, religion, sex, ancestry, national origin, place of birth or disability. Engineer shall take action to ensure that applicants are employed and treated without regard to their race, age, color, religion, sex, ancestry, national origin, place of birth or disability. This action shall include, but not be limited to: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of training, including apprenticeship.

## XXIX.
## Construction of Contract

Both parties have participated fully in the review and revision of this contract. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply to the interpretation of this contract.

## XXX.
## Notices

All notices, communications, and reports required or permitted under this contract shall be personally delivered or mailed to the respective parties by depositing same in the United States mail, postage prepaid, at the addresses shown below, unless and until either party is otherwise notified in writing by the other party, at the following addresses. Mailed notices shall be deemed communicated as of five (5) days after mailing regular mail.

If intended for City, to:

Lori Du, P.E.
Civil Engineer
City of Arlington
P.O. Box 90231, MS 01-0200
Arlington, Texas 76004-3231

If intended for Engineer, to:

Name: _____

Address: _____

Phone Number: _____

Email: _____

## XXXI.
## Warranty

To the extent allowed by law, Engineer warrants that all work will be performed to the professional services standard indicated in Section I. of this contract.

## XXXII.
## USDOT Standard Title VI Assurances

The City of Arlington, in accordance with Title VI of the Civil Rights Act of 1964, 78 Stat. 252, 42 U.S.C. 2000d to 2000d-4 and Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted programs of the Department of Transportation issued pursuant to such Act, hereby notifies all vendors that it will affirmatively ensure that in any contract entered into pursuant to this advertisement, minority business enterprises will be afforded full opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, or national origin in consideration for an award. Vendor will abide and ensure compliance with all terms of Appendix A of the USDOT Standard Title VI Assurances as listed below.

**Appendix A of the USDOT Standard Title VI Assurances**

During the performance of this contract, the Engineer, for itself, its assignees and successors in interest (hereinafter referred to as the "Engineer") agrees as follows:

(1) Compliance with Regulations: The Engineer shall comply with the Regulations relative to nondiscrimination in Federally-Assisted programs of the Department of Transportation (hereinafter, "DOT") Title 49, Code of Federal Regulations, Part 21, as they may be amended from time to time, (hereinafter referred to as the Regulations), which are herein incorporated by reference and made a part of this contract.

(2) Nondiscrimination: The Engineer, with regard to the work performed by it during the contract, shall not discriminate on the grounds of race, color, or national origin in the selection

and retention of subcontractors, including procurements of materials and leases of equipment. The Engineer shall not participate either directly or indirectly in the discrimination prohibited by section 21.5 of the Regulations, including employment practices when the contract covers a program set forth in Appendix B of the Regulations.

(3) Solicitations for Subcontracts, Including Procurements of Materials and Equipment: In all solicitations either by competitive bidding or negotiation made by the Engineer for work to be performed under a subcontract, including procurements of materials or leases of equipment, each potential subcontractor or supplier shall be notified by the Engineer of the Engineer's obligations under this contract and the Regulations relative to nondiscrimination on the grounds of race, color, or national origin.

(4) Information and Reports: The Engineer shall provide all information and reports required by the Regulations or directives issued pursuant thereto, and shall permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the City of Arlington or the Texas Department of Transportation to be pertinent to ascertain compliance with such Regulations, orders and instructions. Where any information required of a Engineer is in the exclusive possession of another who fails or refuses to furnish this information the Engineer shall so certify to the City of Arlington, or the Texas Department of Transportation as appropriate, and shall set forth what efforts it has made to obtain the information.

(5) Sanctions for Noncompliance: In the event of the Engineer's noncompliance with the nondiscrimination provisions of this contract, the City of Arlington shall impose such contract sanctions as it or the Texas Department of Transportation may determine to be appropriate, including, but not limited to:

(a) withholding of payments to the Engineer under the contract until the Engineer complies, and/or

(b) cancellation, termination or suspension of the contract, in whole or in part.

(6) Incorporation of Provisions: The Engineer shall include the provisions of paragraphs (1) through (6) in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Regulations, or directives issued pursuant thereto.

The Engineer shall take such action with respect to any subcontract or procurement as the City of Arlington or the Texas Department of Transportation may direct as a means of enforcing such provisions including sanctions for non-compliance: Provided, however, that, in the event a Engineer becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, the Engineer may request the City of Arlington to enter into such litigation to protect the interests of the City of Arlington, and, in addition, the Engineer may request the United States to enter into such litigation to protect the interests of the United States.

IN WITNESS WHEREOF, the parties enter into this contract on the date first written above.

WITNESS:

_____

ENGINEER:

BY:_____

_____
Printed or Typed Name

_____
Printed or Typed Title

_____
Tax Identification No.

ATTEST:

_____
Mary W. Supino, City Secretary

CITY OF ARLINGTON, TEXAS:

BY:_____

Walter J. Pishkur
Printed or Typed Name

Director of Water Utilities
Printed or Typed Title

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY:_____

THE STATE OF TEXAS §

Engineer Acknowledgment

COUNTY OF TARRANT §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared _____, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for and as the act of _____, a corporation of _____ County, Texas, and as _____ thereof, and for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the _____ day of _____, 20____.

(SEAL)

_____
Notary Public in and for the State of Texas

_____
Notary's Printed Name

My Commission Expires: _____

THE STATE OF TEXAS §

Municipal Acknowledgment

COUNTY OF TARRANT §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared Walter J. Pishkur, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed same for and as the act of the City of Arlington, Texas, a Texas municipal corporation, and as the Director of Water Utilities thereof, and for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the _____ day of _____, 20____.

(SEAL)

_____
Notary Public in and for the State of Texas

_____
Notary's Printed Name

My Commission Expires: _____

# PRIME AND SUBS &
# MINORITY/WOMEN BUSINESS ENTERPRISE (MWBE) REPORT

**Please complete this form, include copy of certification(s) and return with executed contracts**

Project Name: _____

Project No: _____ Date: _____

LEGEND

* Answer with "YES" or "NO"

AI - Native American (AI)
NW - Native American, Women-Owned (NW)
AS - Asian (AS)
AW - Asian, Women-Owned (AW)
BL - Black (BL)
BW - Black, Women-Owned (BW)
HI - Hispanic (HI)
HW - Hispanic, Women-Owned (HW)
WO - Women-Owned (WO)
Other _____

| PRIME CONTRACTOR | *Arlington Firm (Yes/No) | *MWBE (Yes/No) | TYPE (Use abbreviation in Legend) | Anticipated Amount |
|---|---|---|---|---|
| | | | | |

LIST **ALL** SUBS:

| Name of Company | Description of Primary Work Type (For prequalification verification purposes) | *Arlington Firm (Yes/No) | *MWBE (Yes/No) | TYPE (Use abbreviation in Legend) | Anticipated Amount |
|---|---|---|---|---|---|
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SAMPLE (Copy for execution will be included with award letter)

(Rev. 3/2016)

**Attachment "A"**
**Scope of Basic Services**

The Project involves the design of approximately 3,300 LF of water line renewal and 4,300 LF of sanitary sewer line renewal with associated pavement reclamation and repairs within the City of Arlington. The proposed improvements are further described below and identified on Attachment "B". The term "Client" shall refer to the City of Arlington and the term "Consultant" shall refer to Westra Consultants.

1. Road to Six Flags Street Water and Sanitary Sewer Renewal (Collins Street to Pennant Drive)
    a. 2,600 LF proposed 12" water line with new services.
    b. 1,750 LF proposed 8" sanitary sewer line with new services.
    c. 2,600 LF 4-lane asphalt pavement reclamation with miscellaneous curb & gutter replacement.
    d. 1,700 LF sidewalk along northern parkway (5' to 6' width) with retaining wall, ADA ramps and driveways (as required).
2. New Haven Street Water and Sanitary Sewer Renewal (Skyline Drive to Road to Six Flags Street)
    a. 730 LF proposed 8" water line with new services.
    b. 700 LF proposed 8" sanitary sewer line with new services.
    c. 730 LF two-lane asphalt pavement reclamation.
    d. Culvert outfall erosion repair and headwall replacement for the existing culvert crossing New Haven Street located 100' south of Skyline Drive.
3. Circle Drive Sanitary Sewer Renewal (Circle Drive to Stadium Drive)
    a. 690 LF proposed 8" sanitary sewer line including trenchless construction under Union Pacific Railroad.
4. Exchange Drive Sanitary Sewer Improvements
    a. Re-lay (re-route) new 8" sanitary sewer line to serve the existing storage facility and abandon the existing private lift station, private force main, and public 8" pipelines behind the storage facility property.
    b. 460 LF proposed 8" sanitary sewer line along the southern ROW of Division Street.
    c. 700 LF proposed 8" sanitary sewer line from the storage facility, trenchless construction across Division Street, and along Exchange Drive to connect to an existing sanitary sewer manhole.

**Task A: Surveying Services**

1. Topographic Survey: Perform topographic survey of all existing above ground features for the Project limits shown on Attachment "B" for preparation of construction plans. The Consultant will locate existing local survey monuments and establish control for the Project based on City datum.

    Survey limits along Road to Six Flags Street and New Haven Street shall include the existing right-of-way and also include 25 feet beyond the edge of pavement. At the intersection of Collins Street and Pennant Drive, the survey will extend 12 feet into the intersection and 50 feet either direction. The topographic survey for the Circle Drive and Exchange Drive sanitary sewer will include a 50-foot wide area centered on the proposed alignments.

The topographic survey will include ties to all visible features and break lines including franchise and City utilities, overhead utility lines, drainage and sanitary sewer structures and flowlines, trees 6" or larger in diameter (no driplines), landscaped areas, bushes, shrubs, mailboxes, sidewalks, driveways, street signs including sign identification, retaining walls, curb lines, edges of pavement, flumes, gutters, ramps, buildings, fences, and gates. No irrigation heads will be surveyed on this Project. The topographic survey will include a base map to be used for design purposes.

2. The Consultant will provide the Client with an AutoCAD file of the completed survey base map for internal design purposes.
3. Right-of-Way (ROW) and Property Survey: The Consultant will research available deeds and plats for properties adjacent to the Project. The Consultant will locate existing property corners along the northern ROW of Road to Six Flags Street, and the ROW limits of Division Street and Exchange Drive corresponding with the proposed new sanitary sewer re-route. The Consultant will survey the property boundary for two (2) residential properties south of the UPRR crossing, the UPRR ROW limits and the property to the north along the proposed sewer alignments.

   All other ROW and property information for the Project shall be shown as "approximate" on the plans using evidence collected and processed during the performance of Task A.1. above, available deed and plat information, and the Client's GIS property data.
4. Right-of-Way and Easement Documents: Provide right-of-way or easement documents including exhibit and metes and bounds for up to seven (7) parcels. Negotiations and acquisitions will be completed by Client.

**Task B: Subsurface Utility Engineering (SUE)**

The Consultant shall provide the following SUE services to determine existing utility locations to support the sanitary sewer improvements proposed along Division Street and Exchange Drive and for a trenchless sanitary sewer crossing of the UPRR and Division Street. The SUE data will be surveyed and detailed on the construction plans and used by the Consultant to verify utility clearances. The Consultant will propose locations for all SUE Quality Level (QL) A test holes and QL B designations and will receive approval by the Client prior to these services being performed. All SUE services will generally accordance with the recommended practices and procedures described in the Standard Guideline for the Collection and Depiction of Existing Subsurface Utility Data, CI/ASCE 38-02.

1. SUE Quality Level B: Perform SUE QL B designating for the proposed Division Street, Exchange Drive and UPRR sanitary sewer crossings. QL B locates include obtaining utility information through the application of appropriate surface geophysical methods to determine the existence and approximate horizontal position of subsurface utilities. The services are inclusive of QL C and D.
2. SUE Quality Level A: Perform no more than five (5) SUE QL A locates. QL A locates include precise horizontal and vertical location of utilities obtained by the actual exposure of subsurface utilities, usually at a specific point. The exact locates will be pre-approved by the Client prior to this service being performed. It is assumed no test holes will be taken within the UPRR ROW.

**Task C: Conceptual Design**

1. The Conceptual Design Plans shall be provided per the Client's Design Criteria Manual and shall include the following:
   a. Cover Sheet

b. Conceptual Water and Sanitary Sewer Layout Sheets: includes horizontal layout of the proposed water and sewer lines, including the approximate limits of existing right-of-way and easements (no profiles included).
    i. Existing utilities, features and trees.
    ii. Proposed connection points to existing water and sewer lines.
    iii. Location of existing sewer connections.
    iv. Property information and identification of easements required for the project.
c. Conceptual Paving Sheets: including anticipated limits of pavement reclamation, panel replacements, proposed sidewalks, proposed driveways and associated retaining walls.
d. Conceptual New Haven Street culvert headwall and erosion repair plan sheet (assumes no profile required).
e. Cost Opinion

**Task D: Preliminary Design**

1. The Preliminary Design Plans shall be provided per the Client's Design Criteria Manual and shall include the following:
    a. Cover Sheet
    b. Quantities Sheet
    c. General Notes
    d. Project Layout Sheet: including sheet layout and control points/benchmarks
    e. Preliminary Water and Sanitary Sewer Plan and Profile Sheets
    f. Preliminary Paving Sheets
    g. Preliminary Culvert Outfall Improvements Sheet for New Haven Street
    h. Erosion Control Plan
    i. Standard Detail Sheets
    j. The Consultant may prepare special details for the water line installation and/or replacement that are not already included Client's standard details (i.e. trenchless construction details, special connections, etc.)
    k. Cost Opinion
2. Constructability Review
    a. The Consultant shall attend a project site visit with the Client staff to walk the project.
    b. The Consultant shall summarize the field visit notes and submit this to the Client.
3. Utility Clearance: The Consultant will use the record drawing research and SUE data provided in Task B to design Client facilities to avoid or minimize conflicts with existing utilities. Should it become necessary to adjust any existing utility, this work shall be performed by the owner of the utility or it can be added to this scope of services as an Additional Service.
4. Permits: The Consultant shall coordinate with TxDOT and Union Pacific Railroad for permits and crossing requirements as required for the Project. The Client shall submit all permit applications for the Project.

**Task E: Final Design and Final Construction Documents**

1. The final design and construction documents shall comply with the Client's Design Criteria Manual and shall include the following:
   a. The final plans shall include completed versions of all plan sheets associated with the preliminary plan submittal and any other plan sheets that were identified during the review of the preliminary plans or the development of the final plans.
   b. Cost Opinion
   c. Proposal Section 5
   d. Technical specifications (if necessary) not covered by the Client's standard specifications and contract documents.
2. It is understood the Client shall assemble and seal all contract documents. The Consultant shall provide any addenda if required.
3. Following a final construction plan review meeting with the Client, the Consultant shall submit Construction Documents to the Client with a final cost opinion. Each plan sheet shall be stamped, dated, and signed by the professional engineer registered in State of Texas.
4. The Consultant shall attend one pre-bid meeting and one pre-construction meeting.
5. It is understood the Client will provide all bidding and construction phase services for the Project including advertising, pre-bid meetings, bid tabulations, construction management, inspections, etc.

**Additional Services**

Services not specifically identified in the Scope of Services above shall be considered additional and shall be performed on an individual basis upon authorization by Client. Compensation for Additional Services shall be based on the hourly rates in effect at the time services are performed or on a pre-negotiated fee. Such services shall include, but not be limited to the following:

1. Geotechnical engineering services
2. Structural engineering services
3. Plan reviews by a Registered Accessibility Specialist
4. Water or sanitary sewer system modelling
5. Traffic control or phasing plans
6. Storm Water Pollution Prevention Plans (SWPPP)
7. Bidding services
8. Construction phase services
9. Public meetings
10. Easement acquisition and/or negotiation

**Information Provided by Client**

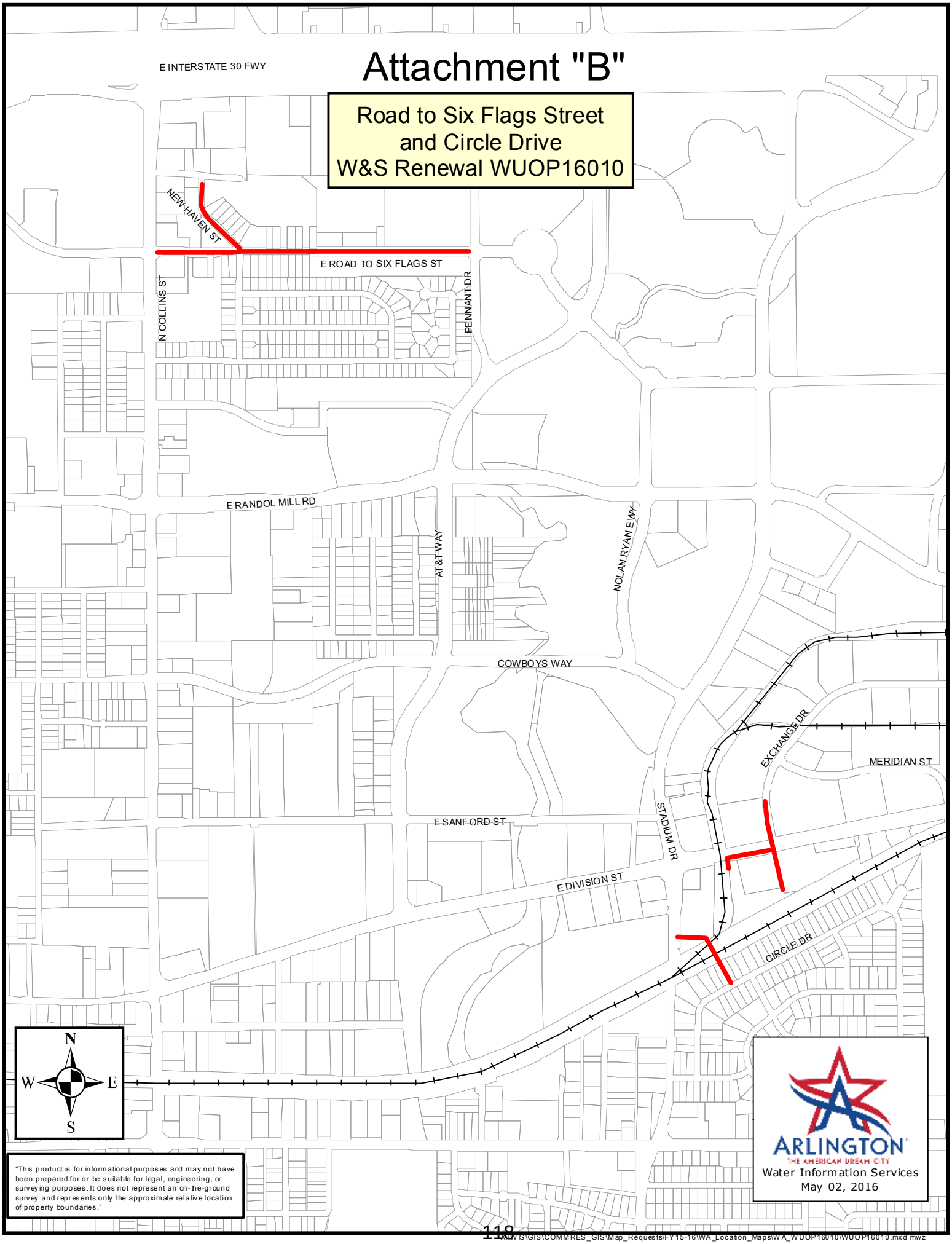
Information to be provided by the Client shall include the following:

1. GIS data including parcels, LiDAR contours, aerial photos, etc. A standard GIS form shall be provided by the Client.
2. As-Built drawings of plans within the Project area.
3. CAD drawings for City standards including Cover Sheet, Border, etc.
4. Water meter information and service sizes along Road to Six Flags.
5. Any monthly payment forms for invoicing, if required.
6. Client to prepare and send right-of-entry letters for access to properties within the Project limits.

7. Client to locate and repair any irrigation systems damaged during construction. No irrigation systems will be surveyed or shown on the construction plans.

# Attachment "B"

Road to Six Flags Street
and Circle Drive
W&S Renewal WUOP16010




"This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries."

ARLINGTON
THE AMERICAN DREAM CITY
Water Information Services
May 02, 2016



K:\WS\GIS\COMMRES_GIS\Map_Requests\FY15-16\WA_Location_Maps\WA_WUOP16010\WUOP16010.mxd mwz

## Attachment "C"

**WESTRA CONSULTANTS, LLC**
Standard Fixed Rate Schedule
Effective January 1, 2016 to December 31, 2016*

| Engineering / Technical | Hourly Rate |
|---|---|
| Registered Surveyor | $135 |
| Survey Technician | $64 |
| Two Man Survey Crew | $110 |
| Project Engineer | $130 |

**Direct Cost Reimbursables**

1. Reimbursable expenses include general office related expenses performed in-house such as printing, plotting, PDF files, scanning, photocopies, certain clerical expenses, supplies, postage, etc. are included in the standard rates for personnel and will not be billed separately.

2. Subcontracted expenses, travel related expenses, and outsourced expenses such as permits/fees, express mail/shipping, printing/reprographics, or rental of specialized equipment will be billed at the actual rate plus 10%.

3. Mileage for trips beyond a 50-mile radius of the Engineer's office will be billed at the standard mileage rate established by the Internal Revenue Service as of the effective date of this contract and subject to annual adjustment.

** Rates shown are for calendar year indicated and are subject to change in subsequent years.*

# Staff Report

| Settlement with Atmos Energy Corp., Mid-Tex Division regarding the Atmos Mid-Tex 2016 Rate Review Mechanism filing | |
|---|---|
| City Council Meeting Date: 06-07-16 | Document Being Considered: Ordinance |

**RECOMMENDATION**

Adopt an ordinance approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding the Atmos Mid-Tex 2016 Rate Review Mechanism filing

**PRIOR BOARD OR COUNCIL ACTION**

On April 14, 2015, by Resolution No. 15-070, the City Council authorized continued participation with the Atmos Cities Steering Committee and authorized the payment of $19,004.20 to ACSC to fund regulatory and related activities related to Atmos Energy Corporation.

On June 2, 2015, by Ordinance No. 15-025, the City Council approved the settlement agreement between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding the Atmos Mid-Tex 2014 and 2015 Rate Review Mechanism filings.

On May 24, 2016, the City Council approved first reading of the ordinance.

**ANALYSIS**

The City of Arlington, along with other similarly situated cities served by Atmos Energy Corp., Mid-Tex Division ("Atmos"), is a member of the Atmos Cities Steering Committee ("ACSC"). The Rate Review Mechanism ("RRM") Tariff was originally adopted by ACSC member cities in 2007 as an alternative to the Gas Reliability Infrastructure Program ("GRIP"), the statutory provision that allows Atmos to bypass the City's rate regulatory authority to increase its rates annually to recover capital investments. The RRM Tariff has been modified several times, most recently in 2013. Ratepayers outside municipal limits remain under the Railroad Commission's exclusive original jurisdiction and have their rates set through the GRIP process.

The 2016 RRM filing is the fourth RRM filing under the renewed RRM Tariff. On March 1, 2016, Atmos made a filing requesting $35.4 million additional revenues on a system-wide basis. Because the City of Dallas has a separate rate review process, exclusion of Dallas results in Atmos requesting $28.6 million from other municipalities. If Atmos had used the GRIP process rather than the RRM process it would have received a $41 million increase, or about $11 million more than will be approved by the attached Ordinance.

ACSC and Atmos have reached an agreement, reflected in the attached Ordinance, to reduce Atmos request by $5.5 million, such that the Ordinance approving new rates reflects an increase of $29.9 million on a system-wide basis, or $21.9 million for Mid-Tex Cities, exclusive of the City of Dallas. The tariffs attached to the Ordinance approve rates that will increase Atmos' revenues by $29.9 million for the Mid-Tex Rate Division, effective for bills rendered on or after June 1, 2016. The monthly residential customer charge will be $19.10. The consumption charge will be $0.11378 per Ccf. The monthly bill impact for the typical residential customer consuming 46.8 Ccf will be an increase of $1.26, or about 2.43%. The typical commercial customer will see an increase of $3.81, or 1.43%.

The ACSC Executive Committee and its designated legal counsel and consultants recommend that all ACSC member cities adopt the Ordinance with its attachments

approving the negotiated rate settlement resolving the 2016 RRM filing, and implementing the rate change.

**FINANCIAL IMPACT**

Atmos Mid-Tex will reimburse ACSC for reasonable ratemaking expenses of the ACSC cities in processing the Atmos Mid-Tex RRM application.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Ordinance |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACT(S)**


| | |
|---|---|
| Teris Solis | David Barber |
| City Attorney | Assistant City Attorney |
| 817-459-6878 | 817-459-6878 |
| teris.solis@arlingtontx.gov | david.barber@arlingtontx.gov |

**Ordinance No. _____**

**An ordinance approving a negotiated settlement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-Tex Division regarding the company's 2016 Rate Review Mechanism filings; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement; finding the rates to be set by the settlement tariffs to be just and reasonable and in the public interest; requiring the company to reimburse ACSC's reasonable ratemaking expenses; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meetings Act; adopting a savings clause; declaring an effective date; and requiring delivery of this ordinance to the company and the ACSC's legal counsel**

WHEREAS, the City of Arlington, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City is a member of the Atmos Cities Steering Committee ("ACSC"), a coalition of similarly-situated cities served by Atmos Mid-Tex ("ACSC Cities") that have joined together to facilitate the review of, and response to, natural gas issues affecting rates charged in the Atmos Mid-Tex service area; and

WHEREAS, ACSC and the Company worked collaboratively to develop a new Rate Review Mechanism ("RRM") tariff that allows for an expedited rate review process by ACSC Cities as a substitute to the Gas Reliability Infrastructure Program ("GRIP") process instituted by the Legislature, and that will establish rates for the ACSC Cities based on the system-wide cost of serving the Atmos Mid-Tex Division; and

WHEREAS, on March 1, 2016, Atmos Mid-Tex filed its 2016 RRM rate request with ACSC Cities; and

WHEREAS, ACSC coordinated its review of the Atmos Mid-Tex 2016 RRM filing through its Executive Committee, assisted by ACSC's attorneys and consultants, to resolve issues identified in the Company's RRM filing; and

WHEREAS, the Executive Committee, as well as ACSC's counsel and consultants, recommend that ACSC Cities approve an increase in base rates for Atmos Mid-Tex of $29.9 million on a system-wide basis; and

WHEREAS, the attached tariffs implementing new rates are consistent with the recommendation of the ACSC Executive Committee, are agreed to by the Company, and are just, reasonable, and in the public interest; and

WHEREAS, the RRM Tariff contemplates reimbursement of ACSC's reasonable expenses associated with RRM applications; NOW THEREFORE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

1.

That the findings set forth in this Ordinance are hereby in all things approved.

2.

That the City Council finds that the settled amount of an increase in revenues of $29.9 million on a system-wide basis represents a comprehensive settlement of gas utility rate issues affecting the rates, operations, and services offered by Atmos Mid-Tex within the municipal limits arising from Atmos Mid-Tex's 2016 RRM filing is in the public interest, and is consistent with the City's authority under Section 103.001 of the Texas Utilities Code.

3.

That the existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable. The new tariffs attached hereto and incorporated herein as Attachment A, are just and reasonable, and are designed to allow Atmos Mid-Tex to recover annually an additional $29.9 million in revenue over the amount allowed under currently approved rates, as shown in the Proof of Revenues attached hereto and incorporated herein as Attachment B; such tariffs are hereby adopted.

4.

That the ratemaking treatment for pensions and other post-employment benefits in Atmos Mid-Tex's next RRM filing shall be as set forth on Attachment C, attached hereto and incorporated herein.

5.

That Atmos Mid-Tex shall reimburse the reasonable ratemaking expenses of the ACSC in processing the Company's 2016 RRM filing.

6.

That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

7.

That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

8.

That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair, or invalidate the remaining provisions of this Ordinance, and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

9.

That consistent with the City Ordinance that established the RRM process, this Ordinance shall become effective from and after its passage with rates authorized by attached tariffs to be effective for bills rendered on or after June 1, 2016.

10.

That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs Mid-Tex Division, Atmos Energy Corporation, 5420 LJB Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

PRESENTED AND GIVEN FIRST READING on the _____ day of _____, 2016, at a regular meeting of the City Council of the City of Arlington, Texas; and GIVEN SECOND READING, passed and approved on the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY_____

| RATE SCHEDULE: | R – RESIDENTIAL SALES | |
|---|---|---|
| APPLICABLE TO: | ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS | |
| EFFECTIVE DATE: | Bills Rendered on or after 06/01/2016 | PAGE: 12 |

**Application**
Applicable to Residential Customers for all natural gas provided at one Point of Delivery and measured through one meter.

**Type of Service**
Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

**Monthly Rate**
Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

| Charge | Amount |
|---|---|
| Customer Charge per Bill | $ 19.10 per month |
| Rider CEE Surcharge | $ 0.02 per month[1] |
| **Total Customer Charge** | $ 19.12 per month |
| Commodity Charge – All Ccf | $0.11378 per Ccf |

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

**Agreement**
An Agreement for Gas Service may be required.

**Notice**
Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

[1]Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2015.

| RATE SCHEDULE: | C – COMMERCIAL SALES | |
|---|---|---|
| APPLICABLE TO: | ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS | |
| EFFECTIVE DATE: | Bills Rendered on or after 06/01/2016 | PAGE: 13 |

**Application**
Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 30,000 Ccf.

**Type of Service**
Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

**Monthly Rate**
Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

| Charge | Amount |
|---|---|
| Customer Charge per Bill | $ 41.75 per month |
| Rider CEE Surcharge | $ 0.02 per month[1] |
| **Total Customer Charge** | $ 41.77 per month |
| Commodity Charge – All Ccf | $ 0.08494 per Ccf |

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

**Agreement**
An Agreement for Gas Service may be required.

**Notice**
Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

1 Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2015.

| RATE SCHEDULE: | I – INDUSTRIAL SALES | |
|---|---|---|
| APPLICABLE TO: | ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS | |
| EFFECTIVE DATE: | Bills Rendered on or after 06/01/2016 | PAGE: 14 |

**Application**
Applicable to Industrial Customers with a maximum daily usage (MDU) of less than 3,500 MMBtu per day for all natural gas provided at one Point of Delivery and measured through one meter. Service for Industrial Customers with an MDU equal to or greater than 3,500 MMBtu per day will be provided at Company's sole option and will require special contract arrangements between Company and Customer.

**Type of Service**
Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

**Monthly Rate**
Customer's monthly bill will be calculated by adding the following Customer and MMBtu charges to the amounts due under the riders listed below:

| Charge | Amount |
|---|---|
| Customer Charge per Meter | $ 738.00 per month |
| First 0 MMBtu to 1,500 MMBtu | $ 0.3096 per MMBtu |
| Next 3,500 MMBtu | $ 0.2267 per MMBtu |
| All MMBtu over 5,000 MMBtu | $ 0.0486 per MMBtu |

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

**Curtailment Overpull Fee**
Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

**Replacement Index**
In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

**MID-TEX DIVISION**
**ATMOS ENERGY CORPORATION**

| | | |
|---|---|---|
| **RATE SCHEDULE:** | **I – INDUSTRIAL SALES** | |
| **APPLICABLE TO:** | **ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS** | |
| **EFFECTIVE DATE:** | **Bills Rendered on or after 06/01/2016** | **PAGE: 15** |

**Agreement**
An Agreement for Gas Service may be required.

**Notice**
Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

**Special Conditions**
In order to receive service under Rate I, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

| RATE SCHEDULE: | T – TRANSPORTATION | |
|---|---|---|
| APPLICABLE TO: | ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS | |
| EFFECTIVE DATE: | Bills Rendered on or after 06/01/2016 | PAGE: 16 |

**Application**
Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., Mid-Tex Division Distribution System (Customer) for the transportation of all natural gas supplied by Customer or Customer's agent at one Point of Delivery for use in Customer's facility.

**Type of Service**
Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

**Monthly Rate**
Customer's bill will be calculated by adding the following Customer and MMBtu charges to the amounts and quantities due under the riders listed below:

| Charge | Amount |
|---|---|
| Customer Charge per Meter | $ 738.00 per month |
| First 0 MMBtu to 1,500 MMBtu | $ 0.3096 per MMBtu |
| Next 3,500 MMBtu | $ 0.2267 per MMBtu |
| All MMBtu over 5,000 MMBtu | $ 0.0486 per MMBtu |

Upstream Transportation Cost Recovery: Plus an amount for upstream transportation costs in accordance with Part (b) of Rider GCR.

Retention Adjustment: Plus a quantity of gas as calculated in accordance with Rider RA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

**Imbalance Fees**
All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

**Monthly Imbalance Fees**
Customer shall pay Company the greater of (i) $0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest "midpoint" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" during such month, for the MMBtu of Customer's monthly Cumulative Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer's receipt quantities for the month.

| | | |
|---|---|---|
| **RATE SCHEDULE:** | **T – TRANSPORTATION** | |
| **APPLICABLE TO:** | **ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS** | |
| **EFFECTIVE DATE:** | **Bills Rendered on or after 06/01/2016** | **PAGE: 17** |

**Curtailment Overpull Fee**
Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

**Replacement Index**
In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

**Agreement**
A transportation agreement is required.

**Notice**
Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

**Special Conditions**
In order to receive service under Rate T, customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**MID-TEX DIVISION**
**ATMOS ENERGY CORPORATION**

| | | |
|---|---|---|
| **RIDER:** | **WNA – WEATHER NORMALIZATION ADJUSTMENT** | |
| **APPLICABLE TO:** | **ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS** | |
| **EFFECTIVE DATE:** | **Bills Rendered on or after 11/01/2016** | **PAGE: 41** |

Provisions for Adjustment

The Commodity Charge per Ccf (100 cubic feet) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential and commercial bills based on meters read during the revenue months of November through April. The five regional weather stations are Abilene, Austin, Dallas, Waco, and Wichita Falls.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Ccf by the following formula:

$$WNAF_i = R_i \frac{(HSF_i \times (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where

$i$ = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification

$WNAF_i$ = Weather Normalization Adjustment Factor for the $i^{th}$ rate schedule or classification expressed in cents per Ccf

$R_i$ = Commodity Charge rate of temperature sensitive sales for the $i^{th}$ schedule or classification.

$HSF_i$ = heat sensitive factor for the $i^{th}$ schedule or classification divided by the average bill count in that class

NDD = billing cycle normal heating degree days calculated as the simple ten-year average of actual heating degree days.

ADD = billing cycle actual heating degree days.

$BI_i$ = base load sales for the $i^{th}$ schedule or classification divided by the average bill count in that class

The Weather Normalization Adjustment for the jth customer in ith rate schedule is computed as:

$$WNA_i = WNAF_i \times q_{ij}$$

Where $q_{ij}$ is the relevant sales quantity for the jth customer in ith rate schedule.

**MID-TEX DIVISION**
**ATMOS ENERGY CORPORATION**

| | | |
|---|---|---|
| **RIDER:** | **WNA – WEATHER NORMALIZATION ADJUSTMENT** | |
| **APPLICABLE TO:** | **ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS** | |
| **EFFECTIVE DATE:** | **Bills Rendered on or after 11/01/2016** | **PAGE: 42** |

Base Use/Heat Use Factors

| | Residential | | Commercial | |
|---|---|---|---|---|
| Weather Station | Base use Ccf | Heat use Ccf/HDD | Base use Ccf | Heat use Ccf/HDD |
| Abilene | 10.09 | 0.1392 | 98.01 | 0.6440 |
| Austin | 11.21 | 0.1551 | 203.36 | 0.8564 |
| Dallas | 13.72 | 0.2048 | 189.83 | 0.9984 |
| Waco | 9.89 | 0.1411 | 129.75 | 0.6695 |
| Wichita Falls | 11.49 | 0.1506 | 122.35 | 0.5967 |

Weather Normalization Adjustment (WNA) Report

On or before June 1 of each year, the company posts on its website at atmosenergy.com/mtx-wna, in Excel format, a *Weather Normalization Adjustment (WNA) Report* to show how the company calculated its WNAs factor during the preceding winter season. Additionally, on or before June 1 of each year, the company files one hard copy and an Excel version of the *WNA Report* with the Railroad Commission of Texas' Gas Services Division, addressed to the Director of that Division.

File Date: March 1, 2016

**ATMOS ENERGY CORP., MID-TEX DIVISION**
**PROPOSED TARIFF STRUCTURE (BEFORE RATE CASE EXPENSE RECOVERY)**
**TEST YEAR ENDING DECEMBER 31, 2015**

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Proposed Change In Rates: | | $ 29,603,205 | | Schedule A | | | | | | |
| 2 | Proposed Change In Rates without Revenue Related Taxes: | | $ 27,447,850 | | Ln 1 divided by factor on WP_F-5.1 | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | | Revenue Requirements | Allocations | | | | | | | | |
| 7 | Residential | $ 338,431,486 | 77.95% | | Per GUD 10170 Final Order | | | | | | |
| 8 | Commercial | 84,223,622 | 19.40% | | Per GUD 10170 Final Order | | | | | | |
| 9 | Industrial and Transportation | 11,490,316 | 2.65% | | Per GUD 10170 Final Order | | | | | | |
| 10 | Net Revenue Requirements GUD No. 10170 | $ 434,145,424 | | | | | | | | | |
| 11 | | | | | | | | | | | |
| 12 | | | | | | | | | | | |
| 13 | | | | | | | | | | | |
| 14 | | | | | | | | | | | |
| 15 | | | | | | | | | | | |
| 16 | With Proportional Increase all classes but Residential and a 40% residential base charge increase: | | | | | | | | | | |
| 17 | | | | | | | | | | | |
| 18 | | Current | Prospective | | Revenues | | | | | | |
| 19 | | | | | | | | | | | |
| 20 | Residential Base Charge | $ 18.56 | $ 0.48 | | $ 8,558,622 | | | | | | |
| 21 | Residential Consumption Charge | $ 0.09931 | $ 0.01540 | | 12,837,933 | | | | | | |
| 22 | Commercial Base Charge | $ 39.87 | $ 1.81 | | 2,662,423 | | | | | | |
| 23 | Commercial Consumption Charge | $ 0.08020 | $ 0.00480 | | 2,662,423 | | | | | | |
| 24 | I&T Base Charge | $ 697.35 | $ 38.03 | | 363,224 | | | | | | |
| 25 | I&T Consumption Charge Tier 1 MMBTU | $ 0.2937 | $ 0.0166 | | 172,167 | | | | | | |
| 26 | I&T Consumption Charge Tier 2 MMBTU | $ 0.2151 | $ 0.0121 | | 139,070 | | | | | | |
| 27 | I&T Consumption Charge Tier 3 MMBTU | $ 0.0461 | $ 0.0026 | | 51,988 | | | | | | |
| 28 | | | | | $ 27,447,850 | | | | | | |
| 29 | | | | | | | | | | | |

With Customer Charges Rounded Off and residential base charge increase for 2015 limited to $0.50 per RRM tariff:

| | Proposed Change | Proposed Change In Revenues | Proposed Rates | Proposed Revenues |
|---|---|---|---|---|
| Residential Base Charge | $ 0.52 | $ 9,335,278 | $ 19.08 | $ 339,813,673 |
| Residential Consumption Charge | $ 0.01447 | 12,061,297 | $ 0.11378 | 94,839,970 |
| Commercial Base Charge | $ 1.83 | 2,697,162 | $ 41.70 | 61,390,268 |
| Commercial Consumption Charge | $ 0.00474 | 2,626,475 | $ 0.08494 | 47,065,984 |
| I&T Base Charge | $ 39.65 | 378,728 | $ 737.00 | 7,039,815 |
| I&T Consumption Charge Tier 1 MMBTU | $ 0.0159 | 165,150 | $ 0.3096 | 3,215,747 |
| I&T Consumption Charge Tier 2 MMBTU | $ 0.0116 | 132,888 | $ 0.2267 | 2,597,042 |
| I&T Consumption Charge Tier 3 MMBTU | $ 0.0025 | 49,955 | $ 0.0486 | 971,117 |
| | | $ 27,446,933 | | $ 556,933,616 |

File Date: March 1, 2016

**ATMOS ENERGY CORP., MID-TEX DIVISION**
**PENSIONS AND RETIREE MEDICAL BENEFITS ADJUSTMENT**
**TEST YEAR ENDING DECEMBER 31, 2015**

| | | Shared Services | | Mid-Tex Direct | | | |
|---|---|---|---|---|---|---|---|
| Line No. | Description | Pension Account Plan ("PAP") | Post-Retirement Medical Plan ("FAS 106") | Pension Account Plan ("PAP") | Supplemental Executive Benefit Plan ("SERP") | Post-Retirement Medical Plan ("FAS 106") | Adjustment Total |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 1 | Fiscal Year 2016 Towers Watson Report as adjusted (1), (3) | $ 5,101,680 | $ 2,896,450 | $ 7,840,683 | $ 150,433 | $ 4,466,430 | |
| 2 | O&M Expense Factor (2) | 96.41% | 96.41% | 37.42% | 20.77% | 37.42% | |
| 3 | Fiscal Year 2016 Actuarially Determined O&M Benefits (Ln 1 x Ln 2) | $ 4,918,540 | $ 2,792,473 | $ 2,933,599 | $ 31,249 | $ 1,671,119 | |
| 4 | Allocation to Mid-Tex (2) | 40.56% | 40.56% | 71.52% | 100.00% | 71.52% | |
| 5 | **Mid-Tex Benefits Expense Included in Rates - Proposed** (Ln 3 x Ln 4) | $ 1,995,016 | $ 1,132,659 | $ 2,098,222 | $ 31,249 | $ 1,195,248 | $ 6,452,393 |
| 6 | | | | | | | |
| 7 | **Mid-Tex Benefits Expense per GUD 10359 and RRM Test Year Ending December 31, 2014 Benchmark (4)** | $ 2,831,859 | $ 2,013,260 | $ 2,925,600 | $ 34,809 | $ 2,695,721 | $ 10,501,250 |
| 8 | | | | | | | |
| 9 | **Test Year Adjustment (Line 5 minus Line 7)** | $ (836,844) | $ (880,601) | $ (827,379) | $ (3,561) | $ (1,500,472) | $ (4,048,856) |
| 10 | | | | | | | |
| 11 | Adjustment Summary: | | | | | | |
| 12 | Account 922 | $ (836,844) | $ (880,601) | $ - | $ - | $ - | $ (1,717,445) |
| 13 | Account 926 | - | - | (827,379) | (3,561) | (1,500,472) | (2,331,412) |
| 14 | Total (Ln 12 plus Ln 13) | $ (836,844) | $ (880,601) | $ (827,379) | $ (3,561) | $ (1,500,472) | $ (4,048,856) |
| 15 | | | | | | | |
| 16 | | | | | | | |

17 Notes:
18 1. Studies not applicable to Mid-Tex or Shared Services are omitted.
19 2. The factors on Lines 2 and 4 are based on the factors in 2016 RRM (Test Year Ending December 31,2015).
20 3. SSU amounts exclude cost centers which do not allocate to Mid-Tex for rate making purposes.
21 4. GUD No. 10359 is the benchmark for January-May which is the same benchmark as used in the RRM TYE December 31, 2014 for June-December.

**ATMOS ENERGY CORP., MID-TEX DIVISION**
**PENSIONS AND RETIREE MEDICAL BENEFITS FOR CITIES APPROVAL**
**TEST YEAR ENDING DECEMBER 31, 2015**

| | | Shared Services | | Mid-Tex Direct | | | |
|---|---|---|---|---|---|---|---|
| Line No. | Description | Pension Account Plan ("PAP") | Post-Retirement Medical Plan ("FAS 106") | Pension Account Plan ("PAP") | Supplemental Executive Benefit Plan ("SERP") | Post-Retirement Medical Plan ("FAS 106") | Adjustment Total |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 1 | Fiscal Year 2016 Towers Watson Report (excluding Removed Cost Centers) | $ 5,101,680 | $ 2,896,450 | $ 7,840,683 | $ 150,433 | $ 4,466,430 | |
| 2 | Allocation to Mid-Tex | 40.56% | 40.56% | 71.52% | 100.00% | 71.52% | |
| 3 | FY16 Towers Watson Benefit Costs (excluding Removed Cost Centers) Allocated to MTX (Ln 1 x Ln 2) | $ 2,069,299 | $ 1,174,833 | $ 5,607,955 | $ 150,433 | $ 3,194,561 | |
| 4 | O&M and Capital Allocation Factor | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | |
| 5 | FY16 Towers Watson Benefit Costs To Approve (excluding Removed Cost Centers) (Ln 3 x Ln 4) | $ 2,069,299 | $ 1,174,833 | $ 5,607,955 | $ 150,433 | $ 3,194,561 | $ 12,197,081 |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | **Summary of Costs to Approve:** | | | | | | |
| 9 | | | | | | | |
| 10 | Total Pension Account Plan ("PAP") | $ 2,069,299 | | $ 5,607,955 | | | $ 7,677,254 |
| 11 | Total Post-Retirement Medical Plan ("FAS 106") | | $ 1,174,833 | | | $ 3,194,561 | 4,369,394 |
| 12 | Total Supplemental Executive Retirement Plan ("SERP") | | | | $ 150,433 | | 150,433 |
| 13 | Total (Ln 10 + Ln 11 + Ln 12) | $ 2,069,299 | $ 1,174,833 | $ 5,607,955 | $ 150,433 | $ 3,194,561 | $ 12,197,081 |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | O&M Expense Factor | 96.41% | 96.41% | 37.42% | 20.77% | 37.42% | |
| 17 | | | | | | | |
| 18 | Expense Portion (Ln 13 x Ln 16) | $ 1,995,016 | $ 1,132,659 | $ 2,098,222 | $ 31,249 | $ 1,195,248 | $ 6,452,393 |
| 19 | | | | | | | |
| 20 | Capital Factor | 3.59% | 3.59% | 62.58% | 79.23% | 62.58% | |
| 21 | | | | | | | |
| 22 | Capital Portion (Ln 13 x Ln 20) | $ 74,283 | $ 42,174 | $ 3,509,733 | $ 119,184 | $ 1,999,313 | $ 5,744,687 |
| 23 | | | | | | | |
| 24 | Total (Ln 18 + Ln 22) | $ 2,069,299 | $ 1,174,833 | $ 5,607,955 | $ 150,433 | $ 3,194,561 | $ 12,197,081 |

# Staff Report

| Specialized Optical System for Ballistic Fingerprint Evidence – Criminal Justice Division Grant | |
|---|---|
| City Council Meeting Date: 6-07-16 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve a resolution authorizing the acceptance, if awarded, of a grant from the Criminal Justice Division (CJD) of the Office of the Governor for funding in the amount of $45,616 to purchase equipment and provide operational training for a specialized optical system to process ballistic fingerprint evidence.

**PRIOR BOARD OR COUNCIL ACTION**

A similar agreement was authorized April 14, 2015 via resolution#15-068.

**ANALYSIS**

Apprehension of a suspect that has committed a crime is of the upmost importance to ensure the continued safety and confidence of our citizens. In offenses involving firearms, evidence is frequently found in the form of live cartridges or discarded cartridge casings from fired rounds left at the scene. However, the collection of usable prints from cartridges is virtually impossible using traditional methods of collection. In certain circumstances, live cartridges or fired casings that appear to contain usable prints can be sent to a lab for processing, but the added expense and lengthy time delay makes that an inefficient choice for frequent use.

Specialized optical systems consist of fully integrated high resolution cameras and software designed to visualize and document fingerprints left on cylindrical objects, such as live ammunition or discharged cases found at crime scenes. After processing and documentation, the resulting image can be processed through the Automated Fingerprint Identification System (AFIS) or simply printed for comparison to a suspect. This equipment will allow Crime Scene Investigators to process evidence quickly and eliminate the added expense and time delay that contract processing currently requires.

**FINANCIAL IMPACT**

If awarded, $45,616 will be used for the purchase of equipment, shipping costs, and operational training related to a specialized optical system for ballistic fingerprint evidence. No cash match is required by the City.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACT(S)**


| | |
|---|---|
| Will Johnson | Chavela Hampton |
| Police Chief | Deputy Chief – Technical Services |
| 817-459-5702 | 817-459-5614 |
| Will.Johnson@arlingtontx.gov | Chavela.Hampton@arlingtontx.gov |

**Resolution No. _____**

**A resolution authorizing the application for and acceptance of a grant from the Criminal Justice Division of the Office of the Governor for funding in the amount of $45,616 to purchase equipment and provide operational training for a specialized optical system to process ballistic fingerprint evidence and authorizing the execution of contracts and other documents relative to the submission and later acceptance of such grant**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the Deputy City Manager is hereby authorized to apply for and accept a grant, if awarded, related to a grant application to the Criminal Justice Division of the Office of the Governor in the amount of $45,616 for the purchase of equipment, shipping costs, and operational training related to a specialized optical system for ballistic fingerprint evidence. No cash match is required by the City.

II.

Further, the Deputy City Manager is hereby authorized to administer to all matters relating to such grant and to execute all necessary applications, assurances, certifications and other documents relative to the submission and later acceptance of such grant.

III.

In the event of loss or misuse of any Criminal Justice Division funds awarded to the City under this grant application, the City of Arlington assures that the awarded grant funds will be returned to the Criminal Justice Division in full.

PRESENTED AND PASSED on this the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY_____

# Staff Report

| Family Violence Intervention and Prevention Grant | |
|---|---|
| City Council Meeting Date: 6-07-16 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve a resolution authorizing the application and acceptance, if awarded, of funds from the Office of the Governor's Criminal Justice Division, Victims of Crime Act, in the amount of $464,171 to fund three Victim Services Counselors for 24 months.

**PRIOR BOARD OR COUNCIL ACTION**

Council passed a similar resolution on April 28, 2015, Resolution #15-083.

**ANALYSIS**

Each year, the Victim Services Unit of the Arlington Police Department provides services to thousands of victims, friends, and family with the goal of lessening the short and long-term trauma experienced as a direct result of victimization. The unit provides crisis counseling, crisis intervention, criminal justice support and advocacy, information and referral resources to all victims of violent crime reported to the Arlington Police Department.

Over 40 percent of persons served through the efforts of the unit have a nexus to Family Violence. The specific focus of this grant is to address family violence in a more comprehensive and pro-active approach intended to reduce family violence recidivism. Funds would assist with efforts such as the recently implemented Domestic Home Visits. On a monthly basis, counselors and officers visit the homes where repeat family violence incidents have occurred and provide services and assistance to both victim and suspect. The initial pilot of this program showed significant decreases in the amount of repeat incidents at these locations. Additional personnel would assist with expanding this program and providing outreach to those most in need.

The Office of the Governor has elected to move criminal justice grants to a two year funding cycle. Historically, the grants have been funded year to year. This grant would fund three full-time Victim Services Counselors dedicated to addressing family violence in Arlington, including two new counselor positions. The additional personnel will provide for eight counselors, six of which are grant funded, who will respond 24 hours a day to victims in need.

**FINANCIAL IMPACT**

This grant #20362069, beginning October 1, 2016 and ending Sept 30, 2018, will provide an amount not to exceed $464,171 to fund three Victim Services Counselors for 24 months. This grant requires an indirect cash match of $116,383, which is funded through existing salary and benefits in Police Department account: 811003-61002. No additional funds are required.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACT(S)**

Will Johnson
Police Chief
817-459-5702
Will.Johnson@arlingtontx.gov

Derrelynn Perryman
Victim Services Coordinator
817-459-5711
Derrelynn.Perryman@arlingtontx.gov

**Resolution No. _____**

**A resolution authorizing the acceptance of a grant, if awarded, from the Criminal Justice Division of the Office of the Governor for funding assistance not to exceed $464,171 from the Victims of Crime Act fund for funding of three Victim Services Counselors and authorizing the execution of documents relative to the acceptance of such grant**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the Deputy City Manager is hereby authorized to accept, if awarded, grant funds from the Criminal Justice Division of the Office of the Governor for funding assistance from the Victims of Crime Act fund in an amount not to exceed $464,171 to fund three Victim Services Counselors for 24 months. This grant #20362069 requires an indirect cash match of $116,383, which is funded through existing salary and benefits in Police Department account 811003-61002. No additional funds are required. The Deputy City Manager is given the power to accept, reject, alter, or terminate this grant.

II.

Further, the Deputy City Manager is hereby authorized to administer to all matters relating to such grant and to execute all necessary documents relative to the acceptance of such grant.

III.

In the event of loss or misuse of any Criminal Justice Division funds awarded to the City under this grant for three Victim Services Counselors, the City of Arlington assures that the awarded grant funds will be returned to the Criminal Justice Division in full.

PRESENTED AND PASSED on this the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY_____

# Staff Report

| COPS Hiring Program (CHP) Grant | |
|---|---|
| City Council Meeting Date: 6-07-16 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve a resolution authorizing the acceptance of a grant from the United States Department of Justice Office of Community Oriented Policing Services (COPS) for funding in the amount of $1,875,000 over three years through the COPS Hiring Program (CHP) for 15 police officers.

**PRIOR BOARD OR COUNCIL ACTION**

Council approved a similar resolution on October 13, 2015 via resolution #15-252.

**ANALYSIS**

The COPS Hiring Program allows agencies with a service population of less than 1 million to apply for up to 15 officer positions. If received, the CHP funding would be utilized to create jobs for 15 police officers allocated to supplement the number of sworn staffing. Officers will have the primary goal of increasing citizen-centered, results-oriented community policing and problem-solving partnerships.

The strategy of the application would be to request 15 new positions to address the department's need for increased supervision. The strategy would serve three purposes. First, it would address the department's historically documented service deficit in addressing time on call and recent violent crime spike. Second, it would address the City's growing need for supervision to address police legitimacy, community engagement, and working in a monitored environment. Additionally, these sergeants would complete the department's implementation of a 4/10 schedule throughout patrol operations. Finally, these positions are critically necessary for the implementation of the department's body worn camera program.

The grant awards three-year "bridge" funding with the expectation that recipients assume total costs at the end of the funding period and retain hired positions for 12-months after program completion. Jurisdictions must maintain the positions above their current budgeted level of sworn officer positions. The department is authorized for 646 officers. Grant funds are proposed to increase authorized positions and funded strength through an additional academy class similar to the 2015 COPS Hiring grant.

**FINANCIAL IMPACT**

This grant will provide $1,875,000 over three years to cover salary and benefits for 15 entry level police officers. The City's obligation for the grant would be the difference between an entry level officer award and a sergeant. If approved, a January 2017 academy class would include 15 COPS Grant positions at the following cost over the life of the grant:

| Source | FY 17 | FY 18 | FY 19 | FY 20 | Total |
|---|---|---|---|---|---|
| Grant* | $406,224 | $625,000 | $625,000 | $218,776 | $1,875,000 |
| Cash | $1,462,890 | $1,046,236 | $1,046,236 | $1,452,460 | $5,007,822 |
| **Total** | $1,869,114** | $1,671,236 | $1,671,236 | $1,671,236 | $6,882,822 |

*The 36-month grant period would begin 1/17 and end 12/19.

**FY 17 expenses include equipment of $197,878.

If awarded, three-year costs will be evaluated within the context of the budget process for City Council review.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACT(S)**


| | |
|---|---|
| Will Johnson | Steve Evans |
| Police Chief | Management Services Director |
| 817-459-5702 | 817-459-5321 |
| Will.Johnson@arlingtontx.gov | Steve.Evans@arlingtontx.gov |

**Resolution No. _____**

**A resolution authorizing the acceptance of a grant, if awarded, from the United States Department of Justice Office of Community Oriented Policing Services (COPS) in the amount of $1,875,000 over three years through the COPS Hiring Program for 15 police officers and authorizing the execution of documents relative to the acceptance of such grant**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the Deputy City Manager is hereby authorized to accept, if awarded, grant funds from the United States Department of Justice Office of Community Oriented Policing Services (COPS) in the amount of $1,875,000 over three years through the COPS Hiring Program for 15 police officers. The grant awards three-year "bridge" funding with the expectation that recipients assume total costs at the end of the funding period, retain hired positions for 12 months after program completion, and maintain the positions above the City's current budgeted level of sworn officer positions. The City's obligation for the grant is the difference between an entry level officer award and a sergeant. If awarded, three-year costs will be evaluated within the context of the budget process.

II.

Further, the Deputy City Manager is hereby authorized to administer all matters relating to such grant and to execute all necessary applications, assurances, certifications and other documents relative to the acceptance of such grant.

PRESENTED AND PASSED on this the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY _____

# Staff Report

| DOJ Federal Body Worn Camera Program Grant | |
|---|---|
| City Council Meeting Date: 6-07-16 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve a resolution authorizing the application and acceptance, if awarded, of funds from the Department of Justice's (DOJ) Bureau of Justice Assistance for implementation of a department body worn camera program in the amount of $377,400 for two years.

**PRIOR BOARD OR COUNCIL ACTION**

The City Council authorized the release of a RFP to conduct a pilot project to test body-worn cameras and make an operating recommendation for future use on June 16, 2015 via Resolution #15-126.

**ANALYSIS**

The Police Department recently completed a Body Worn Camera (BWC) pilot project to determine organizational impact of a program and to garner feedback on functionality and use of various products in the market. From this research, the department is more fully informed on this technology. Introducing BWCs as an additional tool can increase legitimacy and transparency in providing law enforcement services to our community. The federal grant from the DOJ will provide funds to assist with purchasing hardware and software to equip approximately 350 officers with body cameras. The grant funds may not be used for personnel costs associated with the program. While overall program approval is pending, this is a procedural step to meet grant requirements and preserve funding options.

**FINANCIAL IMPACT**

The grant will provide funding towards cameras, associated equipment (microphone, docking stations, redaction software, networking outlets, etc.), and storage for two years. This grant requires a 50% cash match of $188,700.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACT(S)**


| | |
|---|---|
| Will Johnson | Steve Evans |
| Police Chief | Management Services Director |
| 817-459-5702 | 817-459-5321 |
| Will.Johnson@arlingtontx.gov | Steve.Evans@arlingtontx.gov |

**Resolution No. _____**

**A resolution authorizing the submission of a grant application, and acceptance of the grant, if awarded, from the U.S Department of Justice, Bureau of Justice Assistance, in the amount of $377,400 for two years for implementation of a body worn camera program and authorizing the execution of documents relative to the later acceptance of such grant**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the City Council hereby authorizes the submission of a grant application, and acceptance of the grant, if awarded, from the U.S Department of Justice, Bureau of Justice Assistance, in the amount of $377,400 for two years for implementation of a body worn camera program. The grant will provide funds to assist with purchasing hardware and software to equip approximately 350 officers with body cameras. This grant requires a 50% cash match of $188,700. Acceptance of the grant and payment of the cash match is subject to FY 2017 budget approval.

II.

Further, the City Manager or his designee is hereby authorized to administer all matters relating to such grant and to execute all necessary applications, assurances, certifications and other documents relative to the submission and later acceptance of such grant.

PRESENTED AND PASSED on this the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY_____

# Staff Report

| 2016 Police Promotional Process Agreement | |
|---|---|
| Council Meeting Date: 06-07-16 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve a resolution authorizing the execution of a professional services agreement, in the estimated amount of $65,000, plus approved travel expenses not to exceed $7,000, with Booth Research Group, to develop and monitor the administration of validated promotional processes for the ranks of Sergeant and Lieutenant in the Police Department.

**PRIOR BOARD OR COUNCIL ACTION**

A similar agreement was authorized February 24, 2015 via resolution#15-040.

**ANALYSIS**

Public safety departments are challenged to conduct technically sound and defensible promotional processes that identify candidates who are ready for promotion. The credibility of the results is most often linked to the candidates' perception of a neutral process design and objective test administration. Promotional processes designed and monitored externally represent a sound, defensible product and provide the greatest degree of perceived neutrality and objectivity. As a result, external consultants are used industry wide. Since 2009, Booth Research Group has provided promotional testing services to the Police Department.

Promotional processes for Police Sergeant and Lieutenant are scheduled for July through September 2016 at a cost of $65,000 plus approved travel expenses not to exceed $7,000. Administering the promotional process for both ranks within the Police Department at the same time will allow for the most efficient and effective utilization of design and administrative resources.

Outsourcing the processes to a firm that specializes in public safety testing ensures the development and administration of valid and defensible testing processes. Sharing these resources, as commonly practiced, creates a more efficient use of resources compared to conducting the processes separately.

**FISCAL IMPACT**

Funds are budgeted for these processes in Police Department account: 810901 61002.

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $72,000 | $0 | $0 |

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution, Contract |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACT(S)**

Will Johnson
Police Chief
817-459-5702
Will.Johnson@arlingtontx.gov

Steve Evans
Management Services Director
817-459-5321
Steve.Evans@arlingtontx.gov

**Resolution No. _____**

**A resolution authorizing the execution of a Professional Services Agreement with Booth Research Group of Parker, Colorado, in the estimated amount of $65,000, plus approved travel expenses not to exceed $7,000, relative to developing and monitoring the administration of validated promotional processes for the ranks of Sergeant and Lieutenant in the Police Department**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the City Manager or his designee is hereby authorized to execute a Professional Services Agreement with Booth Research Group of Parker, Colorado, in the estimated amount of $65,000, plus approved travel expenses not to exceed $7,000, relative to developing and monitoring the administration of validated promotional processes for the ranks of Sergeant and Lieutenant in the Police Department. Funds are budgeted in Police Department account 810901 61002.

II.

A substantial copy of the agreement is attached hereto and incorporated herein for all intents and purposes.

PRESENTED AND PASSED on this the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY Eddie Martin

THE STATE OF TEXAS §

COUNTY OF TARRANT §

**Professional Services Contract**

THIS CONTRACT is entered into effective ___ ____, 2016, by and between the **CITY OF ARLINGTON, TEXAS,** a municipal corporation located in Tarrant County, Texas (hereinafter referred to as "CITY"), acting by and through its City Manager or his designee, and BOOTH RESEARCH GROUP,INC., of Parker Colorado(hereinafter referred to as "CONSULTANT").

W I T N E S S E T H:

WHEREAS, CITY desires to obtain professional consulting services in connection with developing and administrating validated promotional processes for the ranks of Sergeant and Lieutenant in the Police Department (hereinafter referred to as the "Project"); and

WHEREAS, CONSULTANT is qualified to provide such Services and is willing to undertake such Services for CITY in exchange for fees hereinafter specified; NOW, THEREFORE,

THAT IN CONSIDERATION of the covenants and agreements hereinafter contained and subject to the terms and conditions hereinafter stated, the parties hereto do mutually agree as follows:

## I.
## Employment of CONSULTANT

CONSULTANT will perform as an independent contractor all services under this Contract to the prevailing professional standards consistent with the level of care and skill ordinarily exercised by members of the consulting professions, both public and private, currently practicing in the same locality under similar conditions including but not limited to the exercise of reasonable, informed judgments and prompt, timely action. If the CONSULTANT is representing that it has special expertise in one or more areas to be utilized in this Contract, then CONSULTANT agrees to perform those special expertise services to the appropriate local, regional and national professional standards.

## II.
## Scope of Services

CONSULTANT shall provide professional consulting services in connection with the development and administration of validated promotional processes for the ranks of Sergeant and Lieutenant and in the Police Department. The scope of services to be rendered under this Contract is set forth and shall be in accordance with the Proposal, attached hereto as Exhibit "A".

Deviations from the scope of services or other provisions of this Contract may only be made by written agreement signed by all parties to this Contract. In addition to the services outlined in Exhibit "A" the CONSULTANT will at the rate of $225 an hour help defend the test and its validation if necessary.

## III.
## Compensation to CONSULTANT

For and in consideration of the work performed hereunder, CITY agrees to pay to CONSULTANT for satisfactory completion of all services included in Exhibit "A". In consideration of the services provided by CONSULTANT as included in Exhibit "A", CITY shall pay a fee to the Contractor in the sum not to exceed Sixty-Five Thousand and No/100 Dollars ($65,000). The City shall also reimburse CONSULTANT for any reasonable travel expenses approved by CITY up to an amount not to exceed $7,000. An hourly rate of $225 per hour is established for any litigation except that the first five hours of litigation consultation shall be included without cost to the city.

CONSULTANT shall invoice City on a monthly basis for work completed within each month. Invoices shall show the progress of assigned projects, the percentage of completion on each work element or task, and the number of hours expended during the month.

If additional services, trips or expenses are requested, CONSULTANT will not provide such additional services until authorized by CITY in writing to proceed. The scope of services shall be strictly limited. CITY shall not be required to pay any amount in excess of the amount identified in the preceding paragraph unless CITY shall have approved in writing in advance (prior to the performance of additional work) the payment of additional amounts.

Within thirty (30) days of receipt of each such invoice, CITY shall make payments in the amount shown by CONSULTANT's approved statements and other documentation submitted.

Nothing contained in this Contract shall require CITY to pay for any work that is unsatisfactory as determined by CITY or

which is not submitted in compliance with the terms of this Contract, nor shall failure to withhold payment pursuant to the provisions of this section constitute a waiver of any right, at law or in equity, which CITY may have if CONSULTANT is in default, including the right to bring legal action for damages or for specific performance of this Contract. Waiver of any default under this Contract shall not be deemed a waiver of any subsequent default.

If CITY disputes any invoice CITY shall timely pay the undisputed portion and promptly notify CONSULTANT in writing of the nature of the dispute as to the remainder, and the parties will use their best efforts to resolve the dispute expeditiously.

## IV.
## Term

This Contract shall be effective as of the date written above and shall continue until completion of the PROJECT by CONSULTANT and City's acceptance of the final reports to be provided in accordance with CONSULTANT's proposal, at which time CITY may exercise its option to renew as set forth below

CITY may within one year of the contract date renew this Contract upon successful negotiation regarding rates and conditions with Consultant.

## V.
## Termination

CITY may terminate this Contract upon written notice to CONSULTANT. Upon receipt of termination notice, CONSULTANT shall stop all work in progress, including subcontracts. All finished or unfinished documents, data, studies, surveys, drawings, maps, reports, photographs, etc. prepared by CONSULTANT and all subcontractors will be delivered to CITY and shall become the property of CITY upon final payment to CONSULTANT. CITY shall pay CONSULTANT for all work performed in accordance with the provisions of this Contract prior to the date of termination. CONSULTANT shall invoice CITY for all work performed within thirty (30) days of termination notice. CITY shall not be responsible for payment of any invoices received after the expiration of thirty (30) days from notice of termination.

## VI.

## Ownership of Documents

All materials and documents prepared or assembled by CONSULTANT under this Contract shall become the sole property of CITY and shall be delivered to CITY without restriction on future use. CONSULTANT may retain in its files copies of all materials and documents and all other pertinent information for the work. Concepts and ideas embodied in the documents may be freely used by the CONSULTANT without restriction. CONSULTANT shall have no liability for changes made to the documents by others subsequent to the completion of the Contract.

## VII.
## Records Retention

CONSULTANT agrees to retain all records concerning each assessment and promotion process for a period of one year after the date of each promotional process, in compliance with Title VII, the Age Discrimination in Employment Act, the American's with Disabilities Act and any other applicable law.

If a promotional process is the subject of a claim, charge or a lawsuit or the threat of litigation as determined by legal counsel for CITY, CONSULTANT agrees to retain all records until the claim, charge or lawsuit has been concluded or until notified by legal counsel for the CITY.

## VIII.
## Proprietary and Confidential Information

CONSULTANT hereby acknowledges and agrees that its representatives may have access to or otherwise receive information during the furtherance of its obligations in accordance with this Contract, which is of a confidential, non-public or proprietary nature. CONSULTANT shall treat any such information received in full confidence and will not disclose or appropriate for its own use or the use of any third party, at any time during or subsequent to this Contract, such Confidential Information. As used herein, "Confidential Information" means all oral and written information concerning City of Arlington, its affiliates and subsidiaries, and all oral and written information concerning the CITY or its activities, which is of a non-public, proprietary or confidential nature, including without limitation, information pertaining to customer lists, services, methods, processes and operating procedures, together with all analysis, compilation, studies or other documents, whether prepared by CONSULTANT or others, which contain or otherwise reflect such information. CONSULTANT shall also treat any information pertaining to CITY employees in full

confidence and will not disclose or appropriate for its own use or the use of any third party, at any time during or subsequent to this CONTRACT, such Confidential Information.

## IX.
## Confidential Work

CONSULTANT may not disclose or make available any reports, information, evaluations, data, or any other documentation developed by, given to, prepared by or assembled by CONSULTANT under this Contract to any individual or organization without the express prior written approval of CITY.

## X.
## Insurance

CONSULTANT shall purchase, maintain and keep in force during the term of this Contract such insurance as set forth below. CONSULTANT shall not commence work under this Contract until CONSULTANT has obtained all the insurance required under this Contract and such insurance has been approved by CITY, nor shall CONSULTANT allow any subcontractor to commence work on his subcontract until all similar insurance of the subcontractor has been obtained and approved. All insurance policies provided under this Contract shall be written on an "occurrence" basis.

1. Worker's Compensation, (if applicable by law) with the policy endorsed to provide a waiver of subrogation as to the “City of Arlington, Tarrant County, Texas”; Employers’ Liability Insurance of not less than $1,000,000 for each accident, $1,000,000 disease-each employee, $1,00,000 disease-policy limit.

2. Commercial General Liability Insurance, covering but not limited to the indemnification provisions of this Contract, fully insuring CONSULTANT's liability for injury to or death of employees of CITY and third parties, extended to include personal injury liability coverage and for damage to property of third parties, with a combined bodily injury and property damage limit of $1,000,000 per occurrence and $2,000,000 aggregate.

3. Automobile Liability Insurance, covering all vehicles to be used in performance of this contract with minimum limits equal to or greater than required by State law.

4. Professional Liability Insurance: CONSULTANT shall obtain and maintain at all times during the

prosecution of the work under this Contract professional liability insurance. Limits of liability shall be $1,000,000 per occurrence. Any such policy of insurance and the Declarations Page therefore shall identify if coverage is being provided on an "occurrence" or "claims-made" basis. If this coverage is being provided on a claims-made basis, CONSULTANT must maintain this policy for a period of two (2) years after the completion of the project or shall purchase the extended reporting period or "tail" coverage insurance providing equivalent coverage for the same period of time.

It is agreed by all parties to this Contract that the Insurance required under this Contract shall:

(a) be written with the “City of Arlington, Tarrant County, Texas” as an additional insured on all policies or coverages except Workers’ Compensation and Employer’s Liability Insurance, and Professional Liability Insurance;

(b) Provide for thirty (30) days notice of cancellation to CITY, for nonpayment of premium, material change or any other cause.

(c) Be written through companies duly authorized to transact that class of insurance in the State of Texas.

(d) Waive subrogation rights for loss or damage so that insurers have no right to recovery or subrogation against CITY, it being the intention that the required insurance policies shall protect all parties to the Contract and be primary coverage for all losses covered by the policies.

(e) Provide a Certificate of Insurance evidencing the required coverages to:

Chief Will Johnson
City of Arlington
Police Department
620 West Division St.
Arlington, TX 76011

CITY reserves the right to review the insurance requirements of this section during the effective period of the Contract and to adjust insurance coverages and their limits when deemed necessary by CITY’s Risk Manager based upon changes in statutory law, court decisions or the claims history of the

industry as well as CONSULTANT and agents thereof in their official capacities, and/or while acting on behalf of CITY;

Approval, disapproval or failure to act by CITY regarding any insurance supplied by CONSULTANT shall not relieve CONSULTANT of full responsibility or liability for damages and accidents as set forth in the Contract. Neither shall the insolvency or denial of liability by the insurance company exonerate CONSULTANT from liability.

## XI.
## Right to Inspect Records

CONSULTANT agrees that CITY shall have access to and the right to examine any directly pertinent books, documents, papers and records of CONSULTANT involving transactions relating to this Contract. CONSULTANT agrees that CITY shall have access during normal working hours to all necessary CONSULTANT facilities and shall be provided adequate and appropriate work space in order to conduct audits in compliance with the provisions of this section. CITY shall give CONSULTANT reasonable advance notice of intended audits.

CONSULTANT further agrees to include in subcontract(s), if any, a provision that any subcontractor or consultant agrees that CITY shall, have access to and the right to examine any directly pertinent books, documents, papers and records of such consultant or sub-contractor involving transactions to the subcontract; and further, that CITY shall have access during normal working hours to all consultant or sub-contractor facilities and shall be provided adequate and appropriate work space, in order to conduct audits in compliance with the provisions of this paragraph. CITY shall give CONSULTANT or sub-contractor reasonable advance notice of intended audits.

## XII.
## INDEMNITY

CONSULTANT undertakes and agrees to indemnify and hold harmless CITY and any and all of their Boards, commissions, officers, agents, representatives, employees, volunteers and elected or appointed officials from and against any and all suits and causes of action, claims, charges, costs, damages, demands, expenses (including, but not limited to, Attorney’s fees and cost of litigation), judgments, civil fines and penalties, liabilities or losses of any kind or nature whatsoever, for death, bodily injury or personal injury to any person, including CONSULTANT’S employees and agents or damage or destruction to any property of either party hereto or third persons in any manner arising by reason of or incident in the performance of this Contract occasioned by any error, omission

or negligent acct on the part of CONSULTANT or CONSULTANT's officers, agents, employees or subcontractors of any tier.

## XIII.
## Independent Contractor

CONSULTANT's status shall be that of an Independent Contractor and not an agent, servant, employee or representative of CITY in the performance of this Contract. No term or provision of or act of CONSULTANT or CITY under this Contract shall be construed as changing that status. CONSULTANT will have exclusive control of and the exclusive right to control the details of the work performed hereunder, and shall be liable for the acts and omissions of its officers, agents, employees, contractors, subcontractors and consultants and the doctrine of respondent superior shall not apply between CITY and CONSULTANT, its officers, agents, employees, contractors, subcontractors and consultants, and nothing herein shall be construed as creating a partnership or joint enterprise between CITY and CONSULTANT.

## XIV.
## Default

CITY reserves the right to terminate this Contract immediately upon breach of any term or provision of this Contract by CONSULTANT; or, if at any time during the term of this Contract, CONSULTANT shall fail to commence the work in accordance with the provision of this Contract or fail to diligently provide SERVICES in an efficient, timely and careful manner and in strict accordance with the provisions of this Contract or fail to use an adequate number or quality of personnel to complete the work or fail to perform any of its obligations under this Contract, then CITY shall have the right, if CONSULTANT shall not cure any such default after thirty (30) days written notice thereof, to terminate this Contract and complete the work in any manner it deems desirable, including engaging the SERVICES of other parties therefore. Any such act by CITY shall not be deemed a waiver of any other right or remedy of CITY. If after exercising any such remedy due to CONSULTANT's nonperformance under this Contract, the cost to CITY of the performance of the balance of the work is in excess of that part of the Contract sum which has not theretofore been paid to CONSULTANT hereunder, CONSULTANT shall be liable for and shall reimburse CITY for such excess, but in no event shall such excess exceed ten percent (10%)of the original Contract amount as set out in the Contract.

## XV.
## Changes

CITY may, from time to time, require changes in the scope of the SERVICES to be performed under this Contract. Such changes as are mutually agreed upon by and between CITY and CONSULTANT shall be incorporated by written modification to this Contract.

## XVI.
## Conflict of Interest

CONSULTANT covenants and agrees that CONSULTANT and its associates and employees will have no interest, and will acquire no interest, either direct or indirect, which will conflict in any manner with the performance of the SERVICES called for under this Contract. All activities, investigations and other efforts made by CONSULTANT pursuant to this Contract will be conducted by employees, associates or subcontractors of CONSULTANT.

## XVII.
## Mailing Address

All notices and communications under this Contract to be mailed or delivered to CITY shall be sent to the address of CITY's agent as follows, unless and until CONSULTANT is otherwise notified:

_____
_____
City of Arlington Police
620 West Division St.
Arlington, Texas 76011
Attention: Chief Will Johnson

Notices and communications to be delivered to CONSULTANT shall be sent to the address of CONSULTANT as follows, unless and until CITY is otherwise notified:

Booth Research Group, Inc.
Attn: Walter S. Booth
P.O. Box 1899
Parker, Colorado 80134

Any notices and communications required to be given in writing by one party to the other shall be considered as having been given to the addresses on the date the notice or communication is posted by the sending party.

## XVIII.
## Successors and Assigns

CITY and CONSULTANT each binds himself and his successors, executors, administrator and assigns to the other party of this Contract and to the successor, executors, administrators and assigns of such other party in respect to all covenants of this Contract. Neither CITY nor CONSULTANT shall assign or transfer its interest herein without the prior written consent of the other

**XIX.**
**Applicable Law**

This Contract is entered into subject to the Charter and ordinances of CITY as they may be amended from time to time, and is subject to and is to be construed, governed and enforced under all applicable State of Texas and Federal laws. CONSULTANT will make any and all reports required per "Federal, State or local law including, but not limited to, proper reporting to the Internal Revenue Service, as required in accordance with CONSULTANT's income. Situs of this Contract is agreed to be Tarrant County, Texas, for all purposes including performance and execution.

**XX.**
**Severability**

If any of the terms, sections, provisions, covenants, conditions or any other part of this Contract are held for any reason to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants, conditions or any other part of this Contract shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

**XXI.**
**Remedies**

No right or remedy granted herein or reserved to the parties is exclusive of any other right or remedy herein by law or equity provided or permitted; but each shall be cumulative of every other right or remedy given hereunder. No covenant or condition of this Contract may be waived without consent of the parties. Forbearance or indulgence by either party shall not constitute a waiver of any covenant or condition to be performed pursuant to this Contract.

**XXII.**
**No Third Party Beneficiaries**

For the purposes of this Contract, including its intended operation and effect, the parties (CITY and CONSULTANT) specifically agree and contract that: (1) the Contract only affects matters/disputes between the parties to this Contract, and is in no way intended by the parties to benefit or otherwise

affect any third person or entity notwithstanding the fact that such third person or entity may be in contractual relationship with CITY or CONSULTANT or both; and (2) the terms of this operation of law, any third person or entity from obligations owing by them to either CITY or CONSULTANT.

**XXIII.**
**Entire Agreement**

This Contract embodies the complete agreement of the parties hereto, superseding all oral or written previous and contemporaneous agreements between the parties relating to matters herein, and except as otherwise provided herein cannot be modified without written agreement of the parties.

**XXVI.**
**Non-Waiver**

It is further agreed that one (1) or more instances of forbearance by CITY in the exercise of its rights herein shall in no way constitute a waiver thereof.

**XXV.**
**Headings**

The headings of this Contract are for the convenience of reference only and shall not affect in any manner any of the terms and conditions hereof.

**XXVI.**
**Venue**

The parties to this Contract agree and covenant that this Contract will be enforceable in Arlington, Texas; and that if legal action is necessary to enforce this Contract, exclusive venue will lie in Tarrant County, Texas.

**XXVII.**
**Equal Employment Opportunity**

CONSULTANT shall not discriminate against any employee or applicant for employment because of race, age, color, religion, sex, ancestry, national origin, place of birth or disability. CONSULTANT shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment, without regard to their race, age, color, religion, sex, ancestry, national origin, place of birth or disability. This action shall include but not be limited to the following: employment; upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of training, including apprenticeship.

## XXVIII.
## Procurement of Goods and Services from Arlington Businesses and/or Historically Underutilized Businesses

In performing this Agreement, CONSULTANT agrees to use diligent efforts to purchase all goods and services from Arlington businesses whenever such goods and services are comparable in availability, quality and price.

As a matter of policy with respect to CITY projects and procurements, CITY also encourages the use, if applicable, of qualified contractors, subcontractors and suppliers where at least fifty-one percent (51%) of the ownership of such contractor, subcontractor or supplier is vested in racial or ethnic minorities or women. In the selection of subcontractors, suppliers or other persons in organizations proposed for work on this Agreement, CONSULTANT agrees to consider this policy and to use its reasonable and best efforts to select and employ such company and persons for work on this Agreement

IN WITNESS WHEREOF, the parties have hereunto set their hands by their representatives duly authorized on the day and year first written above.

BOOTH RESEARCH GROUP, INC.

BY:_____

_____
Printed/Typed Name

_____
Printed/Typed Title

Tax Identification No.
84-1118234

CITY OF ARLINGTON, TEXAS

BY _____
Theron L. Bowman, Ph.D.
Deputy City Manager

**ATTEST**

_____
Mary W. Supino, City Secretary

APPROVED AS TO FORM:
Teris Solis, City Attorney

BY _____
City Attorney

**APPENDIX A**
**ARLINGTON POLICE DEPARTMENT**
**2016 SERGEANT AND LIEUTENANT PROMOTIONAL PROCESS**

**COST PROPOSAL BY THE BOOTH RESEARCH GROUP**

| Project Phase | Sergeant Cost | Lieutenant Cost |
|---|---|---|
| **1) Project Start-Up and On-Going Administration**<br>Includes:<br>• Timeline development<br>• Project details<br>• General project administration (status updates, daily/weekly calls, data analysis coordination)<br>• Assumes brainstorming for both positions occurs at same time | **$1,250** | **$1,250** |
| **2) Candidate Preparation**<br>• No cost for candidate preparation guides<br>• Assumes 2 orientation sessions for each position, one in the a.m. and one in the p.m. | **$ 1,750** | **$ 1,750** |
| **3a) Sergeant Only: Written Test Development and Scoring (includes preparation of 120 draft items and a final camera ready copy of a 100 item test)**<br>• Assumes City of Arlington will make copy of all materials needed.<br>• Assumes City of Arlington will administer candidate test, protest period, and incumbent test.<br>• Assumes Booth Research Group will score candidate tests, provide an interim list, and will work with the City to implement a cut-score | **$ 9,500** | |
| **3b) Lieutenant Only: Written Exercise Test Development, Scoring and Feedback**<br>• Scoring of essay-style written exercise to be completed by trained assessors<br>• Assumes City of Arlington will make copies of all materials needed | | **$ 5,000** |
| **4) Oral Board Development, Administration, Scoring and Feedback (includes 3 exercises (up to 3 versions for Sgt. and 2 versions for Lt.), training for assessors, on-site Administration, scoring, and feedback)**<br>• Assumes Sgt. and Lt. Oral Boards will run back-to-back, with same assessors used for both Sgt. and Lt. Oral Boards, training for assessors, and on-site vendor representation for the week of Oral Boards.<br>• Assumes Booth Research Group will provide training for actors | **$ 20,000** | **$ 19,000** |

| | | |
|---|---|---|
| • Assumes Verbal Counseling feedback with a Booth Research Group consultant<br>• Assumes Booth Research Group will locate and select assessors and actors | | |
| **5) Final Report Update (Validation Reports)** | **$ 2,750** | **$ 2,750** |
| **Total * *(Travel Costs & Assessor Per Diems not included)*** | **$35,250** | **$29,750** |

# Staff Report

| CDBG Agreement Modification with Child Care Associates | |
|---|---|
| City Council Meeting Date: 6-7-16 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve a resolution to modify a 2002 Community Development Block Grant Agreement between the City of Arlington and Child Care Associates (CCA), 3000 E. Belknap, Fort Worth, Texas, 76111.

**PRIOR BOARD OR COUNCIL ACTION**

City Council approved a CDBG agreement with Child Care Associates on January 8, 2002, to construct and operate a Head Start Child Development Center.

**ANALYSIS**

In 2002, the City of Arlington provided CDBG funds to CCA in the amount of $450,000 to construct a child development center at 2151 Browning in Arlington on land owned by the Arlington Independent School District (AISD). Since January 1, 2002, AISD has leased the land to CCA for $1/year in an agreement that runs through December 31, 2016, with a ten year option to renew.

CCA has continuously operated the center since it was constructed and has provided child care services to low-income Arlington residents for over 13 years. The grant agreement between the City and CCA included a term of agreement of ten years from the facility completion date, plus a requirement to provide services to low-income children for an additional five years beyond the expiration of the agreement. The facility was completed on January 9, 2003, so the ten year term of agreement expired on January 9, 2013, and the additional five year term of services under the original agreement would end January 9, 2018.

In 2015, AISD verbally notified CCA of the new Career and Technology Center (CTC) planned for the property on which the Child Development Center currently sits, and of the possible need to remove the center. Since then, alternative locations and strategies for maintaining existing head start slots in Arlington have been under discussion with staff from the City, CCA, and AISD. Suitable alternate locations for Head Start Centers have not been identified, but will need to be explored given the need for child care slots for low-income working families.

On April 11, 2016, the City received a copy of the letter from AISD notifying CCA that, "AISD has agreed to end the lease agreement between AISD and CCA on July 31, 2016." Therefore, CCA has been officially notified in writing that it can no longer operate the child development center on AISD land at 2151 Browning after that date.

Currently, there are fifteen 3-year-olds and forty 4-year-olds attending the center. Children who reach 5-years of age prior to September 1, 2016, will transition to kindergarten. The remaining children will be offered priority enrollment into a nearby Head Start program at 525 Browning. Another available option for children is public school pre-k, including AISD pre-k programs operated in community child care centers.

The recommended action is to reduce the term of the original agreement from ten years to eight years, with the additional CDBG requirement for the project to serve low-income children for five years beyond the term of agreement, or through January 9, 2016. The agreement modification is attached for review.

**FINANCIAL IMPACT**
None

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution |
| | CDBG Agreement Modification |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACT(S)**

Alicia Winkelblech, AICP, CNU-A
Assistant Director
Community Development & Planning
817-459-6686
Alicia.Winkelblech@arlingtontx.gov

Sheryl Kenny
Grants Manager
Community Development & Planning
817-459-6251
Sheryl.Kenny@arlingtontx.gov

**Resolution No. _____**

**A resolution authorizing the execution of a Contract Modification with Child Care Associates relative to the Community Block Grant Agreement for the Head Start Child Development Center at 2151 Browning Drive**

WHEREAS, on January 8, 2002, by Resolution No. 02-011, the City Council authorized the execution of a Community Development Block Grant Agreement with Child Care Associates (CCA) for the construction of a Head Start Facility; and

WHEREAS, the City and CCA would like to change the term of the Agreement by reducing the timeframe that CCA is required to operate the Head Start facility; and

WHEREAS, the Head Start facility is located on land belonging to the Arlington Independent School District (AISD), and leased by CCA; and

WHEREAS, AISD has a new purpose for the property, the Career and Technology Center for high school students, requiring CCA to end their lease and cease operating the center on July 31, 2016; and

WHEREAS, City desires to reduce the original term so CCA's obligations will be completed without any further requirements; NOW THEREFORE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the City Manager or his designee is hereby authorized to execute a Contract Modification with Child Care Associates relative to the Community Block Grant Agreement for the Head Start Child Development Center at 2151 Browning Drive. The Modification will reduce the term of the original agreement from ten years to eight years.

II.

A substantial copy of the modification is attached hereto and incorporated herein for all intents and purposes.

PRESENTED AND PASSED on this the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY Eddie Martinez

THE STATE OF TEXAS §

THE COUNTY OF TARRANT § CONTRACT MODIFICATION

THIS CONTRACT MODIFICATION is made and entered into this ___day of _____, 2016, by and between the **CITY OF ARLINGTON,** Tarrant County, Texas, a municipal corporation, hereinafter called "CITY" and **CHILD CARE ASSOCIATES**, 3000 E. Belknap, Fort Worth, Texas, 76111, hereinafter called "CCA".

W I T N E S S E T H:

WHEREAS, on January 8, 2002 the City Council authorized the CITY and CCA to enter into a Community Development Block Grant Agreement (hereinafter referred to as "the Contract") for use of grant funds to construct a Head Start Child Development Center at 2151 Browning (hereinafter called the "CENTER") for low-income families; and

WHEREAS, CCA has fulfilled its commitment for over thirteen years to provide quality child care services to low-income Arlington children at the CENTER; and

WHEREAS, the City and CCA would like to change the term of the CONTRACT by reducing the timeframe that CCA is required to operate the CENTER as a Head Start facility; and

WHEREAS, the CENTER is located on land belonging to the Arlington Independent School District (AISD), and leased by CCA for $1/year; and

WHEREAS, AISD has a new purpose for the property, the Career and Technology Center for high school students, requiring CCA to end their lease and cease operating the CENTER on July 31, 2016; and

WHEREAS, the City desires to support quality education for low-income children as well as young adults and believes the reduction in the terms of the contract will serve a public purpose; NOW THEREFORE,

The Contract is incorporated herein as if written word for word. Except as provided below, all other terms and conditions of the Contract shall remain unchanged and shall remain in full force and effect. In consideration of the foregoing, and for other good and valuable consideration, the parties agree as follows:

I

The Contract is modified by changing Article V. Term of Agreement to read as follows:

The term of this Agreement shall be from the date first written above and shall terminate eight years later on the anniversary date of the completion of the facility, unless terminated earlier in accordance with the terms and provisions of this Agreement.

The modification shall become effective upon the date written above.

IN WITNESS WHEREOF, the parties hereto execute this Contract Extension.

WITNESS:

BY: _____

CHILD CARE ASSOCIATES

By:_____
Signature

_____
Printed/Typed Name

_____
Printed/Typed Title

ATTEST:

_____
MARY W. SUPINO, City Secretary

**CITY OF ARLINGTON, TEXAS**

By:_____
JAMES. F. PARAJON, FAICP
Deputy City Manager

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

By:_____

THE STATE OF TEXAS § CHILD CARE ASSOCIATES
§
§ **Acknowledgment**
THE COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared **_____.** known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for and as the act and deed of **CHILD CARE ASSOCIATES**, and as the _____ thereof, and for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 2016.

_____ _____
My Commission Expires Notary Public In and For
The State of Texas

_____
Notary's Printed Name

THE STATE OF TEXAS §
**City Acknowledgment**
THE COUNTY OF TARRANT §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared **JAMES F. PARAJON, FAICP**, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for and as the act and deed of the **City of Arlington**, a municipal corporation of Tarrant County, Texas, and for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 2016.

_____ _____
My Commission Expires Notary Public In and For
The State of Texas

_____
Notary's Printed Name

# Staff Report

| Addition of Land into the Viridian Municipal Management District | |
|---|---|
| City Council Meeting Date: 6-7-16 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve a resolution consenting to the addition of 19.997 acres of land into the Viridian Municipal Management District (VMMD).

**PRIOR BOARD OR COUNCIL ACTION**

On December 18, 2007, the City Council created Tax Increment Reinvestment Zone No. 6 (the TIRZ) by Ordinance No. 07-090.

The Viridian MMD was authorized to assess taxes for public improvements necessary within the district by approval of district voters on November 4, 2008.

On June 23, 2009, the City Council approved Resolution No. 09-180 authorizing execution of the Viridian Project Financing Plan and Development Agreement with Viridian MMD and other entities.

On June 22, 2010, the City Council approved Resolution No. 10-189 consenting to the addition of 165.04 acres of land into the Viridian MMD.

**ANALYSIS**

Approximately 2,073 acres of land have been designated as part of a special law district of the State of Texas, whose powers and duties include those of a municipal management district (the VMMD) operating under Chapter 375 of the Texas Local Government Code. Section 3861.107 of the Special District Local Laws Code authorizes the addition of land to the VMMD, upon approval by the governing body of the City.

The VMMD has requested the approval of the City for the addition of 19.997 acres formerly known as the B. Barney Baker property to the VMMD.

**FINANCIAL IMPACT**

None

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution<br>Petition for Consent to Include Additional Land in the VMMD |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACTS**

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Community Development and Planning
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Gincy.Thoppil@arlingtontx.gov

Jennifer Pruitt, AICP, LEED AP
Planning Manager, Land Development
Community Development and Planning
817-459-6138
Jennifer.Pruitt@arlingtontx.gov

**Resolution No. 16- _____**

**A resolution consenting to the addition of 19.997 acres of land into the Viridian Municipal Management District**

WHEREAS, the Viridian Municipal Management District (the "District") is a special district created and organized under and operating pursuant to Chapter 3861, as amended, Subtitle C, Title 4, of the Special District Local Laws Code of the State of Texas (the "District Act"); and

WHEREAS, the District is located wholly within the corporate limits of the City of Arlington, Texas (the "City"); and

WHEREAS, Section 3861.107 of the District Act provides that the Board of Directors of the District may add territory under Subchapter J, Chapter 49, and Section 54.016, Texas Water Code, as amended, except that the addition of territory must be approved by the governing body of the City and the owners of the territory being added; and

WHEREAS, Section 54.016 (a), Texas Water Code, as amended, provides that no land within the corporate limits of a city shall be included in a district unless the city grants its written consent by resolution or ordinance, to the inclusion of the land within the District in accordance with Section 42.042, Local Government Code, and this section; and

WHEREAS, the City has received a "Petition for Consent to Include Additional Land in Viridian Municipal Management District", dated February 26, 2016 (the "Petition"), from Mr. B. Barney Baker (the "Landowner"), Viridian Holdings, L.P., and the District, a copy of which is attached hereto as Exhibit "A", requesting the City's consent to the addition by the District of a tract of land described in the Petition, consisting of 19.997 acres of land (the "Land"); NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the recitals set forth in the preamble of this Resolution are true and correct in all material respects.

II.

The City Council of the City of Arlington, Texas, hereby grants its written consent to the addition by Viridian Municipal Management District of the 19.9987 acres of land more particularly described in the attached Petition, and the inclusion of the Land in the District.

III.

It is hereby found, determined, and declared that a sufficient written notice of the date, hour, place, and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this Resolution and the subject matter thereof has been discussed, considered and formally acted upon. City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

IV.

All resolutions and parts of resolutions of the City in conflict herewith are hereby repealed to the extent of the conflict only.

PRESENTED AND PASSED on this the 7th day of June, 2016, by a vote of _____ "ayes" and _____ "nays" at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

By_____

PETITION FOR CONSENT TO INCLUDE ADDITIONAL LAND IN
VIRIDIAN MUNICIPAL MANAGEMENT DISTRICT

THE STATE OF TEXAS §
§
COUNTY OF TARRANT §

TO THE HONORABLE MAYOR AND
CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

B. BARNEY BAKER, individually, being the majority in value of the holders of title of the land hereinafter described, as such values are indicated by the tax rolls of the Central Appraisal District of Tarrant County, Texas ("Landowner"), and Viridian Municipal Management District ("District") (Landowner and District hereinafter collectively called "Petitioner"), acting pursuant to the provisions of Chapter 3861, Special District Local Laws Code, as amended (the "Act"), and Section 54.016, Texas Water Code, as amended (the "Code"), respectfully petition for consent to include additional land in the District. In support of this petition, Petitioner shows as follows:

I.

The District, to which the land hereinafter described is sought to be annexed, exists and operates under the terms and provisions of Article XVI, Section 59 of the Constitution of Texas, the Act, and Chapters 49 and 54, Texas Water Code, as amended, and was created by the Act. Landowner is the sole owner and holder of fee simple title to the land sought to be annexed to the District, as indicated by the tax rolls of the Central Appraisal District of Tarrant County, Texas. Landowner represents and warrants that there are no holders of liens against the Property.

II.

The land sought to be added to the District contains approximately 19.997 acres of land, more or less. The land sought to be added to the District is located wholly within Tarrant County, Texas, and wholly within the corporate limits of the City of Arlington, Texas. All of the territory to be annexed may properly be annexed to the District.

III.

The land sought to be added to the area of the District is described by metes and bounds in Exhibit "A" attached hereto and incorporated herein for all purposes.

IV.

The general nature of the work proposed to be done in the area sought to be annexed shall include the purchase, construction, acquisition, repair, extension and improvement of land, easements, works, improvements, facilities, plants, equipment and appliances necessary to:

(1) provide a water supply for municipal, domestic and commercial purposes;

(2) collect, transport, process, dispose of and control all domestic, industrial or communal wastes whether in fluid, solid or composite state;

(3) gather, conduct, divert and control local storm water or other harmful excesses of water in the area;

(4) provide of system of macadamized, graveled or paved roads and turnpikes for residential and commercial purposes; and

(5) provide such additional improvement projects as shall be authorized by and consonant with the Act and the purposes for which the District is organized.

V.

There is a necessity for the improvements above described for the following reasons. The area of the District is urban in nature, is within the City of Arlington, and is in close proximity to populous and developed sections of Tarrant County. The land sought to be added to the District is not supplied with adequate water, sanitary sewer and drainage facilities and services or roads, nor is it presently economically feasible for such facilities to be provided to said land. The health and welfare of the present and future inhabitants of the District, the land sought to be added to the District, and of territories adjacent thereto require the installation and acquisition of an adequate water supply and sewage disposal system, an adequate drainage system, roads and roadway system, and other improvement projects for and within the land sought to be added to the District. A public necessity exists for the addition of the aforesaid lands to the District in order to provide for the purchase, construction, extension, improvement, maintenance and operation of such waterworks and sanitary sewer system, such drainage facilities, roads and roadway system, and such other improvement projects so as to promote and protect the purity and sanitary condition of the State's waters and the public health and welfare of the community.

VI.

Petitioner agrees and covenants to abide by the conditions set forth in the "Viridian Project Finance Plan and Development Agreement", dated December 9, 2009, among the City of Arlington, Texas, HC LOBF Arlington, LLC, the Board of Directors of Tax Increment Reinvestment Zone No. Six, Arlington, Texas, and the District and recorded at Instrument No. D209322512 in the Tarrant County Real Property Records on December 12, 2009, and made a part hereof for all purposes.

VII.

It is estimated by the Petitioner, from such information as is available at this time, that the cost of the project contemplated within the proposed area to be annexed will be approximately $3,160,000.

WHEREFORE, Petitioner respectfully prays that this petition be granted in all respects and that the City of Arlington, Texas give its consent to the annexation of the aforesaid land in said District.

Dated this the 26th day of February, 2016.

LANDOWNER:

By: B Barney Baker
B. Barney Baker, Individually

STATE OF TEXAS §
§
COUNTY OF ~~DALLAS~~ Tarrant §

This instrument was acknowledged before me on this 26th day of February, 2016, by B. Barney Baker, individually.

CARYN ERSKINE
Notary Public
STATE OF TEXAS
My Comm. Exp. November 9, 2017

Caryn Erskine
Notary Public in and for
the State of T E X A S

(SEAL)

ACKNOWLEDGED, this the 26th day of February, 2016.

CONTRACT PURCHASER

VIRIDIAN HOLDINGS LP, a
Delaware Limited Partnership

By: Johnson Viridian GP LLC, a Texas limited liability company, its general partner

By: _____
Name: Robert Kimbal
Title: Vice President

THE STATE OF Texas §
§
COUNTY OF Tarrant §

This instrument was acknowledged before me on this 26th day of February, 2016, by Robert Kimbal, Vice President of Johnson Viridian GP LLC, a Texas limited liability company, general partner of VIRIDIAN HOLDINGS LP, a Delaware limited partnership.

CARYN ERSKINE
Notary Public
STATE OF TEXAS
My Comm. Exp. November 9, 2017

_____
Notary Public in and for the
State of Texas

(SEAL)

Viridian Municipal Management District

Chairman, Board of Directors

Attest:

Secretary, Board of Directors

THE STATE 0F TEXAS §
§
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 8TH day of MARCH, 2016, by Tom O'Dwyer, the Chairman of VIRIDIAN MUNICIPAL MANAGEMENT DISTRICT.

LISA KAY JOHNSON
My Notary ID # 130472816
Expires December 17, 2019

Notary Public in and for the
State of Texas

(SEAL)

STATE OF TEXAS

COUNTY OF TARRANT

Being a 19.997 acre tract of land situated in the John Childress Survey, Abstract No. 249, Tarrant County, Texas and being all of Tract 1D conveyed to Baker B Barney by the deed recorded in County Clerk Instrument Number D215100760, County Clerk Records, Tarrant County, Texas, and being more particularly described as follows:

BEGINNING at a found 5/8 inch iron rod being in the southeast corner of said Tract 1D and the southwest corner of Tract 2A, conveyed to Viridian Holdings, LP, by deed as recorded in County Clerk Instrument Number D215157350, County Clerk Records, Tarrant County, Texas, also being in the north line of Tract 1, conveyed to Viridian Holdings, LP, by deed as recorded in County Clerk Instrument Number D215157108, County Clerk Records, Tarrant County, Texas;

THENCE North 89°51'38" West, along the south line of said Tract 1D and the north line of said Tract 1, being a common line, a distance of 1220.66 feet to a found 5/8 inch iron rod with "C & B" cap being the southwest corner of said Tract 1D and the southerly most southeast corner of a Tract 1EO1 conveyed to Viridian Holdings, LP, by deed recorded in County Clerk Instrument Number D215157350, County Clerk Records, Tarrant County, Texas;

THENCE North 00°02'26" East, departing the southwest corner of said Tract 1D and the north line of said Tract 1, along the west line of said Tract 1D and the east line of said Tract 1EO1, being a common line, a distance of 713.60 feet to a found 5/8 inch iron rod with "C & B) cap being in the northwest corner of said Tract 1D;

THENCE South 89°51'38" East, departing the north along the northwest corner of said Tract 1D, along the north line of said Tract 1D and the south line of said Tract 1EO1, being a common line, a distance of 1220.66 feet to a found 5/8 inch iron rod being in the northeast corner of said Tract 1D and the west line of said Tract 2A;

THENCE South 00°02'26" West, departing the northeast corner of said Tract 2A, along the east line of said Tract 1D and the west line of said Tract 2A, being a common line, a distance of 713.60 feet to the POINT OF BEGINNING and containing (817,062 square feet) 19.997 acres of land, more or less.

EXHIBIT

"A"

# Staff Report

| Library Services – Amendment to Lease Agreement for Warehouse Space Located at 709 Stadium Drive | |
|---|---|
| City Council Meeting Date: 06/07/16 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve a resolution authorizing the execution of a Lease Amendment for Library Department warehouse space with 1055FarmRoad134, LLC relative to property located at 709 Stadium Drive, Arlington, Texas.

**PRIOR BOARD OR COUNCIL ACTION**

On June 10, 2014, City Council passed Resolution 14-144, authorizing the execution of a Master Development Agreement by and between Integral Development, LLC, and Catalyst Urban Development, LLC, for economic development incentives relative to the demolition, remediation and redevelopment of the block bound by S. Center St., E. Abram St., S. Mesquite St., and E. Main St. in the City of Arlington.

On December 2, 2014, City Council passed Resolution 14-309, authorizing a Library Services Warehouse Lease Agreement with Lucy A. Thompson relative to property located at 709 Stadium Drive, Arlington, Texas.

**ANALYSIS**

On December 17, 2015, Lucy A. Thompson sold the property to 1055FarmRoad134, LLC.
The proposed Resolution amends the term, allowing for additional two (2) six (6)-month option periods, if needed, reducing the leased area size approximately 1,000 square feet, and changes to the notice section in recognition of the change in ownership. All other terms of the lease remain the same.

**FINANCIAL IMPACT**

Funding for this expenditure is available in Library Rental 960201-61002. The adjusted expenditure over the remaining option period thorough January 11, 2018 will be $6,750 per month. The City will continue to pay its proportionate share of utilities to maintain the leased area.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution<br>Lease Amendment |
| Under separate cover: | None |
| Available in City Secretary's office: | None |

**STAFF CONTACTS**


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Real Estate Manager
Community Development and Planning
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Stuart.Young@arlingtontx.gov

John M. Dugan, AICP
Director
Community Development and Planning
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John.Dugan@arlingtontx.gov

Yoko Matsumoto
Director of Libraries
Library Department
817-459-6916
Yoko.Matsumoto@arlingtontx.gov

THE STATE OF TEXAS §

COUNTY OF TARRANT §

**AMENDMENT TO LEASE AGREEMENT**

This Amendment to Lease Agreement (hereinafter referred to as "Amendment") is entered into on this _____ day of _____ 2016, by and between **1055FarmRoad134, LLC,** (hereinafter referred to as "NEW LANDLORD"), and the **CITY OF ARLINGTON, TEXAS**, a municipal corporation located in Tarrant County, Texas, (hereinafter referred to as "TENANT") acting by and through its City Manager or his designee.

WHEREAS, on December 2, 2014, the Arlington City Council passed Resolution 14-309 authorizing the City Manager or his designee to execute a Library Services Warehouse Lease Agreement (hereafter, "Lease") with Lucy A. Thompson relative to property located at 709 Stadium Drive; and

WHEREAS, on December 17, 2015, the new owner, 1055FarmRoad134, LLC (hereafter, "NEW LANDLORD") assumed all the terms and obligations of original lease, as evidenced by Special Warranty Deed recorded as Instrument No. D215282734 of the Deed Records of Tarrant County, Texas; and

WHEREAS, NEW LANDLORD and TENANT desire to amend the Lease to reduce the area of the Leased Premises and provide for optional lease extensions,

NOW THEREFORE, for valuable consideration including the mutual covenants contained herein, NEW LANDLORD and TENANT agree to the amendments to the Lease described hereafter.

A. Section 1.01 of the Lease shall be replaced by the following:

Section 1.01. LEASED PREMISES. In consideration of Tenant to pay the rent provided in this Lease and in consideration of the other terms, covenants, and conditions of this Lease, LANDLORD hereby demises and leases to TENANT, and TENANT hereby takes from LANDLORD, a certain area of real property together with all improvements thereon located at 709 Stadium Drive, Arlington, Tarrant County, Texas, being in particular a part of Lot 64, Six Flags Business Park Addition, an addition to the City of Arlington, Tarrant County, Texas as identified on Exhibit A attached hereto and made a part hereof and of the Lease for all purposes (hereafter, "Leased Premises").

B. Section 1.03 of the Lease shall be replaced by the following:

Section 1.03 TERM. This lease shall be for a period of three (3) years the ("Initial Term") commencing on the Effective Date and ending at midnight the 11th day of January, 2018.

(a) NEW LANDLORD further grants TENANT the following extension option periods:

1. First Option Period: January 12, 2018 through July 11, 2018 (beginning at the expiration date of the initial term).

2. Second Option Period: July 12, 2018 through December 31, 2018 (beginning at the expiration date of the First Option Period).

(b) TENANT shall give written notice of TENANT's intent to exercise its option no later than thirty (30) days prior to the expiration date of the term of the agreement in effect.

(c) All conditions and covenants contained in the Lease and herein shall remain in force during any and all extension option periods, except that the Base Rental for each extension option period shall be $40,500 which TENANT agrees to pay no later than the 20th day of the first month of each extension option period,

C. Section 2.02 of the Lease shall be replaced by the following:

Section 2.02. Base Rental. The monthly base rental (the "Base Rental") which TENANT agrees to pay to LANDLORD shall be as follows: $6,750 per month beginning July 1, 2016. Thereafter, the rental payments shall be due monthly on the 1st day of each month. All payments not received by the tenth (10th) day of the month shall be considered "past due."

D. Section 14.01 of the Lease shall be replaced by the following:

Section 14.01. NOTICES. Any notice provided for herein shall be given by written instrument, personally delivered or sent by U.S. mail, postage prepaid to:

LANDLORD: 1055FarmRoad134, LLC
1 Cowboys Parkway
Irving Texas 75063

TENANT: Real Estate Services Division
City of Arlington
P.O. Box 90231 MS01-0220
Arlington, Texas 76004-3231
Attn.: Stuart Young

**LANDLORD**
**1055FarmRoad134, LLC**

BY_____
(TITLE) Thomas C Walker, Asst Treasurer

**TENANT**

**CITY OF ARLINGTON**

BY_____
James F. Parajon, AICP
Deputy City Manager

ATTEST:

BY_____
MARY W. SUPINO
City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY_____

THE STATE OF TEXAS §
§ **LANDLORD Acknowledgment**
COUNTY OF Dallas §

BEFORE ME, the undersigned authority, on this day personally appeared Thomas L Walker, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said 1055 Farm Road 134, LLC, a ~~corporation~~ limited liability company, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 17 day of May, 2016.

Connie D. Toevs
Notary Public In and For
The State of Texas

CONNIE TOEVS
Notary Public
STATE OF TEXAS
My Comm. Exp. September 19, 2016

My Commission Expires:

Connie D Toevs
Notary's Printed Name

THE STATE OF TEXAS §
§ **CITY Acknowledgment**
COUNTY OF TARRANT §

BEFORE ME, a Notary Public in and for the State of Texas, on this day personally appeared **JAMES F. PARAJON,** known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that same was the act of said **CITY OF ARLINGTON, TEXAS**, a municipal corporation of the State of Texas, Tarrant County, Texas, and as the **DEPUTY CITY MANAGER** thereof, and for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 2016.

Notary Public In and For
The State of Texas

My Commission Expires:

Notary's Printed Name

EXHIBIT "A"

**Resolution No.**

**A resolution authorizing the City Manager or his designee to execute a Library Services Warehouse Lease Amendment with 1055Farmroad134, LLC relative to property located at 709 Stadium Drive, Arlington, Texas.**

WHEREAS, on December 9, 2014, the City of Arlington and Lucy A. Thompson entered into a Lease Agreement for the purpose of storing library books and supplies with a primary term of three (3) years, which was duly authorized by the Arlington City Council, Resolution No. 14-309, dated December 2, 2014; and

WHEREAS, on December 17, 2015, Lucy A. Thompson sold the property to 1055FarmRoad134, LLC, a Texas limited liability company with an address of One Cowboys Parkway, Irving, Texas 75063 as Recorded in Instrument No. D215282734 of the Deed Records of Tarrant County, Texas; and

WHEREAS, the City of Arlington now desires to have the option to extend the lease by adding two (2) six (6) month terms and reducing the leased area by 1,000 square feet and changes to the notices section to recognize the change in ownership; NOW THEREFORE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the City Manager or his designee is hereby authorized to execute a Library Services Warehouse Lease Amendment with 1055FarmRoad134, LLC relative to property located at 709 Stadium Drive, Arlington, Texas.

II.

A substantial copy of the Lease Agreement is attached hereto and made a part hereof for all purposes.

PRESENTED AND PASSED on this the __ day of June, 2016, by a vote of __ ayes and __ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____

Mary W. Supino, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY: _____

# Staff Report

| Authorize the Request for Proposal (RFP) Procurement Method for the Wrecker Services Contract, Bid Project 16-0140 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve a resolution authorizing the Request for Proposal (RFP) procurement method for the Wrecker Services Contract.

**PRIOR BOARD OR COUNCIL ACTION**

As of September 1, 2007, the 80th Legislature of the State of Texas amended Chapter 252 of the Texas Local Government Code to require a municipality's governing body to approve using a procurement method other than competitive sealed bidding for goods and services. Prior to the change in law, the determination of the best method of procurement for goods and services was made by staff.

**ANALYSIS**

Upon City Council approval, an RFP will be issued to solicit responses from various firms experienced with providing wrecker services. The City has determined that soliciting proposals for the wrecker services contract using the RFP method, will be in the best interest of, and best value for the City by allowing for negotiation of both price and contract terms. Negotiation is the key to ensuring that the City control cost without sacrificing service quality.

**FINANCIAL IMPACT**

The financial impact cannot be determined until a contract has been negotiated. This information will be provided to City Council when the negotiated contract is presented for approval.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution |
| Under separate cover: | None |
| Available in the Purchasing Division: | None |

**STAFF CONTACT(S)**


| | | |
|---|---|---|
| Will Johnson | Will Velasco, CPPB | Mike Finley |
| Police Chief | Purchasing Agent | Director of Finance |
| 817-459-5702 | 817-459-6302 | 817-459-6345 |
| Will.Johnson@arlingtontx.gov | Will.Velasco@arlingtontx.gov | Mike.Finley@arlingtontx.gov |

**Resolution No. _____**

**A resolution authorizing the competitive sealed proposal (Request for Proposal) procurement method for wrecker services**

WHEREAS, Chapter 252 of the Texas Local Government Code requires the approval of a municipality's governing body to use a procurement method other than competitive sealed bidding for goods and services; and

WHEREAS, the City desires to issue competitive sealed proposals to solicit responses from various firms experienced with providing wrecker services; and

WHEREAS, negotiation will ensure that the City controls cost without sacrificing service quality; and

WHEREAS, competitive sealed proposals allow for negotiation of both price and contract terms after proposals are submitted; and

WHEREAS, the competitive sealed proposal method is in the best interest of and best value to the City; NOW THEREFORE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the City Council hereby finds that the competitive sealed proposal (Request for Proposal) procurement method provides the best value for the City relative to the procurement of wrecker services, and hereby authorizes the City Manager or his designee to proceed with such procurement.

PRESENTED AND PASSED on this the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY_____

# Staff Report

| Interlocal Agreement with Tarrant County for the Surfacing of Texas Rangers Parking Lot R; Project No. PWST16010 | |
|---|---|
| City Council Meeting Date: 06-07-2016 | Document Being Considered: Resolution |

**RECOMMENDATION**

Approve resolution authorizing the execution of an Interlocal Agreement with Tarrant County relative to the resurfacing of a City parking lot leased to the Texas Rangers for Parking Lot R in the estimated amount of $25,000.

**PRIOR BOARD OR COUNCIL ACTION**

None

**ANALYSIS**

The Public Works and Transportation Department has coordinated with Tarrant County Precinct 2 to develop an Interlocal Agreement to construct a parking lot located at the southwest corner of Cowboys Way and Stadium Drive. This joint project includes subgrade preparation and asphalt surfacing of approximately 64,000 square yards. This lot will add parking capacity for planned and potential future entertainment district development.

The City owns the property, which is leased to the Texas Rangers. The City will provide all materials for the project and pay trucking charges. The City will also install storm sewer improvements, sidewalk, 12 inch wide concrete ribbon curb, concrete drive approaches, reinforced grass parking spaces, landscaping, and striping through a separate contract. The asphalt paving and subgrade preparation is estimated at $1,400,000. Tarrant County is responsible for providing the labor and equipment to perform the site grading, subgrade stabilization, and asphalt paving portion of the project which is estimated at $25,000.

**FINANCIAL IMPACT**

Funding is available in Account No. 728502-63132-35100199.

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $25,000 | $0 | $0 |

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution<br>Interlocal Agreement<br>Location Map |
| Under separate cover: | None |
| Available in the City Secretary's Office: | None |

**STAFF CONTACT(S)**


David G. Wynn, P.E., Interim Director
Public Works & Transportation
817-459-6556
David.Wynn@arlingtontx.gov

Keith E. Brooks, P.E., Assistant Director
Public Works & Transportation
817-459-6335
Keith.Brooks@arlingtontx.gov

**Resolution No. _____**

**A resolution authorizing the execution of an Interlocal Agreement with Tarrant County in the estimated amount of $25,000 relative to the resurfacing of a City parking lot leased to the Texas Rangers for Parking Lot R**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That the City Manager or his designee is hereby authorized to execute an Interlocal Agreement with Tarrant County relative to the resurfacing of a City parking lot leased to the Texas Rangers for Parking Lot R. The City will provide all the materials for the project and pay trucking charges. Tarrant County will provide the labor and equipment to perform the site grading, subgrade stabilization, and asphalt paving portion of the project which is estimated at $25,000. City funding is available in Street Maintenance Account No. 728502-63132-35100199.

II.

A substantial copy of the Interlocal Agreement is attached hereto and incorporated herein for all intents and purposes.

PRESENTED AND PASSED on this the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY Eddie Martin

**THE STATE OF TEXAS**

**INTERLOCAL AGREEMENT**

**COUNTY OF TARRANT**

This Interlocal Agreement is between Tarrant County, Texas ("COUNTY"), and the City of Arlington ("CITY").

WHEREAS, the CITY is requesting the COUNTY's assistance in the new construction of approximately 64,000 square yards referred to as Stonegate Parking Lot located at the southwest corner of Cowboys Way and Stadium Drive (the "**Project**").

WHEREAS, the Interlocal Cooperation Act contained in Chapter 791 of the Texas Government Code provides legal authority for the parties to enter into this Agreement; and

WHEREAS, during the performance of the governmental functions and the payment for the performance of those governmental functions under this Agreement, the parties will make the performance and payment from current revenues legally available to that party; and

WHEREAS, the Commissioners Court of the COUNTY and the City Council of the CITY each make the following findings:

a. This Agreement serves the common interests of both parties;
b. This Agreement will benefit the public;
c. The division of costs fairly compensates both parties to this Agreement;
d. The CITY and the COUNTY have authorized their representative to sign this Agreement; and
e. Both parties acknowledge that they are each a "governmental entity" and not a "business entity" as those terms are defined in Tex. Gov't Code § 2252.908, and therefore, no disclosure of interested parties pursuant to Tex. Gov't Code Section 2252.908 is required.

NOW, THEREFORE, the COUNTY and the CITY agree as follows:

## TERMS AND CONDITIONS

### 1. COUNTY RESPONSIBILITY

The COUNTY will furnish the labor and equipment to assist the CITY in completing the Project. The asphalt pavement must, at a minimum, meet the following specification: 6" HMAC pavement over 8" lime or cement stabilized base compacted to 95% standard proctor. The new construction will consist of the following:

1.1 Excavate the site to grade;
1.2 Stabilize with lime and/or cement at a depth of eight (8) inches; rate to be determined by soil lab testing (minimum 30# per square yard);
1.3 Apply asphalt emulsion prime coat;
1.4 Place and compact four (4) inches of Type B Hot Mix Asphalt Concrete (HMAC) base course; and
1.5 Place and compact two (2) inches of Type D HMAC.

## 2. CITY RESPONSIBILITY

2.1 CITY will furnish all materials for the Project and pay trucking charges.
2.2 CITY will furnish a site for dumping waste in close proximity to job site for materials generated during the Project.
2.3 CITY will furnish all rights of way, plan specifications and engineering drawings.
2.4 CITY will provide permanent markings once the Project is completed.
2.5 CITY will be responsible for the design and development of the Storm Water Pollution Prevention Plan. CITY will pay for all cost (including subcontractor materials, labor and equipment) associated with the implementation and maintenance of the Plan.
2.6 CITY will ensure that the Project is cleared of obstructions which could damage county equipment during construction.
2.7 CITY will verify the location of all utility locations, mark those locations and then remove the utilities that will interfere with the progress of the Project.
2.8 CITY will provide a stockpile site for materials used for the Project.
2.9 CITY will provide any soil lab testing needed for the Project.
2.10 CITY will be responsible for all drainage work and concrete paving related to the vehicular/pedestrian bridge connected to Cowboys Way.
2.11 CITY will be responsible for all storm sewer installations within the parking lot.
2.12 CITY will be responsible for installation of the 12” wide concrete ribbon curb, concrete drive approaches, concrete sidewalks or trails, and reinforced grass parking spaces.
2.13 CITY will be responsible for installation of all permanent lighting and associated conduit.
2.14 CITY will be responsible for all landscaping.
2.15 CITY will prepare, install and maintain any necessary traffic control plans.
2.16 All permanent signage to be prepared and installed by the CITY.
2.17 CITY will pay COUNTY $25,000 for the labor and equipment involved with the Project.

## 3. PROCEDURES DURING PROJECT

COUNTY retains the right to inspect and reject all materials provided for this Project.

If the CITY has a complaint regarding the construction of the Project, the CITY must complain in writing to the COUNTY no later than 30 days of the date of Project completion. Upon expiration of 30 days after Project completion, the CITY will be solely responsible for maintenance and repairs of the Stonegate Parking Lot located at the SW corner of Cowboys Way and Stadium Drive.

## 4. NO WAIVER OF IMMUNITY

This Agreement does not waive COUNTY rights under a legal theory of sovereign immunity. This Agreement does not waive CITY rights under a legal theory of sovereign immunity.

## 5. TIME PERIOD FOR COMPLETION

The CITY will give the COUNTY notice to proceed at the appropriate time. Both parties will strive to complete the Project prior to March 31, 2017.

## 6. THIRD PARTY

This contract shall not be interpreted to inure to the benefit of a third party not a party to this contract. This contract may not be interpreted to waive any statutory or common law defense, immunity, including governmental and sovereign immunity, or any limitation of liability, responsibility, or damage of any party to this contract, party's agent, or party's employee, otherwise provided by law.

## 7. JOINT VENTURE & AGENCY

The relationship between the parties to this Agreement does not create a partnership or joint venture between the parties. This Agreement does not appoint any party as agent for the other party.

## 8. OWNERSHIP

The CITY owns the property known as Stonegate Parking Lot located at the southwest corner of Cowboys Way and Stadium Drive.

## 9. EFFECTIVE DATE

This Agreement becomes effective when signed by the last party whose signing makes the Agreement fully executed.

## 10. TERMINATION OF AGREEMENT

This Agreement will automatically terminate upon completion of the Project or March 31, 2017, whichever date occurs first. This Agreement may be renewed prior to its expiration upon the mutual consent of the parties in writing.

**TARRANT COUNTY, TEXAS**

_____
COUNTY JUDGE

Date: _____

_____
COMMISSIONER, PRECINCT 2
Andy Nguyen

Attest:

_____

APPROVED AS TO FORM*

_____
Criminal District Attorney's Office*

* By law, the Criminal District Attorney's Office may only approve contracts for its clients. We reviewed this document as to form from our client's legal perspective. Other parties may not rely on this approval. Instead those parties should seek contract review from independent counsel.

**CITY OF ARLINGTON**

_____
Authorized CITY Official

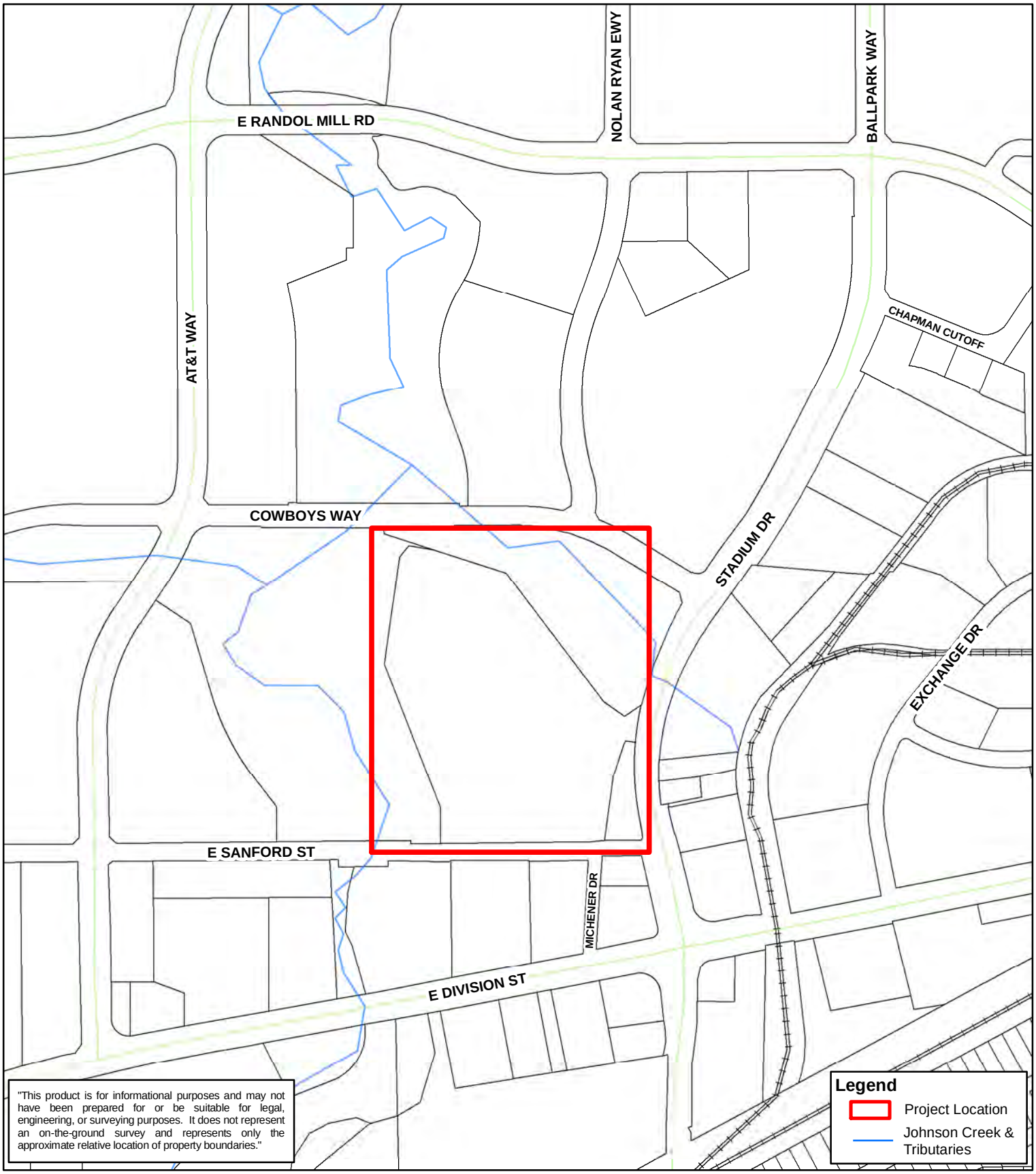
Date: _____

Attest:

_____

APPROVED AS TO FORM AND LEGALITY

_____
Assistant City Attorney

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# Texas Rangers Lot R
# Project No. PWST16010
# Location Map

ARLINGTON
THE AMERICAN DREAM CITY

Prepared By:
PWT Engineering Operations
5/25/2016

# Staff Report

| Tesla Supercharger Station Agreement | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Resolution |

**RECOMMENDATION**

Approve a Resolution to authorize the City Manager or his designee to execute a contract with Tesla Motors, Inc. of Palo Alto, California, for the installation and operation of an electrical vehicle charging station in the amount of $150,000.

**PRIOR BOARD OR COUNCIL ACTION**

None

**ANALYSIS**

The installation of electrical charging stations for automobiles facilitates one of the City Council's priorities, Putting Technology to Work. The technology provided through this agreement will offer residents and visitors access to alternative energy that is becoming more important to automobile owners. In addition, by partnering with one of the top emerging technology companies, the city has the opportunity to explore additional ways to use technology to help our citizens and businesses in Arlington including economic development.

This contract is for the installation of an electrical vehicle charging station, to be installed by Tesla Motors, Inc. at the Arlington Convention Center. Tesla Motors, Inc. will design, construct, maintain, and pay for all utility charges for the life of the agreement, which is five years with two five year extension. The first extension is at Tesla Motors, Inc.'s discretion and the second requires mutual agreement. Total construction cost is estimated to be $250,000. If approved, the City will participate in the initial construction cost in the amount of $150,000. Should development occur that requires the relocation of the station during the term of the agreement, Tesla Motors, Inc. and the City will determine a new location and the City will fund the cost of the relocation. At the end of the agreement Tesla Motors, Inc. will return the site to its original condition at Tesla Motors, Inc.'s cost.

**FINANCIAL IMPACT**

The City's financial commitment is for the initial construction of the station. Therefore, there is no financial impact anticipated in future fiscal years. The full cost to operate and maintain the stations is the responsibility of Tesla Motors, Inc.

Funding is available in the Innovative Venture Capital Fund Account No. 910401-61002.

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $ 150,000 | $ 0 | $ 0 |

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Resolution and Agreement |
| Under separate cover: | None |
| Available in the City Secretary's Office: | None |
| MWBE: | No |

**STAFF CONTACT(S)**

James F. Parajon, FAICP
Deputy City Manager
817-459-6154
Jim.Parajon@arlingtontx.gov

Mark Wisness
Director, Arlington Convention Center
817-459-5011
Mark.Wisness@arlingtontx.gov

**Resolution No. _____**

**A resolution authorizing the execution of a Supercharger Agreement with Tesla Motors, Inc. of Palo Alto, California, relative to the installation and operation of an electrical vehicle charging station, for an amount not to exceed $150,000**

WHEREAS, the installation of electrical charging stations for automobiles implements one of the City Council's priorities, Putting Technology to Work; and

WHEREAS, the technology provided through this agreement will offer residents and visitors access to alternative energy that is becoming more important to automobile owners; and

WHEREAS, by partnering with one of the top emerging technology companies, the City has the opportunity to explore additional ways to use technology to help our citizens and businesses in Arlington; and

WHEREAS, Tesla, through the provision of Supercharger services at City's property, will provide value to the City by attracting Tesla vehicle owners and the public to the City's property, provide additional visibility of the City's property, and provide marketing value to the City due to Tesla adding Arlington as a provider of services and distribution of that information worldwide; and

WHEREAS, the City Council finds that the agreement serves a public purpose; NOW THEREFORE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

I.

That all of the recitals contained in the preamble of this resolution are found to be true and are adopted as findings of fact by this governing body and as part of its official record.

II.

That the City Manager or his designee is hereby authorized to execute a Supercharger Agreement with Tesla Motors, Inc., relative to the installation and operation of an electrical vehicle charging station, for an amount not to exceed $150,000. Funds are available in Innovative Venture Capital Fund Account No. 910401-61002.

III.

A substantial copy of the contract is attached hereto and incorporated herein for all intents and purposes.

PRESENTED AND PASSED on this the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY Eddie Martin

**SUPERCHARGER AGREEMENT**

This Supercharger Agreement (the "**Agreement**") is effective as of June [ ], 2016 (the "**Effective Date**") by and between _____, a _____ ("**Counterparty**" or "**City of Arlington**") and Tesla Motors, Inc., a Delaware corporation ("**Tesla**").

**WHEREAS**, Tesla, through the provision of Supercharger services at the Property, will provide value to Counterparty by attracting Tesla vehicle owners and the public to, and providing additional visibility of, the Property plus the marketing value to the City of Arlington, Texas due to Tesla adding Arlington as a provider of Supercharger services and distribution of that information worldwide; and

WHEREAS, the added value to the City of Arlington, Texas in visibility and marketing serves to accomplish the Counterparty's economic development objectives; and

**WHEREAS**, Counterparty acknowledges the value of Tesla's Supercharger at the Property and desires to grant possession and control of the Premises to Tesla pursuant to the terms set forth herein; and

**NOW THEREFORE**, in consideration of the above and for other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **CONTACT INFORMATION**:

Counterparty's Address for Notices:

[Counterparty Name]
[Address ]
[Address]
Attention: [ ]
Phone: [ ]
Email: [ ]

Tesla's Address for Notices:

Tesla Motors, Inc.
3500 Deer Creek Road
Palo Alto, CA 94304
Attention: Supercharger Team
Phone: (650) 681-5000
Email: superchargerlease@teslamotors.com

24-hour Technical Support & Service:
877-79-TESLA (877-798-3752)

2. **PREMISES**: Counterparty hereby grants to Tesla possession and control of ten (10) parking spaces, up to five (5) feet of additional parking width to comply with the Americans with Disabilities Act of 1990 and approximately 200-400 square feet of landscaped space for equipment (the "**Premises**") on the property commonly known as City of Arlington Convention Center, located at 1200 Ballpark Way, Arlington, TX 76011 and as depicted on **Exhibit A** attached hereto (the "**Property**") in order to build an electric vehicle supercharging station to charge Tesla vehicles (the "**Supercharger Station**").

3. **CONSTRUCTION:** Upon delivery of possession of the Premises to Tesla, Tesla shall, at its sole expense, construct improvements as described in and pursuant to the procedures set forth in **Exhibit B,** attached hereto and made a part hereof, and will install certain trade fixtures indicated in **Exhibit B** (the "**Trade Fixtures**" as further described and defined in **Exhibit B**).



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4. **INITIAL FOOTPRINT**: A total of ten (10) parking spaces shall be outfitted with charge posts ("**Superchargers**") to charge Tesla vehicles. Ten (10) parking spaces shall serve as dedicated charging stalls to be used only by Tesla vehicles ("**Dedicated Stalls**") or vehicles which uses Tesla compatible charging technology.

5. **POSSESSION DATE:** The first date where Tesla may enter the Premises and Property to begin its work pursuant to the Agreement is ____, 20__ (the "**Possession Date**").

6. **COMMENCEMENT DATE**: The date that the Supercharger Station opens to the public (the "**Commencement Date**") shall be within one hundred and fifty (150) days following the Possession Date, provided that no external permitting, utility or other requirements beyond Tesla's control delay the installation, despite the best efforts of Tesla. Tesla shall deliver written notice to Counterparty promptly following the Commencement Date to confirm such date for recordkeeping purposes.

7. **TERM:** The initial term of the Agreement shall expire five (5) years from the Commencement Date (the "**Initial Term**"). Tesla and City shall have the right to twice extend the Agreement and each extension shall be for an additional period of five (5) years (each a "**Renewal Term**" and together with the Initial Term, the "**Term**"). The first Renewal Term will be at the sole option of Tesla, and the second Renewal Term may be exercised only upon the mutual agreement of Tesla and Counterparty. To exercise its option for the First Renewal Term, Tesla shall deliver written notice of such extension to Counterparty no later than thirty (30) days prior to the expiration of the Term. To exercise its option for the Second Renewal Term, Tesla shall deliver written notice of such extension to Counterparty no later than sixty (60) days prior to the expiration of the first Renewal Term. Counterparty will give notice of its consent at least thirty (30) days before expiration. If Counterparty fails to give notice of consent or denial of the renewal at least thirty (30) days before expiration, then consent is presumed to be given by Counterparty. In the event of a sale or transfer of the Property or Premises by Counterparty while the Agreement is in effect, Tesla's rights shall be conveyed with the Property or Premises.

8. **RELOCATION**: Counterparty shall have the right to relocate the Premises during the Term or any Renewal Term, provided that (i) location of the Premises may be needed for other public projects that serves the public interest of the City of Arlington, Texas including but not limited to a new hotel or convention center complex, (ii) the new Premises provides for an equivalent footprint for charging stalls and charging equipment, (iii) the new Premises can be supplied with equivalent utility service, (iv) the new Premises is similar in terms of ease of access, safety, security, and proximity to amenities and (v) Counterparty obtains Tesla's written approval of the new Premises, which shall not be unreasonably withheld, conditioned or delayed. All costs of relocation shall be borne by Counterparty. In all relocation scenarios, the relocation plan shall ensure that the new charging station is open to the public before the former charging station is decommissioned. If Tesla does not consent to the new location, then Tesla may terminate this Agreement with thirty (30) days' notice without any penalty or liability. Payment of costs of relocation by Counterparty is subject to proper budgeting of the funds at the time of occurrence; however, if funds are not available to pay for relocation costs, then Tesla will be allowed to continue at present location under the Agreement until funds to pay for relocation are available.



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9. **UTILITIES:** Tesla agrees to arrange and pay the charges for all Tesla-related utility services provided or used in or at the Premises during the Term. Tesla shall pay directly to the utility company the cost of installation of any and all such Tesla-related utility services and shall arrange to have the utility service separately metered. Counterparty shall not be responsible for any damages suffered by Tesla in connection with the quality, quantity or interruption of utility service, unless the cause of the disruption or damage was due to Counterparty's gross negligence or willful misconduct.

10. **USE**: Tesla shall use and occupy the Premises during the Term for a Supercharger Station and incidental purposes, including generating photovoltaic electricity and operating an energy storage system. All use of the Premises by Tesla shall comply with applicable codes, laws, and ordinances.

11. **PAYMENT FOR CHARGING SERVICES**: Counterparty shall have no right to request or accept payment from Tesla, Tesla customers or any other third-parties in connection with Tesla Supercharging services.

12. **MAINTENANCE**: Tesla shall be responsible for maintaining the Trade Fixtures and Infrastructure (as defined in **Exhibit B**) and Counterparty shall not have any liability for damage to the Trade Fixtures or the Infrastructure unless such damage is caused by Counterparty's gross negligence or willful misconduct. Notwithstanding the foregoing, Counterparty's normal responsibility to maintain the common areas of the Property shall also apply to the Premises, such as for snow removal and garbage collection. Counterparty agrees to coordinate any parking lot maintenance with Tesla to ensure that charging stalls remain available for vehicle charging at all times. Tesla may, in its discretion and at its sole cost, install security cameras and other equipment to monitor the Premises from off-site.

13. **PAYMENT**: Counterparty shall make a one-time payment of one hundred and fifty thousand dollars ($150,000) to Tesla as a contribution to the costs incurred by Tesla in constructing the Supercharger Station. Tesla shall send Counterparty an invoice for such payment promptly following the Commencement Date, which Counterparty shall pay by electronic funds transfer within fifteen (15) days of the invoice date.

14. **COUNTERPARTY COVENANTS**: Counterparty represents that they are the owner of the Property and that this Agreement does not violate any agreement, lease or other commitment of Counterparty. Counterparty shall not take any action that would impair or interrupt the use of the Premises or the Trade Fixtures. Counterparty agrees to notify Tesla within a commercially reasonable time if (i) it has knowledge of third-parties impairing or misusing the Premises or Trade Fixtures, or (ii) it obtains knowledge of a needed repair to the Premises or Trade Fixtures.

15. **ASSIGNMENT**: Tesla shall not assign this Agreement voluntarily or by operation of law, or any right hereunder, nor sublet the Premises or any part thereof, without the prior written consent of Counterparty, which shall not be unreasonably withheld, conditioned or delayed; provided that the foregoing prohibition shall not limit Tesla's ability to transfer this Agreement to a company that is controlled by, controls, or is under common control with Tesla.



Tesla Motors, Inc. ©2015 (v. 20150923-2)

16. **ALTERATIONS**: Excepting the items of **Exhibit B**, Tesla shall not make or permit to be made any alterations, changes in or additions to the Premises without the prior written consent of Counterparty, which shall not be unreasonably withheld, conditioned or delayed. Upon termination of this Agreement, unless terminated due to a default of Counterparty, the Infrastructure shall become the property of Counterparty; provided that all Trade Fixtures and all related intellectual property shall at all times remain the property of Tesla and all Trade Fixtures will be promptly removed by Tesla upon termination of the Agreement. Additionally, the Premises shall be restored by Tesla to a condition commensurate with the rest of the Property, normal wear and tear and casualty and condemnation excepted.

17. **SIGNAGE**: Tesla signage to be installed at the Premises is represented in **Exhibit B** and shall include signs to identify Dedicated Stalls. Any material revisions or additions to the signage depicted in **Exhibit B** shall be subject to Counterparty approval, which shall not be unreasonably withheld, conditioned or delayed. All signage shall be professionally prepared, installed and maintained at Tesla's expense.

18. **INDEMNIFICATION**: Except to the extent of any gross negligence or willful misconduct of Counterparty, Tesla hereby agrees to indemnify, hold harmless and defend the Property, Counterparty, its managers, members, agents and representatives from all liability, damages, loss, costs and obligations, including, court costs and attorney's fees, on account of or arising out of or alleged to have arisen out of any claim of any third party directly related to Tesla's use of the Premises. Tesla shall promptly remove or bond any liens placed on the Property as a result of any claims for labor or materials furnished to or for Tesla at or for use on the Premises.

    Except to the extent of any gross negligence or willful misconduct of Tesla, Counterparty hereby agrees to indemnify, hold harmless and defend Tesla, its directors, officers, employees, consultants, agents and representatives from all liability, damages, loss, costs and obligations, including, court costs and attorney's fees, on account of or arising out of or alleged to have arisen out of directly or indirectly, any claim of any third party directly related to Counterparty's actions with respect to the Premises.

19. **DESTRUCTION**: Any total destruction of the Premises shall, at Counterparty's or Tesla's written election within thirty (30) days of such destruction, terminate the Agreement.

20. **DEFAULT**: Each of the following shall constitute an "**Event of Default**" by Tesla under this Agreement:

    (1) the failure by Tesla to perform or observe any material term or condition of the Agreement and such failure continues for a period of thirty (30) days after receipt of written notice thereof, provided however, that if the nature of such default is such that the same cannot reasonably be cured within said sixty (60) day period, then Tesla shall have such additional time as is reasonably required to cure such failure provided Tesla commences to cure such failure within such thirty (60) day period and proceeds to cure such failure with diligence and continuity; or

    (2) the appointment of a receiver or trustee to take possession of all or substantially all of the assets of Tesla located at the Premises if possession is not restored to



Tesla Motors, Inc. ©2015 (v. 20150923-2)

Tesla within sixty (60) days; or a general assignment by Tesla for the benefit of creditors; or any action or proceeding commenced by or against Tesla under any insolvency or bankruptcy act, or under any other statute or regulation having as its purpose the protection of creditors and in the case of involuntary actions filed against the Tesla the same are not discharged within sixty (60) days after the date of commencement.

21. **REMEDIES**: Counterparty and Tesla acknowledge and agree that each party shall have all remedies available at law or in equity if the other party is in default under the terms of this Agreement, subject to terms of Section 20 above.. If an Event of Default has occurred and is continuing, then Counterparty, in addition to any other remedies given at law or in equity, may:

(A) continue this Agreement in effect by not terminating Tesla's right to possession of said Premises and thereby be entitled to enforce all Counterparty's rights and remedies under this Agreement; or

(B) bring an action to recover and regain possession of said Premises in the manner provided by the laws of eviction of the State where the Premises are located then in effect.

22. **INSURANCE**: Tesla shall carry commercial general liability insurance with limits of not less than One Million Dollars ($1,000,000) for bodily injury or death and property damage and an umbrella insurance policy of not less than Five Million Dollars ($5,000,000). A certificate evidencing such insurance shall be delivered to Counterparty upon the execution of this Agreement and from time to time thereafter as may be requested by Counterparty. Upon request, Tesla shall include Counterparty as additional insured on its commercial general liability and umbrella insurance policies. Tesla will also carry worker's compensation insurance in accordance with state and federal law.

23. **CONFIDENTIALITY AND PUBLICITY**:

(A) Tesla and Counterparty agree that the terms of this Agreement are confidential information, and both parties agree not to disclose such confidential information to any person or entity other than (i) financial, legal and space planning consultants that have a "need to know" such confidential information and have agreed to abide by confidentiality terms no less protective than the terms of this Agreement or (ii) as required by law including the requirements of the Texas Public Information Act. Requests for any information that could be considered confidential or proprietary shall follows procedures of the Texas Public Information Act which requires notice to the party before release and the opportunity to challenge any release of the information.

(B) Neither party will use the other party's name, trademark or logo without such other party's prior written consent.

24. **EXCLUSIONS:** Notwithstanding anything herein to the contrary, Tesla shall not be liable for, and Counterparty expressly releases Tesla from any claims from, speculative, indirect, consequential or punitive damages, including any lost sales or profits of Counterparty.



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25. **ENVIRONMENTAL MATTERS:** Counterparty represents and warrants that the Premises shall be delivered free of environmental contamination. Tesla shall have no liability for any environmental contamination unless caused by Tesla, its agents, employees or contractors. During the Term, Counterparty is responsible for remediating any pre-existing contamination or any contamination not caused by Tesla, its agents, contractors or employees. Tesla shall have no liability for diminution in value of the Property as it relates to environmental contamination.

26. **NOTICES:** All notices or demands shall be in writing and shall be deemed duly served or given only if delivered by prepaid (i) U.S. Mail, certified or registered, return receipt requested, or (ii) reputable, overnight courier service (such as UPS or FedEx) to the addresses of the respective parties as specified in Section 1 above. Counterparty and Tesla may change their respective addresses for notices by giving notice of such new address in accordance with the provisions of this paragraph.

27. **BROKERS:** Counterparty and Tesla represent to each other that each has dealt with no broker and each hereby agrees to indemnify and hold the other harmless from any claims for any such commissions or fees.

28. **SUCCESSORS AND ASSIGNS:** This Agreement shall be binding upon and shall inure to the benefit of Counterparty and Tesla and their respective successors and assigns.

29. **GOVERNING LAW:** This Agreement shall be governed by the laws of the State where the Premises are located.

30. **TIME:** Time is of the essence in this Agreement.

31. **COUNTERPARTS:** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together will constitute one agreement. Signed copies transmitted electronically in PDF or similar format shall be treated as originals.

32. **PARKING ENFORCEMENT**: If non-Tesla motorists repeatedly park in the Dedicated Stalls, thereby impairing use of the Dedicated Stalls, then the parties shall together determine and implement an appropriate and effective strategy for preventing such impairment, including, without limitation, alternative signage and painted asphalt. Counterparty shall use commercially reasonable efforts to actively monitor the Premises to ensure that use of the Supercharging stalls is not impaired. Additionally, Counterparty shall have the right to give parking tickets to (i) any vehicle, including Tesla vehicles, that use the Supercharger Station for more than two (2) consecutive hours and (ii) any non-charging vehicles, as Counterparty may determine to be appropriate in its reasonable discretion.

*[Signature page follows.]*



Tesla Motors, Inc. ©2015 (v. 20150923-2)

**IN WITNESS WHEREOF**, the parties hereto have each caused an authorized representative to execute this Agreement as of the Effective Date first written above.

COUNTERPARTY:

_____

a _____

By: _____

Name: _____

Title: _____

TESLA:

Tesla Motors, Inc.

a Delaware corporation

By: _____

Name: _____

Title: _____

**ATTEST:**

_____
**MARY W. SUPINO, CITY SECRETARY**

**APPROVED AS TO FORM:**
**TERIS SOLIS, CITY ATTORNEY**

**BY: _____**

**WITNESS:**

_____



Tesla Motors, Inc. ©2015 (v. 20150923-2)

**EXHIBIT A**

**Premises and Property Depiction and Address**

**Property Address:**
1200 Ballpark Way, Arlington, TX 76011

**Premises and Property Depiction:**

**EXHIBIT B**

**Tesla Improvements**

Tesla shall install the Supercharger Station on the Premises pursuant to the terms of this **Exhibit B**. Tesla installation shall include the installation of the infrastructure for the Supercharger Station, which may include power supply, utility connections, concrete pads, conduit and wiring (the "**Infrastructure**").

The Supercharger Station will also include certain trade fixtures as determined by Tesla, which may include, without limitation, the charger cabinets ("**Supercharger Cabinets**"), Superchargers, switchgear, signage, fence or other visual barriers, canopy, solar panels, and an energy storage system (the "**Trade Fixtures**").

The Trade Fixtures to be installed as of the Commencement Date will include the following:

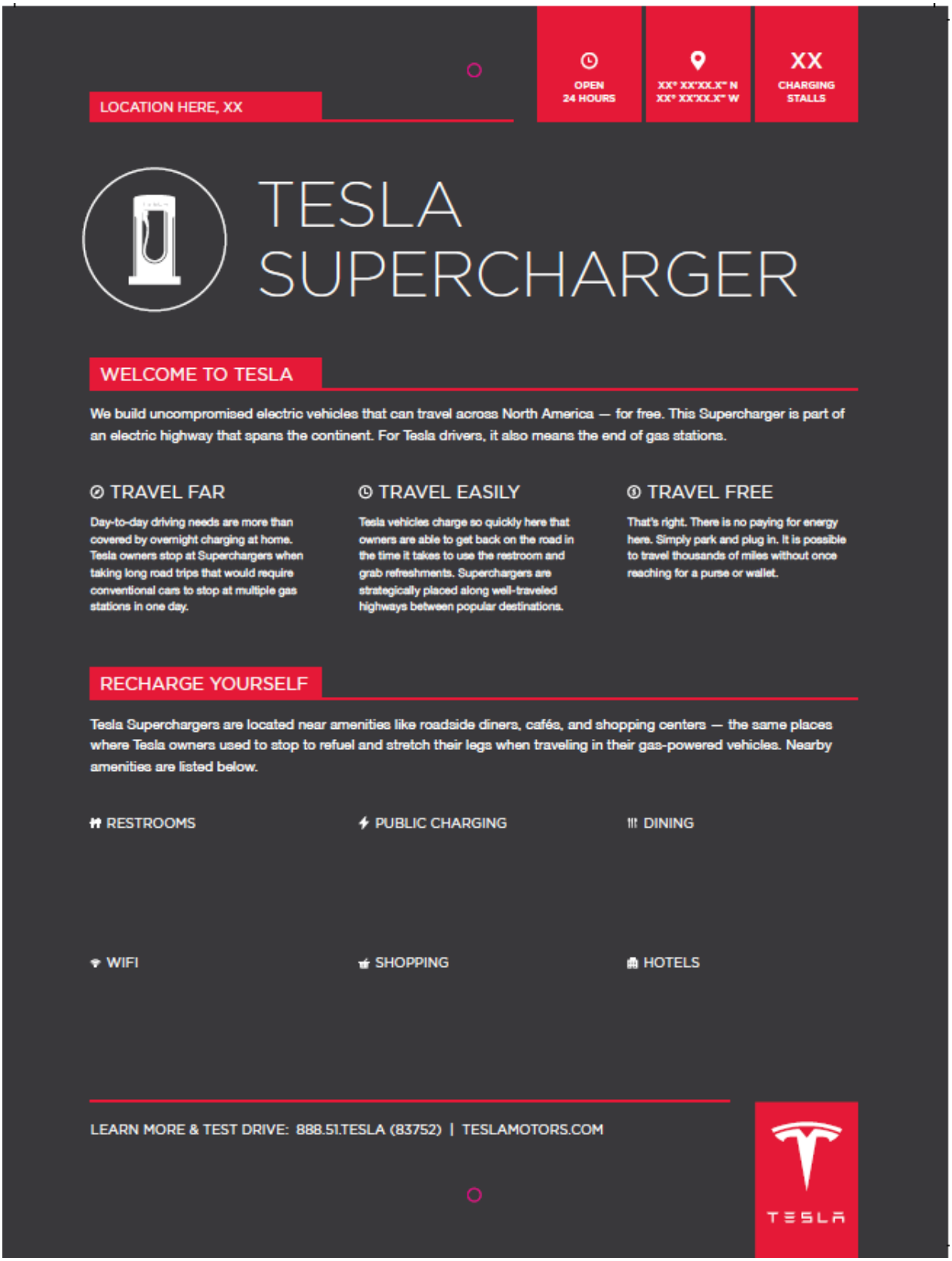
- Five (5) Superchargers Cabinets
- Ten (10) Superchargers
- Switchgear and meter panel
- Signage

The installation of the Infrastructure and the Trade Fixtures is collectively referred to as the "**Tesla Improvements**." Tesla will not perform the Tesla Improvements until the plans and specifications, including exact locations, have been approved by Counterparty, which approval may be by e-mail communication and shall not be unreasonably withheld, conditioned or delayed. All Tesla Improvements shall at all times comply with applicable laws, codes and ordinances and Infrastructure and Trade Fixtures shall be installed, maintained and replaced at Tesla's sole cost.

**Signage**

**Dedicated Stall Sign Example**

**Information Placard Example**




*Approximate dimensions: 18" x 24"*

# Staff Report

| Zoning Case PD16-5 (Arby's) | |
|---|---|
| City Council Meeting Date: 6-7-16 | Document Being Considered: Ordinance |

**RECOMMENDATION**
Following the public hearing, consider Zoning Case PD16-5, with a Development Plan.

**PRIOR BOARD OR COUNCIL ACTION**
On February 5, 2014, Planning and Zoning Commission approved a Substitute Landscape Plan, SLP14-1 by a vote of 9-0-0, for the reduction of a required landscape buffer.

On February 5, 2014, Planning and Zoning Commission recommended approval of PD13-20 by a vote of 9-0-0, for a Planned Development (PD) for Office Commercial (OC) uses plus a pharmacy and optical retail store.

On March 4, 2014, City Council approved zoning case PD13-20 by a vote of 8-0-0.

On May 18, 2016, Planning and Zoning Commission recommended approval of PD16-5 by a vote of 9-0-0.

**ANALYSIS**
**Request**
The applicant requests to change the zoning on approximately 0.83 acres out of approximately 3.02 acres addressed at 8200 Matlock Road, and generally located south of West Turner Warnell Road and west of Matlock Road.

| | |
|---|---|
| Current zoning: | Office Commercial (OC) |
| Requested zoning: | Planned Development (PD) for Community Commercial (CC) uses limited to a Restaurant with Drive-Through, with a Development Plan |

**Existing Site Conditions**
The subject site includes the entire lot addressed at 8200 Matlock Road. The site is split zoned Office Commercial (OC) and Planned Development (PD) for Office Commercial (OC) uses plus a Pharmacy and Optical Store. This application is to rezone a portion of the OC zoned area adjacent to Matlock Road, which is currently undeveloped. The portion of the lot that will remain in the OC zoning designation is also undeveloped. The office uses on the southern portion of the lot were developed subsequent to the approval of SLP14-1 and PD13-20.

Concurrent to this zoning request, the applicant has also submitted a replat application to subdivide the lot addressed at 8200 Matlock Road into three separate lots. The proposed Arby's Restaurant will be on an individual lot, the undeveloped portion west of the subject site will be on an individual lot, and the office development to the south of the request will also be on an individual lot. All three lots will share access off of Matlock Road via a shared access easement. A small portion of the western edge of the lot is located within the City of Mansfield.

**Development Plan**
The development plan proposes an Arby's Restaurant with drive-through, with a building area of 2,524 square feet. The proposed structure will be faced with two different colors of brick, as well as stucco. Brick wainscoting, accent bands, and canopies are used to break

up the building's mass, as well as for added visual appeal. The portion of the building used as a cooler/freezer will also be faced with brick to be compatible with the structure.

The main public entrance to the structure is located on the northern elevation of the building, and is recessed and covered. The proposed drive-through lane is located at the southern portion of the site, between the building and the shared access drive. The ten-foot wide drive-through lane is separated from the shared access drive by a five-foot landscaped median, and can accommodate seven vehicles. This exceeds the requirements for drive-through vehicle stacking of a minimum six vehicles, set forth by the Unified Development Code (UDC).

**Landscaping and Screening**

The landscaping proposed is based on the current configuration and zoning of the entire lot. Landscaping for the developed, southern portion of the lot has been provided based on its previously approved Development Plan. Because of the lot's configuration, a fifteen-foot landscape buffer and screening fence is required between the commercial uses and the single family residences to the west. The applicant is proposing a 6-foot cedar/redwood fence with metal posts, caps, and brackets which meets UDC requirements.

The following is a comparison of the current UDC standards to the applicant's proposed landscape:

| | **Required per UDC** | **Proposed** |
|---|---|---|
| **Landscape Setback** | | |
| Setback Width | 15 feet | 15 feet |
| Trees in Setback | 4, 3" caliper trees | 4, 4" caliper trees |
| Plants in Setback | 41 plants | 75 ornamental grasses<br>21 evergreen shrubs<br>Multiple areas of groundcover |
| Turf grass coverage | Maximum of 40% coverage | 39% coverage |
| **Landscape Buffer** | | |
| Buffer Width | 15 feet | 15 feet |
| Trees in Buffer | 6, 3" caliper | 6, 4" caliper |
| **Parking Lot Islands** | | |
| Trees in Islands | 1, 3" caliper tree per island | 1, 4" caliper tree per island |
| Vegetative cover | 50% vegetative coverage other than turf grass | 50% vegetative coverage other than turf grass, remaining coverage provided through the use of decomposed granite |

The parking areas and the drive-through are screened according to UDC requirements with shrubs planted at 30 inches in height at installation. The applicant is exceeding the required parking lot landscaping by providing an additional landscaped area between the parking lot and the existing restaurant to the north. This area consists of 51 Dwarf Burford Holly, 25 Softleaf Yucca, and 725 square feet of Liriope ground cover.

The proposed, eight-foot dumpster enclosure will be wrapped with brick veneer to provide compatibility with the primary structure. The applicant is also providing the required, four-foot tall evergreen living screen.

**Parking**

Based on the proposed use, 27 parking spaces are required. The applicant is providing 35 parking spaces, and is providing the one additional tree for every three parking spaces that exceeds the UDC maximum required for this use. Along with required vehicle parking, two bicycle racks are being proposed in the landscaped area near the pedestrian connection.

**Adjacent Land Uses**

The property to the north of the subject site is zoned Community Commercial (CC) and is developed with a restaurant use. The property to the east, across Matlock Road is zoned Residential Single-family-7.2 (RS-7.2) and is developed with single-family homes. The property to the south is zoned Residential Multi-Family 22 (RMF-22) and is developed with a multi-family use that is primarily located outside of Arlington city limits. The property to the west is developed with single family homes, and is also located outside of Arlington city limits.

**Comprehensive Plan Analysis**

The 2015 Comprehensive Plan, *99 Square Miles*, contains goals in this area to develop high-quality residential neighborhoods along with low-intensity commercial development that provides convenient neighborhood services to residents who live there. Rezoning the property to PD would allow for recommended neighborhood convenience uses without the potential for more intense future uses. The use, proposed along a major arterial thoroughfare, is not expected to adversely alter the character of the area. The proposed Planned Development is in general conformance with the strategies and goals in the Comprehensive Plan and other relevant plans.

**FINANCIAL IMPACT**

None

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Ordinance with Exhibit A & B<br>Case Information with P & Z Summary |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACTS**


| | |
|---|---|
| Jennifer Pruitt, AICP, LEED AP | Bryan Isham |
| Development Planning Manager | Planner |
| Community Development and Planning | Community Development and Planning |
| 817-459-6138 | 817-459-6654 |
| Jennifer.Pruitt@arlingtontx.gov | Bryan.Isham@arlingtontx.gov |

**Ordinance No. 16-**

**An ordinance changing the zoning classification on certain property known as 8200 Matlock Road to Planned Development (PD) for Community Commercial (CC) uses limited to Restaurant with Drive-Through, with a Development Plan; amending the Zoning District Map accordingly; authorizing the building official to issue permits upon the effective date; providing for a fine of up to $2,000.00 for each violation; providing this ordinance be cumulative; and providing for severability, governmental immunity, injunctions, and publication; and an effective date.**

WHEREAS, after notice and public hearing the Planning and Zoning Commission heard and recommended approval of Zoning Case PD16-5 on May 18, 2016; and

WHEREAS, after notice and public hearing, and upon consideration of the recommendation of the Commission and of all testimony and information submitted during the public hearing, the City Council has determined that it is in the best interest of the public and in support of the health, safety, morals, and general welfare of the citizens that the zoning amendment be approved. Now therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

1.

The zoning classification of certain property known as 8200 Matlock Road, described in Exhibit A, is hereby changed to Planned Development (PD) for Community Commercial (CC) uses limited to Restaurant with Drive-Through, with a Development Plan, by the approval of PD16-5, and the Zoning District Map shall be amended to reflect the zoning change made by this ordinance. Development and use of the property shall be in compliance with this ordinance and the attached Development Plan.

2.

The Building Official is hereby authorized and directed to issue permits in compliance with this ordinance, including all exhibits attached to this ordinance, immediately after the effective date of this ordinance. In the event of a conflict between the provisions in Exhibit B and the provisions in any other exhibit, the provisions in Exhibit B control.

3.

Any person, firm, corporation, agent or employee thereof who violates any of the provisions of this ordinance shall be guilty of a misdemeanor and upon conviction thereof shall be fined an amount not to exceed Two Thousand Dollars and No Cents ($2,000.00) for each offense. Each day that a violation is permitted to exist shall constitute a separate offense.

4.

This ordinance shall be and is hereby declared to be cumulative of all other ordinances of the City of Arlington, and this ordinance shall not operate to repeal or affect any of such other ordinances except insofar as the provisions thereof might be inconsistent or in conflict with the provisions of this ordinance, in which event such conflicting provisions, if any, in such other ordinance or ordinances are hereby repealed.

5.

If any section, subsection, sentence, clause or phrase of this ordinance is for any reason held to be unconstitutional, such holding shall not affect the validity of the remaining portions of this ordinance.

6.

All of the regulations provided in this ordinance are hereby declared to be governmental and for the health, safety and welfare of the general public. Any member of the City Council or any City official or employee charged with the enforcement of this ordinance, acting for the City of Arlington in the discharge of his/her duties, shall not thereby render himself/herself personally liable; and he/she is hereby relieved from all personal liability for any damage that might accrue to persons or property as a result of any act required or permitted in the discharge of his/her said duties.

7.

Any violation of this ordinance can be enjoined by a suit filed in the name of the City of Arlington in a court of competent jurisdiction, and this remedy shall be in addition to any penal provision in this ordinance or in the Code of the City of Arlington.

8.

The caption and penalty of this ordinance shall be published in a newspaper of general circulation in the City of Arlington, Texas, in compliance with the provisions of Article VII, Section 15, of the City Charter. Further, this ordinance may be published in pamphlet form and shall be admissible in such form in any court, as provided by law.

9.

This ordinance shall become effective upon second publication.

PRESENTED AND GIVEN FIRST READING on the _____ day of _____, 201_, at a regular meeting of the City Council of the City of Arlington, Texas; and GIVEN SECOND READING, passed and approved on the _____ day of _____, 201_, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY _____

EXHIBIT “A”

**BEING** a tract or parcel of land situated in the City of Arlington, Tarrant County, Texas, being part of Lot 3R, J. M. Thomas Addition, an addition to the City of Arlington according to the plat recorded in Cabinet A, Slide 7446, Plat Records, Tarrant County, Texas, being more particularly described as follows:

**BEGINNING** at a 1/2" iron rod found for corner in the west line of Matlock Road (120' right-of-way), being the northeast corner of said Lot 3R and the southeast corner of Lot 2A1 of Lot 2A1 and 2A2, J. M. Thomas Addition, an addition to the City of Arlington according to the plat recorded in Cabinet A, Slide 8513, Plat Records, Tarrant County, Texas and being in a curve to the left;

**THENCE** In a southerly direction with the west line of said Matlock Road and said curve to the left having a central angle of 4°02'21", a radius of 2051.29 feet, an arc length of 289.46 feet, and a chord bearing of South 08°17'50” West and chord distance of 144.58 feet to a 1/2" iron rod set with orange plastic cap stamped “Texas Surveyors” for corner in the west line of said Matlock Road and said curve to the left, being the southeast corner of this tract;

**THENCE** due West a distance of 244.14 feet to a 1/2" iron rod with orange plastic cap stamped “Texas Surveyors” set for corner, being the southwest corner of this tract;

**THENCE** due North a distance of 143.06 feet to a 1/2" iron rod with orange plastic cap stamped “Texas Surveyors” set for corner in the common line between said Lot 2A1 and said Lot 3R, being the northwest corner of this tract;

**THENCE** due East with the common line between said Lot 2A1 and said Lot 3R a distance of 265.00 feet to the POINT OF BEGINNING and containing 0.83 acres of land, more or less as survey in February, 2016 by Tucker Surveyors.

**AND** being generally located south of West Turner Warnell Road and west of Matlock Road with the approximate address being 8200 Matlock Road.

PD16-5

EXHIBIT "B"

1. The zoning of this site is Planned Development (PD) for Community Commercial (CC) uses limited to Restaurant with Drive-Through, with a Development Plan.

2. The Restaurant with drive-through window shall occupy an approximately 0.83 acre tract of land.

3. The primary building materials will consist of two different colors of brick and stucco.

4. A 6-foot tall cedar fence will be installed on the City Limit line at the rear of the property. This fence is to have metal posts, metal brackets, and metal caps. The posts and rails should be oriented away from Matlock Road.

5. Four-inch caliper trees are to be planted in the 15-foot landscape buffer on the western portion of the lot. The portion of the lot between the landscape buffer and the single-family residences to the west will remain in its current vegetated state. The subject property owner/operator will maintain both the landscape buffer and this additional portion of the lot until future development on the rear portion of the lot occurs. At the time of that development, the maintenance responsibility will be transferred to the subsequent owner/operator of the rear lot.

6. Four-inch caliper trees and shrubs are to be planted in the 15-foot landscape setback adjacent to Matlock Road.

7. Use and development of the property shall be in compliance with the Development Plan.

8. In the event of a conflict between the provisions in this Exhibit B and any other exhibits to this ordinance, the provisions of Exhibit B control.

# Case Information

**Applicant:** Artec LLC represented by David Rey

**Property Owner:** Phan and Dhawan Real Estate Investments, LLC

**Sector Plan:** Southeast

**Council District:** 2

**Allowable Uses:** Restaurant with Drive-Through

**Development History:** The subject site is currently platted and commonly known as Lot 3R of the J. M. Thomas Addition. An application to subdivide the current lot into three proposed lots has been submitted to the City and is under review.

Previous zoning cases in the general vicinity in the past five years include:

| Case No. | Location | Request | Disposition |
|---|---|---|---|
| PD13-20 | South | Planned Development (PD) for Office (O) uses plus a pharmacy and optical retail store with a development plan | Approved |
| SLP14-1 | South | Substitute Landscape Plan | Approved |

**Transportation:** The proposed development gains access to Matlock Road via shared access easements with both the lots to the north and to the south.

| Thoroughfare | Existing | Proposed |
|---|---|---|
| Matlock Road | 120 foot ROW<br>4 lane divided<br>major arterial | 120 foot ROW<br>6 lane divided<br>major arterial |

**Traffic Impact:** Comparing Planned Development (PD) for all Community Commercial (CC) uses to partial PD will generate similar traffic patterns and will not significantly impact the adjacent roadway system.

**Water & Sewer:** Water and sanitary sewer main are located along the west Right-Of-Way of Matlock Road.

**Drainage:** The site is located within the Bowman Branch drainage basin and is not located within the FEMA floodplain. No significant

| | |
|---|---|
| | drainage impacts are expected to result from the development of this site as long as all relevant city ordinances are complied with. |
| **Fire:** | Fire Station Number 15, located at 906 Eden Road, provides protection to this site. The estimated fire response time is less than five minutes, which is in keeping with recommended standards. |
| **School District:** | Mansfield Independent School District<br><br>The proposed request is located in the Mansfield Independent School District and has no impact on the schools serving this site. |
| **Notices Sent:** | |
| Neighborhood Associations: | ACTION North Arlington<br>Arlington Alliance for Responsible Government<br>Arlington Neighborhoods<br>East Arlington Review<br>Far South Arlington Neighborhood Association<br>Forest Hills Home Owners Association<br>Mansfield Independent School District<br>Northern Arlington Ambience<br>West Citizen Action Network (WeCan)<br>Fossil Lake III Home Owners Association<br>The Crossing at Ruidosa Ridge Neighborhood<br>Southwest Arlington Property Owners (SWAPO) |
| Property Owners: | 12 |
| Letters of Support: | 0 |
| Letter of Opposition: | 0 |

**PLANNING AND ZONING COMMISSION SUMMARY:**

**Public Hearing: May 18, 2016**

Zoning Case PD16-5 (Arby's Restaurant – 8200 Matlock Road)

Application to change the zoning on approximately 0.83 acres from Office Commercial (OC) to Planned Development (PD) for Community Commercial (CC) uses limited to a Restaurant with Drive-Through, with a Development Plan; generally located south of Turner Warnell Road and west of Matlock Road.

Present in support of this case was David Rey, 6800 Weiskopf, Suite 150, McKinney, 75070.

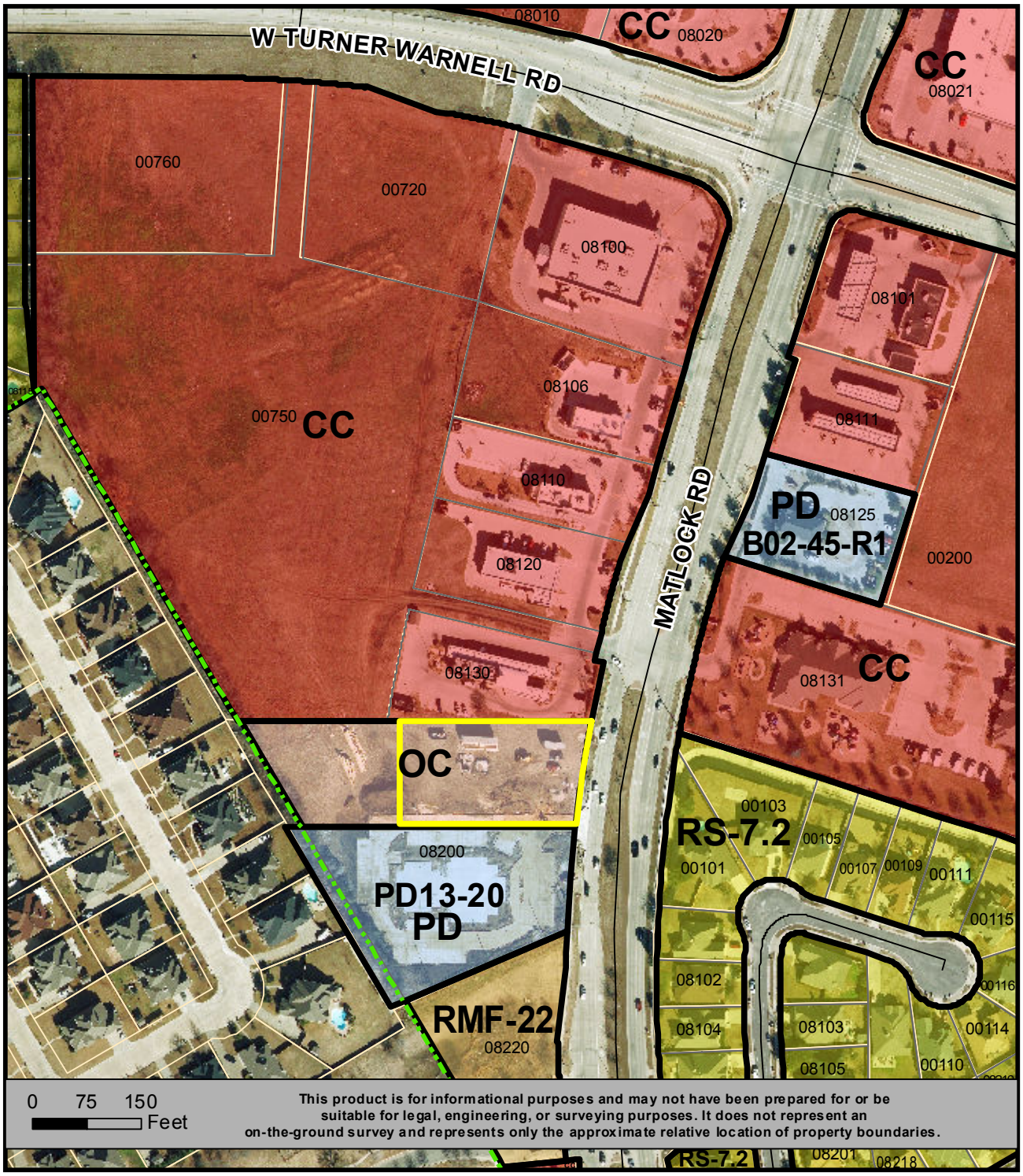
Commissioner Ron Smith moved to Approve Zoning Case PD16-5. Seconded by Commissioner Croxton, the motion was approved by a vote of 9-0-0.

**APPROVED**

# *Itemized Allowable Uses*

**Allowable Uses:** **Planned Development (PD) for Community Commercial (CC) uses limited to Restaurant with Drive Through**

**Permitted** – Restaurant with Drive Through




# LOCATION MAP
# PD16-5

**PD FOR CC USES LIMITED TO RESTAURANT WITH DRIVE-THROUGH**

N
W E
S

# PD16-5

South of West Turner Warnell Road and west of Matlock Road

View of adjacent restaurant use located north of the subject site. View north

View of subject site and adjacent single family residences across Matlock Road. View east.

View of adjacent office development to the south of the subject site. View south.

View of adjacent undeveloped lot and single family residences beyond. View west.

# Staff Report

| Youth Programs Standards of Care | |
|---|---|
| City Council Meeting Date: June 7, 2016 | Document Being Considered: Ordinance |

**RECOMMENDATION**

Following a public hearing, approve an ordinance adopting Youth Programs Standards of Care for the operation of youth-based parks and recreation programs and services. Adopted standards are an annual requirement of the Texas Department of Protective and Regulatory Services for receiving an exempt status relative to day care licensing.

**PRIOR BOARD OR COUNCIL ACTION**

Youth Programs Standards of Care were originally adopted in 1999, and last adopted on September 15, 2015 by Ordinance No. 15-045. The Council approved Resolution No. 16-089 on May 24, 2016 by a vote of 9 ayes and 0 nays, calling for this public hearing.

**ANALYSIS**

The Parks and Recreation Department offers various elementary-age programs for children including camps. The Texas Legislature requires that municipal camp programs for elementary aged children (5-13 years old) meet day care licensing requirements, or file for an exemption (Section 42.041[b][14] of the Human Resources Code). In order to receive exempt status, a municipality must submit a copy of the program standards, notice of a public hearing for the program and evidence of an ordinance adopting the standards.

Youth Program Standards of Care provide basic child care regulations for day camp and other program activities, while allowing the Parks and Recreation Department to qualify as exempt from normal licensing requirements. Staff has reviewed these standards each year since 1999, and no significant changes are recommended at this time.

**FINANCIAL IMPACT**

There is no financial impact associated with this action.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Ordinance<br>Standards of Care |
| Under separate cover: | None |
| Available in the City Secretary's Office: | None |

**STAFF CONTACT(S)**

Lemuel Randolph
Director of Parks and Recreation
817-459-5477
lemuel.randolph@arlingtontx.gov

**Ordinance No. _____**

**An ordinance adopting the City of Arlington Youth Programs Standards of Care to provide staffing ratios; minimum staff qualifications; minimum facility, health, and safety standards; and mechanisms for monitoring and enforcing the adopted local standards for municipal youth recreation programs**

WHEREAS, the V.T.C.A. Human Resources Code, Section 42.041(b)(14), establishes requirements for exempting recreational programs operated by municipalities for elementary age (5-13) children from childcare licensing requirements; and

WHEREAS, in order to receive exempt status for a youth recreation program, a municipality must adopt standards of care by ordinance after a public hearing for the program, then submit a copy of program standards, a notice of the public hearing for the program and a copy of the ordinance adopting the standards to the State; and

WHEREAS, a public hearing was held on June 7, 2016; and

WHEREAS, the City of Arlington Youth Programs Standards of Care will provide basic child care regulations for day camp activities operated by the Arlington Parks and Recreation Department in accordance with Section 42.041(b)(14) of the Texas Human Resources Code; NOW THEREFORE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS:

1.

That the City Council of the City of Arlington hereby adopts the City of Arlington Youth Programs Standards of Care for providing basic child care regulations for day camp activities operated by the Arlington Parks and Recreation Department. As required by Section 42.041(b)(14) of the Texas Human Resources Code, the Standards adopted by this ordinance include staffing ratios; minimum staff qualifications; minimum facility, health, and safety standards; and mechanisms for monitoring and enforcing the adopted local standards.

2.

A substantial copy of the City of Arlington Youth Programs Standards of Care is attached hereto and incorporated herein for all intents and purposes.

PRESENTED AND GIVEN FIRST READING on the _____ day of _____, 2016, at a regular meeting of the City Council of the City of

Arlington, Texas; and GIVEN SECOND READING, passed and approved on the _____ day of _____, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY W. SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

BY Eddie Martin

**CITY OF ARLINGTON**
**PARKS AND RECREATION DEPARTMENT**
**Youth Programs - Standards of Care**

## I. GENERAL INFORMATION/ADMINISTRATION

(a) Purpose: To provide basic childcare regulations for recreation activities operated by the Arlington Parks and Recreation Department. This will allow the department to qualify for exemption from requirements of the Texas Human Resources Code.

(b) Implementation: Oversight of any youth service programs will be the responsibility of the Parks and Recreation Department. The Center Programs Manager, Athletics Program Manager, Recreation Facility Managers and Recreation Program Coordinators will supervise overall program components while Day Camp Directors will provide direct on-site administration.

(c) Programs: These standards and regulations apply to nine on-going youth programs:
- Christmas Day Camp
- Spring Break Day Camp
- Summer Day Camp
- Teen Camp
- Day Off Day Camp
- After School Programs
- Pre-School Playhouse
- Playtime Pals
- Sport and Mini Camps

(d) Other: Each program location will make available for the public and staff a current copy of the Standards of Care. Copies of the standards of care will also be available on the www.naturallyfun.org website and during the registration process as part of the Parent Handbook.

(e) Program Sites:

| | |
|---|---|
| Hugh Smith Recreation Center | 1815 New York Avenue |
| Cliff Nelson Recreation Center | 4600 W Bardin Road |
| Dottie Lynn Recreation Center | 3200 Norwood Drive |
| Lake Arlington Meeting Room | 6300 W Arkansas Lane |
| Elzie Odom Athletic Center | 1601 NE Green Oaks Blvd |
| Viridian Lake Club | 1200 Viridian Park Lane |

(f) Day Camp Objectives
1. To offer a program wide in scope and varied in activities of different recreational activities: sports, games, arts and crafts, education, drama, special events, field trips, tournaments, etc.
2. To provide a pleasant and memorable experience in a loving atmosphere.
3. To provide a safe environment always promoting good health and welfare for all.
4. To teach children how to spend their leisure time wisely, in an effort to meet their emotional, physical and social needs.

(g) Exemption Status: Once an exempt status is established, the Licensing Division of the Texas Department of Protective and Regulatory Services will not monitor the recreational program. The Licensing Division will be responsible for investigating complaints of unlicensed childcare and for referring other complaints to the municipal authorities or, in the case of abuse/neglect allegations, to the Arlington Police Department.

(h) Standards of Care Review
Standards will be reviewed annually and approved by the City Council after a public hearing or after a public online posting for 30 days is held to adopt an ordinance regarding Section 42.041 (b)(14) of the Human Resources Code.

(i) Child Care Licensing will not regulate these programs nor will they be involved in any complaint investigation related to the program.

(j) Any parent, visitor or staff may register a complaint by calling the Arlington Parks and Recreation Administration Office at 817-459-5474, Monday through Friday, 8:00 a.m. to 5:00 p.m.

## II. STAFFING

### A. Day Camp Director - Job Description and Essential Job Functions

Essential Job Functions:

1. Directs and supervises a day camp program for elementary aged children.
2. Develops and implements a daily camp curriculum under Parks and Recreation guidelines.
3. Responsible for ensuring camp activities are conducted in a safe, cost effective and professional manner.
4. Responsible for procurement of camp supplies, equipment and food items.
5. Responsible for all camp related record keeping.
6. Maintains established camper to staff ratios.
7. Interacts with participants, parents, staff, and supervisors to provide a high quality program.
8. Meets bi-weekly with other day camp supervisors and the Program Coordinator to monitor program during summer.
9. Supervises a staff of 5-30 day camp leaders.
10. Must be able to pass the Motor Vehicles Driver's Check as managed by Workforce Services in order to operate a city vehicle

Qualifications:

1. Must be mature, responsible and able to complete duties with minimal supervision.
2. Must be able to communicate well with the public, and skilled at interacting with children.
3. Must be skilled in supervising children of varying age levels in a group setting.
4. Must possess proof of First Aid and CPR certification prior to start of summer camp.
5. Must have a valid driver's license from state of residence.
6. Must complete any departmental day camp staff training requirements.

7. Must have previous experience supervising children in a day camp setting.
8. Must have previous experience supervising staff.
9. Prefer completion of at least two years of college.
10. Must pass city pre-employment requirements prior to hiring. This includes a criminal background check.

**B. Assistant Day Camp Director – Job Description and Essential Job Functions**

Essential Job Functions:

1. Assist in directing and supervising a day camp program for elementary aged children.
2. Responsible for ensuring camp activities are conducted in a safe, cost-efficient and professional manner.
3. Responsible for all camp related record keeping.
4. Maintains established camper to staff ratios.
5. Interacts with participants, parents, staff, and supervisors to provide a high quality program.
6. Assists in supervising a staff of 5-30 day camp leaders.
7. Must be able to pass the Motor Vehicles Driver's Check in order to operate a city vehicle

Minimum Qualifications:

1. Must be mature, responsible and able to complete duties with minimal supervision.
2. Must be able to communicate well with the public, and skilled at interacting with children.
3. Must be skilled in supervising children of varying age levels in a group setting.
4. Must possess proof of First Aid and CPR certification prior to start of summer camp.
5. Must have a valid driver's license from state of residence.
6. Must complete any departmental day camp staff training requirements.
7. Must have previous experience supervising children in a day camp setting.
8. Must have previous experience supervising staff.
9. Prefer completion of at least two years of college.
10. Must pass city pre-employment requirements prior to hiring. This includes a criminal background check.

**C. Day Camp Leader - Job Description and Essential Job Functions**

Essential Job Functions:

1. Implements and monitors a day camp program for elementary aged children.
2. Supervises and interacts with camp participants in a wide variety of recreational activities.
3. Responsible for ensuring daily camp activities are conducted in a safe, professional manner.
4. Responsible for communicating needs to camp supervisor.
5. Responsible for interacting with camp participants, parents and supervisors to provide a high quality program.
6. Responsible for maintaining facility appearance during and after camp activities.
7. Responsible for reporting any incidents to camp supervisor.

Minimum Qualifications:

1. Must be mature, responsible and able to complete duties with minimal supervision.
2. Must be able to communicate well with the public, and skilled at interacting with children.
3. Must be skilled in supervising children of varying age levels in a group setting.
4. Must have First Aid and CPR certification prior to start of summer camp.
5. Prefer a valid driver's license from state of residence.
6. Must complete departmental day camp staff training.
7. Must pass city pre-employment requirements prior to hiring. This includes a criminal background check.
8. Knowledge of recreational games, crafts and activities.
9. Prefer completion of at least two years of college.

(a) **Other Requirements**

1. Staff must complete the mandatory training program of at least eight hours, in addition to planning hours with site staff prior to the start of summer camp. This training includes a departmental orientation, customer service, behavioral issues and discipline, as well as practical skills on activities for children to include games, songs, crafts and sports.
2. Staff must complete three hours of approved Child Safety Sexual Abuse Prevention training prior to the start of summer. If hired midsummer, they must complete the training before working with children.
3. Staff must exhibit competency, good judgment and self-control throughout the duration of the camp.
4. Staff should relate to the children with courtesy, respect, acceptance and patience.
5. Staff will be evaluated at least once before the completion of the program, and visited with before the program is over to discuss any areas that should be addressed to insure employment in a following camp.
6. Staff shall not abuse or neglect children.

(b) **Criminal Background Checks**

Criminal background checks will be conducted on prospective day camp and after school employees. Applicants may be disqualified if they have a job related criminal conviction.

(c) **Drug Testing**

A prospective employee will be subject to a drug test prior to hiring. Positive drug results may exclude an applicant from employment.

(d) **Staffing Ratios**

The staff ratio will be one staff member per 15 children, ages 5-13.

## III. FACILITY STANDARDS

(a) Emergency evacuation and participant relocation plans will be posted at each facility.

(b) Program employees will inspect sites frequently for any sanitation or safety concerns. Those concerns should be passed on to the Facility Manager.

(c) Each camp must have a fully stocked and update to date first aid kit. This shall be checked and stocked on a weekly basis by the Facility Manager. It shall include bandages, first aid cream, rubber gloves, alcohol wipes, cold packs, gauze, tweezers and scissors.

(d) In a situation where evacuation is necessary, the first priority of staff is to make sure all participants are in a safe location.

(e) Program sites will be inspected annually by the Fire Marshall. Each Facility Manager is responsible for compliance with Fire Marshall's directives.

(f) The recommended number of fire extinguishers shall be inspected quarterly and available and "primed" for use.

(g) Fire drills should be conducted once a month during the summer camp.

(h) Prescription medication will only be distributed with written parental consent. Prescription medications shall be left with staff in their original container, labeled with the child's name, date, directions and physician's name. Medication shall be dispensed only as stated on the container and not past the expiration date.

(i) Non-prescription medicine with the child's name and date on the container may be brought if in the original container. Non-prescription medicine will only be administered with written consent from a parent or legal guardian.

(j) All medications, prescription or non-prescriptions will be given to the child at the appropriate time as indicated by the parent. Only medications that can be self-administered by the child will be allowed in the camp program.

(k) Each indoor site shall have adequate indoor toilets and lavatories located such that children can use them independently and program staff can supervise as needed. There shall be one flush toilet per 30 children. Outdoor sites shall provide portable toilets based on number of children attending each day. Hand wash sinks shall be provided based on one sink per 30 children.

(l) All participants must be fully capable of all essentially toiletry and hygiene needs in order to be registered for the camp programs.

(m) All participants must wear appropriate footwear daily. Sandals and "flip flops" will be allowed only in swimming pool areas.

## IV. SERVICE STANDARDS - Staff

This information will be provided to each staff as a part of the day camp manual:

(a) Camp staff shirts, shorts and appropriate footwear are to be worn at all times.

(b) City issued employee ID's should be worn and clearly visible.

(c) Camp participants and parents will be treated with respect at all times.

(d) Camp staff will take it upon themselves to resolve complaints. Do not refer a customer to another staff person. If you are unable to resolve the complaint on

the spot, take the customer's name and phone number, investigate complaint resolution and then follow up with the customer. An email, note or survey form should be filled out whenever a complaint or compliment is received.

(e) Camp staff will keep parents continuously informed of camp activities. A weekly schedule will be available the week prior to session and extra copies will be kept with the sign in log daily.

(f) Camp staff will note details of behavior of campers (accomplishments, discipline problems, general activities, etc.) and update parents as much as possible.

(g) Camp staff will monitor the sign in/out log at all times.

(h) Camp staff shall clean rooms after each activity. Floors will be swept or vacuumed, chairs stacked, mirrors cleaned, and supplies put away. This is extremely important due to the fact that rooms are used throughout the day by other groups.

(i) Camp staff will dedicate their on-duty time to campers and/or parents to ensure a meaningful and pleasant experience.

(j) Prior to working with campers, camp staff will check all messages for the day.

(k) A Certified Lifeguard with Water Front Certification will be present at all times when staff or program participants are in or around any open body of water such as Lake Arlington or Lake Viridian. This includes but not limited to kayaking, paddle boarding, canoeing, sailing, and fishing.

## V. OPERATIONAL ISSUES

(a) Emergency phone numbers are kept at the front desk of the facilities, as well as with the Day Camp Director on field trips. Those numbers include emergency services.

(b) A Day Camp manual is given to every Day Camp Director, Assistant Day Camp Director, Day Camp Leader and full time Program Coordinator. The manual addresses the following items:

1. Discipline Issues
2. City Rules and Regulations
3. Forms that must be filled out
4. Service Standards
5. Games/activities/leadership
6. Ways to interact with children

Additional manuals will be located at each site for access by any staff member.

(c) Sign in-sign out sheets will be used every day. Only adults listed on sign-in/out release will be allowed to pick up children. An authorized person must enter the building, present appropriate identification and sign the sheet in order for staff to release the child.

(d) Emergency evacuation and relocation plans will be posted at each facility.

(e) Parents will be notified regarding planned field trips and provided the required release forms.

(f) Enrollment participant information forms will be kept and maintained on each child and shall include:

1. Child's name, birth date, home address, home telephone number, physician's phone number and address and phone numbers where parents may be reached during the day.
2. Name, driver's license number and telephone numbers of persons to whom the child can be released.
3. Field trip release form as needed.
4. Liability waiver.
5. Parental consent to distribute medication, medical information and release on participant.

(g) Staff shall immediately notify the parent or other person authorized by the parent when the child is injured or has been involved in any situation that placed the child at risk.

(h) Staff shall notify parents or authorized persons of children in the facility when there is an outbreak of a communicable disease in the facility that requires reporting to local health officials and Tarrant County Public Health. Staff must notify the parents of children in a group when there is an outbreak of lice or other infestation in the group.

(i) Discipline:

1. Discipline and guidance of children must be consistent and based on an understanding of individual needs and development.
2. There shall be no harsh, cruel or unusual treatment.
   - Corporal punishment will not be tolerated in any form.
   - Children shall not be physically disciplined, i.e. shaken, bit, hit or have anything put in or on their mouth as punishment.
   - Children shall not be humiliated, yelled at or rejected.
   - Children shall not be subjected to intimidating or profane language.
   - Punishment shall not be associated with food.
   - Staff may use brief, supervised separation from the group if necessary, but staff shall not place children in any room with the door closed.
3. Incident reports will be filled out on any disciplinary cases, and information is to be shared with parents when picking up the child or sooner, if necessary. Continued disciplinary problems may result in the participant being asked to leave the program.
4. Children who show patterns of endangerment to themselves, other participants or staff will be asked to leave the program in the direct company of a parent or guardian.

(j) Illness or Injury

1. Participants shall have and maintain immunizations in accordance with those required by the Texas Department of State Health Services for public school attendance according to age.
2. Parents shall be notified immediately in cases of illness or injury involving their child or children.

3. An ill child will not be allowed to participate if the child is suspected of having a temperature and/or observed behavior changes or other signs or symptoms until medical evaluation indicates that the child can be included in the activities. In the event an injury cannot be administered through basic first aid, staff will call 911.
4. When an injury occurs, an incident report shall be filled out immediately. The form shall be filled out completely with the original sent to the Division Manager's office and a copy kept in the Day Camp files.

## VI. GENERAL GUIDELINES FOR CHILDREN

As a part of the Day Camp Manual, staff will be given the following information:

(a) A child is not allowed to use the phone unless it is an emergency. In this case, Day Camp staff should make the call for the child.

(b) Children must stay off any elevated surfaces (tables, counter tops, etc.)

(c) Children should walk in the building. Running is permitted only in designated areas.

(d) Bouncing and throwing balls is permitted only in authorized areas.

(e) Active games using equipment that can cause damage to window, shades, lights, and ceilings must be played only in the gym.

(f) Children must respect staff and each other.

(g) Children must wear appropriate footwear at all times.

(h) Children must be closely monitored and not allowed to mix in with the general public. You must know where each and every child is AT ALL TIMES.

## VII. ACTIVITIES

(a) Activities for each group will be planned according to the participant age, interest and ability. The activities should be flexible and promote social and educational advancement.

(b) A weekly calendar of activities will be posted for parents the Friday prior to that week of camp.

(c) When taking field trips, staff will:
1. Count everyone before they leave the program site as well as prior to leaving the field trip site.
2. Carry medical information on each child and necessary medications with them on the trip.
3. Carry a first aid kit.
4. Carry a cellular phone for emergency use.
5. Encourage participants to wear camp shirts so they are easily identified.

## VIII. MONITORING AND ENFORCEMENT

Standards of care established by the City of Arlington will be monitored and enforced by city departments responsible for their respective areas as identified:

(a) Health and safety standards will be monitored and enforced by the city's Police, Fire, and Code Compliance Departments.

(b) Staff performance/behavior and program function will be monitored and enforced by the Arlington Parks and Recreation Department. The Center Programs Manager and

the Athletic Programs Manager shall visit each site on a weekly basis for an informal inspection of the programs. Facility Managers and Program Coordinators are responsible for informally visible checking the camp activities on a daily basis. When this staff is not available, another full-time staff person will be assigned for daily checks.

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Questions about these Standards of Care should be directed to:

**Krissy Crosier, Center Programs Manager**
Arlington Parks and Recreation Department
717 W Main Street
Arlington, TX 76013-1855
817-459-6499
Krissy.crosier@arlingtontx.gov

**Wendy Parker, Athletic Programs Manager**
Arlington Parks and Recreation Department
717 W Main Street
Arlington, TX 76013-1855
817-459-5482
wendy.parker@arlingtontx.gov

# Staff Report

| Ordinances authorizing the issuance of City of Arlington, Texas Combination and Revenue Certificates of Obligation, Taxable Series 2016C in the approximate amount of $14,200,000, Water and Wastewater System Revenue Bonds, Series 2016A in the approximate amount of $39,825,000 | |
|---|---|
| City Council Meeting Date: 06-07-2016 | Documents Being Considered: Ordinances |

**RECOMMENDATION**

Approve ordinances providing for the issuance of Combination Tax and Revenue Certificates of Obligation, taxable series 2016C in the approximate aggregate principal amount of $14,200,000; and, Water and Wastewater System Revenue Bonds, Series 2016A in the approximate aggregate principal amount of $39,825,000. State law amendments in 2001 authorize the City to pass these ordinances at one reading without declaring an emergency.

**PRIOR BOARD OR COUNCIL ACTION**

On February 23, 2016, City Council passed Resolution 16-032 approving and adopting the Capital Budget for the City for FY 2016. Also, on February 23, 2016, City Council passed Resolution 16-034 approving and adopting the Capital Budget for Water Utilities for FY 2016.

**ANALYSIS**

The competitive sales are scheduled for June 7, 2016. The results along with the final ordinances will be presented to the Mayor and City Council at the meeting that evening.

**FINANCIAL IMPACT**

This issuance will have no effect on the tax rate.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Preliminary Official Statements<br>Draft Ordinances<br>(finalized Ordinances to be available at meeting) |
| Under separate cover: | None |
| Available in the City Secretary's office: | None |

**STAFF CONTACT(S)**


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817-459-6345
Mike.Finley@arlingtontx.gov

Ethan Klos
Treasurer
817-459-6303
Ethan.Klos@arlingtontx.gov

ORDINANCE NO. 16-_____

relating to

$_____
CITY OF ARLINGTON, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
TAXABLE SERIES 2016C

Dated: June 1, 2016

Adopted: June 7, 2016

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AN ORDINANCE PROVIDING FOR THE ISSUANCE OF $_____ CITY OF ARLINGTON, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2016C; LEVYING A TAX IN PAYMENT THEREOF; PRESCRIBING THE FORM OF SAID CERTIFICATES; APPROVING AND AWARDING THE SALE OF THE CERTIFICATES; AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT/REGISTRAR AGREEMENT; APPROVING THE OFFICIAL STATEMENT; AND ENACTING PROVISIONS INCIDENT AND RELATING TO THE SUBJECT AND PURPOSES OF THIS ORDINANCE

WHEREAS, under the provisions of Subchapter C, Chapter 271, Texas Local Government Code, as amended, the City of Arlington, Texas (the "City"), is authorized to issue certificates of obligation for the purposes specified in this Ordinance and for the payment of all or a portion of the contractual obligations for professional services, including that of engineers, attorneys, and financial advisors in connection therewith, and to sell the same for cash as herein provided; and

WHEREAS, the City is authorized to provide that such obligations will be payable from and secured by the levy of a direct and continuing ad valorem tax against all taxable property within the City, in combination with all or a part of certain revenues of the City's combined water and wastewater system (the "System") remaining after payment of any obligations of the City payable in whole or in part from a lien or pledge of such revenues that would be superior to the obligations to be authorized herein as authorized by Chapter 1502, Texas Government Code; and

WHEREAS, the City Council has found and determined that it is necessary and in the best interests of the City and its citizens that it issue such certificates of obligation authorized by this Ordinance; and

WHEREAS, pursuant to a resolution heretofore passed by this governing body, notice of intention to issue certificates of obligation of the City payable as provided in this Ordinance was published in a newspaper of general circulation in the City in accordance with the laws of the State of Texas, such certificates of obligation to be issued for the purpose of paying contractual obligations to be incurred for the purposes set forth in Section 3.1 hereof; and

WHEREAS, no petition of any kind has been filed with the City Secretary, any member of the City Council or any other official of the City, protesting the issuance of such certificates of obligation; and

WHEREAS, this City Council is now authorized and empowered to proceed with the issuance of said certificates of obligation and to sell the same for cash; and

WHEREAS, the meeting at which this Ordinance is considered is open to the public as required by law, and public notice of the time, place, and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended; therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON:

ARTICLE I

**DEFINITIONS AND OTHER PRELIMINARY MATTERS**

Section 1.1. Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise in this Ordinance, the following terms shall have the meanings specified below:

"Certificate" means any of the Certificates.

"Certificate Date" means the date designated as the initial date of the Certificates by Section 3.2(a) of this Ordinance.

"Certificates" means the certificates of obligation authorized to be issued by Section 3.1 of this Ordinance and designated as "City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C."

"City" means the City of Arlington, Texas.

"Closing Date" means the date of the initial delivery of and payment for the Certificates.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings, and court decisions.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named in this Ordinance, the Designated Payment/Transfer Office as designated in the Paying Agent/Registrar Agreement, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"EMMA" means the Electronic Municipal Market Access system.

"Event of Default" means any event of default as defined in Section 10.1 of this Ordinance.

"Fiscal Year" means such fiscal year as shall from time to time be set by the City Council.

"Initial Certificate" means the initial certificate authorized by Section 3.4 of this Ordinance.

"Interest and Sinking Fund" means the interest and sinking fund established by Section 2.2 of this Ordinance.

"Interest Payment Date" means the date or dates upon which interest on the Certificates is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 15 and August 15 of each year, commencing February 15, 2017.

"MSRB" means the Municipal Securities Rulemaking Board.

"Net Revenues" means the gross revenues of the System less the expenses of operation and maintenance as said expenses are defined by Chapter 1502, Texas Government Code, as amended.

"Owner" means the person who is the registered owner of a Certificate or Certificates, as shown in the Register.

"Paying Agent/Registrar" means initially The Bank of New York Mellon Trust Company, N.A., or any successor thereto as provided in this Ordinance.

"Prior Lien Bonds" means any and all bonds or other obligations of the City presently outstanding or that may be hereafter issued, payable from and secured by a first lien on and pledge of the Net Revenues or by a lien on and pledge of the Net Revenues subordinate to a first lien and pledge of such Net Revenues but superior to the lien and pledge of the Surplus Revenues made for the Certificates.

"Project" means the purposes for which the Certificates are issued as set forth in Section 3.1.

"Purchaser" means the initial purchaser of the Certificates set forth in Section 7.1.

"Record Date" means the last business day of the month next preceding an Interest Payment Date.

"Register" means the Register specified in Section 3.6(a) of this Ordinance.

"Representations Letter" means the Blanket Letter of Representations between the City and DTC.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Surplus Revenues" means the revenues of the System in an amount equal to $1,000 remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with the City's Prior Lien Bonds.

"Surplus Revenue Fund" means the surplus revenue fund established by Section 2.3 of this Ordinance.

"System" as used in this Ordinance means the City's combined water and wastewater system, including all present and future additions, extensions, replacements, and improvements thereto.

"Unclaimed Payments" means money deposited with the Paying Agent/Registrar for the payment of principal of, redemption premium, if any, or interest on the Certificates as the same come due and payable or money set aside for the payment of Certificates duly called for redemption prior to maturity.

Section 1.2. Findings.

The declarations, determinations, and findings declared, made, and found in the preamble to this Ordinance are hereby adopted, restated, and made a part of the operative provisions hereof.

Section 1.3. Table of Contents, Titles, and Headings.

The table of contents, titles, and headings of the Articles and Sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Ordinance or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.4. Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein.

## ARTICLE II

## SECURITY FOR THE CERTIFICATES; INTEREST AND SINKING FUND

Section 2.1. Payment of the Certificates.

(a) Pursuant to the authority granted by the Texas Constitution and laws of the State of Texas, there shall be levied and there is hereby levied for the current year and for each

succeeding year thereafter while any of the Certificates or any interest thereon is outstanding and unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the City, at a rate sufficient, within the limit prescribed by law, to pay the debt service requirements of the Certificates, being (i) the interest on the Certificates, and (ii) a sinking fund for their redemption at maturity or a sinking fund of two percent per annum (whichever amount is the greater), when due and payable, full allowance being made for delinquencies and costs of collection.

(b) The ad valorem tax thus levied shall be assessed and collected each year against all property appearing on the tax rolls of the City most recently approved in accordance with law, and the money thus collected shall be deposited as collected to the Interest and Sinking Fund.

(c) Said ad valorem tax, the collections therefrom, and all amounts on deposit in or required hereby to be deposited to the Interest and Sinking Fund are hereby pledged and committed irrevocably to the payment of the principal of and interest on the Certificates when and as due and payable in accordance with their terms and this Ordinance.

(d) The amount of taxes to be provided annually for the payment of principal of and interest on the Certificates shall be determined and accomplished in the following manner:

(i) The City's annual budget shall reflect (a) the amount of debt service requirements to become due on the Certificates in the next succeeding Fiscal Year of the City, (b) the amount on deposit in the Surplus Revenue Fund and the Interest and Sinking Fund, as of the date such budget is prepared (after giving effect to any payments required to be made during the remainder of the then current Fiscal Year), and (c) the amount of Surplus Revenues estimated and budgeted to be available for the payment of such debt service requirements on the Certificates during the next succeeding Fiscal Year of the City.

(ii) The amount required to be provided in the succeeding Fiscal Year of the City from ad valorem taxes shall be the amount, if any, the debt service requirements to be paid on the Certificates in the next succeeding Fiscal Year of the City exceeds the sum of (a) the amount shown to be on deposit in the Surplus Revenue Fund and the Interest and Sinking Fund (after giving effect to any payments required to be made during the remainder of the then current Fiscal Year) at the time the annual budget is prepared, and (b) the Surplus Revenues shown to be budgeted and available for payment of said debt service requirements.

(iii) Following the final approval of the annual budget of the City, the governing body of the City shall, by ordinance, levy an ad valorem tax at a rate sufficient to produce taxes in the amount determined in paragraph (ii) above, to be utilized for purposes of paying the principal of and interest on the Certificates in the next succeeding Fiscal Year of the City.

(e) The City hereby covenants and agrees that the Surplus Revenues are hereby irrevocably pledged equally and ratably to the payment of the principal of, redemption premium, if any, and interest on the Certificates, as the same become due.

Section 2.2. Interest and Sinking Fund.

(a) The City hereby establishes a special fund or account to be designated the "City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C, Interest and Sinking Fund" (the "Interest and Sinking Fund") said fund to be maintained at an official depository bank of the City separate and apart from all other funds and accounts of the City.

(b) Money on deposit in or required by this Ordinance to be deposited to the Interest and Sinking Fund shall be used solely for the purpose of paying the interest on and principal of the Certificates when and as due and payable in accordance with their terms and this Ordinance.

Section 2.3. Surplus Revenue Fund.

The City hereby establishes a special fund or account to be designated the "City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C, Surplus Revenue Fund" (the "Surplus Revenue Fund") said fund to be maintained at an official depository bank of the City separate and apart from all other funds and accounts of the City, and shall in no event be diverted or drawn upon for any purpose other than those herein provided. All Surplus Revenues shall be paid over and deposited into the Surplus Revenue Fund. The Surplus Revenues shall be appropriated and employed in the following order:

(a) First: For deposit to the Interest and Sinking Fund to provide for the payment of the debt service requirements of the Certificates in accordance with the terms and conditions of this Ordinance; and

(b) Second: After all the requirements of subparagraph (a) above have been provided for, whether by the collection of an ad valorem tax levied in this Ordinance or by the use of the pledged Surplus Revenues, the Surplus Revenues may be used for any lawful purpose.

## ARTICLE III

## AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE CERTIFICATES

Section 3.1. Authorization.

The City's certificates of obligation to be designated "City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C" (the "Certificates"), are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, specifically Subchapter C, Chapter 271, Texas Local Government Code, as amended, and Article XIII, Section 1 of the City's Home-Rule Charter. The Certificates shall be issued in the aggregate principal amount of $_____ for the purpose of paying contractual obligations to be incurred for the following purposes, to wit: (i) to provide funds to 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 "Project"); and (ii) to pay for professional services of attorneys, financial

advisors and other professionals in connection with the Project and the issuance of the Certificates.

Section 3.2. Date, Denomination, Maturities, and Interest.

(a) The Certificates shall be dated June 1, 2016. The Certificates shall be in fully registered form, without coupons, in the denomination of $5,000 or any integral multiple thereof and shall be numbered separately from one upward, except the Initial Certificate, which shall be numbered T-1.

(b) The Certificates shall mature on August 15 in the years and in the principal amounts set forth in the following schedule:

$ Serial Certificates

| Year | Principal Amount | Interest Rate | Year | Principal Amount | Interest Rate |
|---|---|---|---|---|---|
| 2017 | | | 2026 | | |
| 2018 | | | 2027 | | |
| 2019 | | | 2028 | | |
| 2020 | | | 2029 | | |
| 2021 | | | 2030 | | |
| 2022 | | | 2031 | | |
| 2023 | | | 2032 | | |
| 2024 | | | 2033 | | |
| 2025 | | | | | |

$ Term Certificates

| Year | Principal Amount | Interest Rate |
|---|---|---|
| 20__ | $_____ | _____% |

(c) Interest shall accrue and be paid on each Certificate respectively until its maturity or prior redemption from the later of the date of their delivery to the Purchaser (the "Delivery Date") or the most recent Interest Payment Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually on February 15 and August 15 of each year, commencing on February 15, 2017, computed on the basis of a 360-day year of twelve 30-day months.

Section 3.3. Medium, Method, and Place of Payment.

(a) The principal of, redemption premium, if any, and interest on the Certificates shall be paid in lawful money of the United States of America.

(b) Interest on the Certificates shall be payable to the Owners as shown in the Register at the close of business on the Record Date.

(c) Interest shall be paid by check, dated as of the Interest Payment Date, and sent first class United States mail, postage prepaid, by the Paying Agent/Registrar to each Owner, at the address thereof as it appears in the Register, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, that the Owner shall bear all risk and expense of such alternative banking arrangement. At the option of an Owner of at least $1,000,000 principal amount of the Certificates, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar.

(d) The principal of each Certificate shall be paid to the Owner thereof on the due date, whether at the maturity date or the date of prior redemption thereof, upon presentation and surrender of such Certificate at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

(e) If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in Section 3.2 of this Ordinance.

(f) Unclaimed Payments shall be segregated in a special escrow account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owners of the Certificates to which the Unclaimed Payments pertain. Subject to Title 6 of the Texas Property Code. Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be applied to the next payment on the Certificates thereafter coming due; to the extent any such moneys remain three years after the retirement of all outstanding Certificates, such moneys shall be paid to the City to be used for any lawful purpose. Thereafter, neither the City, the Paying Agent/Registrar, nor any other person shall be liable or responsible to any Owners of such Certificates for any further payment of such unclaimed moneys or on account of any such Certificates, subject to Title 6 of the Texas Property Code.

Section 3.4. Execution and Registration of Certificates.

(a) The Certificates shall be executed on behalf of the City by the Mayor and the City Secretary, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Certificates shall have the same effect as if each of the Certificates had been signed manually and in person by each of said officers, and such facsimile seal on the Certificates shall have the same effect as if the official seal of the City had been manually impressed upon each of the Certificates.

(b) In the event that any officer of the City whose manual or facsimile signature appears on the Certificates ceases to be such officer before the authentication of such Certificates or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Certificate shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Certificates. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Certificate delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, which Certificate shall be evidence that the Certificate has been duly approved by the Attorney General of the State of Texas, that it is a valid and binding obligation of the City, and that it has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one initial Certificate representing the entire principal amount of all Certificates, payable in stated installments to the Purchaser, or its designee, executed by the Mayor and City Secretary of the City, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or its designee. Upon payment for the Initial Certificate, the Paying Agent/Registrar shall cancel the Initial Certificate and deliver a single registered, definitive Certificate for each maturity, in the aggregate principal amount thereof, to DTC on behalf of the Purchaser. To the extent the Paying Agent/Registrar is eligible to participate in DTC's FAST System, as evidenced by agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Certificates in safekeeping for DTC.

Section 3.5. Ownership.

(a) The City, the Paying Agent/Registrar, and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificate for the purpose of making and receiving payment as herein provided (except interest shall be paid to the person in whose name such Certificate is registered on the Record Date), and for all other purposes, whether or not such Certificate is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of a Certificate shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Certificate to the extent of the sums paid.

Section 3.6. Registration, Transfer, and Exchange.

(a) So long as any Certificates remain outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register in which, subject to

such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Certificates in accordance with this Ordinance.

(b) The ownership of a Certificate may be transferred only upon the presentation and surrender of the Certificate at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Certificate shall be effective until entered in the Register.

(c) The Certificates shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Certificate or Certificates of the same maturity and interest rate and in a denomination or denominations of any integral multiple of $5,000, and in an aggregate principal amount equal to the unpaid principal amount of the Certificates presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Certificates exchanged for other Certificates in accordance with this Section.

(d) Each exchange Certificate delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Certificate or Certificates in lieu of which such exchange Certificate is delivered.

(e) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for a different denomination of any of the Certificates. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, or exchange of a Certificate.

(f) Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Certificate called for redemption, in whole or in part, where such redemption is scheduled to occur within forty-five (45) calendar days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Certificate.

Section 3.7. Cancellation.

All Certificates paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Certificates in lieu of which exchange Certificates or replacement Certificates are authenticated and delivered in accordance with this Ordinance, shall be cancelled and proper records made regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar shall then return such cancelled Certificates to the City or may in accordance with law destroy such cancelled Certificates and periodically furnish the City with certificates of destruction of such Certificates.

Section 3.8. Temporary Certificates.

(a) Following the delivery and registration of the Initial Certificate and pending the preparation of definitive Certificates, the City may execute and, upon the City's request, the

Paying Agent/Registrar shall authenticate and deliver, one or more temporary Certificates that are printed, lithographed, typewritten, mimeographed, or otherwise produced, in any denomination, substantially of the tenor of the definitive Certificates in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions, and other variations as the officers of the City executing such temporary Certificates may determine, as evidenced by their signing of such temporary Certificates.

(b) Until exchanged for Certificates in definitive form, such Certificates in temporary form shall be entitled to the benefit and security of this Ordinance.

(c) The City, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar; thereupon, upon the presentation and surrender of the Certificate or Certificates in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Certificate or Certificates of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Certificate or Certificates in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.9. Replacement Certificates.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Certificate, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Certificate of like tenor and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Owner of such Certificate to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Certificate is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Certificate has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Certificate of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction, or theft of such Certificate;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar to save it and the City harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar, and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Certificate, a bona fide purchaser of the original Certificate in lieu of which such replacement Certificate was issued presents for payment such original Certificate, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Certificate from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed, or wrongfully taken Certificate has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Certificate, may pay such Certificate when it becomes due and payable.

(e) Each replacement Certificate delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Certificate or Certificates in lieu of which such replacement Certificate is delivered.

Section 3.10. Book-Entry-Only System.

(a) Notwithstanding any other provision hereof, upon initial issuance of the Certificates, the Certificates shall be registered in the name of Cede & Co., as nominee of DTC. The definitive Certificates shall be initially issued in the form of a single separate certificate for each of the maturities thereof.

(b) With respect to Certificates registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Certificates, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Certificates. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate is registered in the Register as the absolute owner of such Certificate for the purpose of payment of principal of, premium, if any, and interest on Certificates, for the purpose of giving notices of redemption and other matters with respect to such Certificate, for the purpose of registering transfer with respect to such Certificate, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Certificates only to or upon the order of the respective Owners as shown in the Register, as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of, premium, if any, and interest on the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown

in the Register, shall receive a certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(c) The Representations Letter previously executed and delivered by the City, and applicable to the City's obligations delivered in book-entry-only form to DTC as securities depository, is hereby ratified and approved for the Certificates.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry-Only System.

In the event that the City determines that it is in the best interest of the City and the beneficial owners of the Certificates that they be able to obtain certificated Certificates, or in the event DTC discontinues the services described herein, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor securities depository; or (ii) notify DTC and DTC Participants of the availability through DTC of certificated Certificates and cause the Paying Agent/Registrar to transfer one or more separate registered Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Ordinance.

Section 3.12. Payments to Cede & Co.

Notwithstanding any other provision of this Ordinance to the contrary, so long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Certificates, and all notices with respect to such Certificates shall be made and given, respectively, in the manner provided in the Representations Letter of the City to DTC.

## ARTICLE IV

## REDEMPTION OF CERTIFICATES BEFORE MATURITY

Section 4.1. No Optional Redemption.

The Certificates shall not be subject to optional redemption before scheduled maturity.

Section 4.2. Mandatory Sinking Fund Redemption.

(a) The Certificates maturing on August 15, 20__ (the "Term Certificates") are subject to scheduled mandatory redemption and will be redeemed by the City, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption

date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth below.

$ Term Certificates Maturing August 15, 20

| Redemption Date | Redemption Amount |
|---|---|
| August 15, 20__ | |
| August 15, 20__ | |
| August 15, 20__* | |

*maturity

(b) At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Certificates equal to the aggregate principal amount of such Term Certificates to be redeemed, shall call such Term Certificates for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.5.

(c) The principal amount of the Term Certificates required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.3 shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.3. Notice of Redemption to Owners.

(a) The Paying Agent/Registrar shall give notice of any redemption of Certificates by sending notice by first class United States mail, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of each Certificate (or part thereof) to be redeemed, at the address shown on the Register at the close of business on the business day next preceding the date of mailing such notice.

(b) The notice shall state the redemption date, the redemption price, the place at which the Certificates are to be surrendered for payment, and, if less than all the Certificates outstanding are to be redeemed, an identification of the Certificates or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

Section 4.4. Payment Upon Redemption.

(a) Before or on each redemption date, the City shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying

Agent/Registrar shall make provision for the payment of the Certificates to be redeemed on such date by setting aside and holding in trust such amounts as are received by the Paying Agent/Registrar from the City and shall use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Certificates being redeemed.

(b) Upon presentation and surrender of any Certificate called for redemption at the Designated Payment/Transfer Office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, redemption premium, if any, and accrued interest on such Certificate to the date of redemption from the money set aside for such purpose.

Section 4.5. Lapse of Payment.

Money set aside for the redemption of the Certificates and remaining unclaimed by Owners thereof shall be subject to the provisions of Section 3.3(f) hereof.

Section 4.6. Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.5 of this Ordinance, the Certificates or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the City defaults in its obligation to make provision for the payment of the principal thereof, redemption premium, if any, or accrued interest thereon, such Certificates or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Certificates are presented and surrendered for payment on such date.

(b) If the City shall fail to make provision for payment of all sums due on a redemption date, then any Certificate or portion thereof called for redemption shall continue to bear interest at the rate stated on the Certificate until due provision is made for the payment of same by the City.

## ARTICLE V

## PAYING AGENT/REGISTRAR

Section 5.1. Appointment of Initial Paying Agent/Registrar.

The Bank of New York Mellon Trust Company, N.A. is hereby appointed as the initial Paying Agent/Registrar for the Certificates.

Section 5.2. Qualifications.

Each Paying Agent/Registrar 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 Certificates.

Section 5.3. Maintaining Paying Agent/Registrar.

(a) At all times while any of the Certificates are outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 5.2 of this Ordinance. The Mayor is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar in substantially the form presented at this meeting, such form of agreement being hereby approved. The signature of the Mayor shall be attested by the City Secretary of the City.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement.

Section 5.4. Termination.

The City, upon not less than sixty (60) days' notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination.

Section 5.5. Notice of Change to Owners.

Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address thereof in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.6. Agreement to Perform Duties and Functions.

By accepting the appointment as Paying Agent/Registrar and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.7. Delivery of Records to Successor.

If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Certificates to the successor Paying Agent/Registrar.

## ARTICLE VI

## FORM OF THE CERTIFICATES

Section 6.1. Form Generally.

(a) The Certificates, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment form to appear on each of the Certificates, (i) shall be substantially in the form set forth in this Article, with such appropriate insertions, omissions, substitutions, and other

variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Certificates, as evidenced by their execution thereof.

(b) Any portion of the text of any Certificates may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Certificates.

(c) The definitive Certificates, if any, shall be typewritten, photocopied, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Certificates, as evidenced by their execution thereof.

(d) The Initial Certificate submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 6.2. Form of the Certificates.

The form of the Certificates, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Certificates, shall be substantially as follows:

(a) Form of Certificate.

REGISTERED REGISTERED

No. _____ $_____

United States of America
State of Texas
County of Tarrant
CITY OF ARLINGTON, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATE OF OBLIGATION
TAXABLE SERIES 2016C

| INTEREST RATE: | MATURITY DATE: | DELIVERY DATE: | CUSIP NUMBER: |
|---|---|---|---|
| _____% | August 15, ____ | June 28, 2016 | _____ ___ |

The City of Arlington (the "City"), in the County of Tarrant, State of Texas, for value received, hereby promises to pay to

_____

or registered assigns, on the Maturity Date specified above, the sum of

_____ DOLLARS

and to pay interest on such principal amount from the later of the Delivery Date specified above or the most recent interest payment date to which interest has been paid or provided for until payment of such principal amount has been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2017.

The principal of this Certificate shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Certificate at the corporate trust office in Dallas, Texas (the "Designated Payment/Transfer Office"), of The Bank of New York Mellon Trust Company, N.A., or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Certificate is payable by check dated as of the interest payment date, and will be mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner; provided, however, such registered owner shall bear all risk and expenses of such customary banking arrangement. At the option of an Owner of at least $1,000,000 principal amount of the Certificates, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Certificate, the registered owner shall be the

person in whose name this Certificate is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date.

If the date for the payment of the principal of or interest on this Certificate shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Certificate is one of a series of fully registered certificates dated June 1, 2016 specified in the title hereof issued in the aggregate principal amount of $_____ (herein referred to as the "Certificates"), issued pursuant to a certain ordinance of the City (the "Ordinance") for the purpose of paying contractual obligations to be incurred for authorized public improvements (collectively, the "Project"), as described in the Ordinance, and to pay the contractual obligations for professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates.

The Certificates are not subject to optional redemption prior to their maturity.

The Certificates maturing August 15, 20__ (the "Term Certificates") are subject to scheduled mandatory redemption and will be redeemed by the City, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth below.

$ Term Certificates Maturing August 15, 20

| Redemption Date | Redemption Amount |
|---|---|
| August 15, 20__ | |
| August 15, 20__ | |
| August 15, 20__* | |

*maturity

At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Certificates equal to the aggregate principal amount of such Term Certificates to be redeemed, shall call such Term Certificates for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in the Ordinance.

In lieu of calling the Term Certificates described above, for mandatory redemption, the City reserves the right to purchase such Term Certificates at a price not exceeding the principal amount thereof, plus accrued interest, with (a) moneys on deposit in the Interest and Sinking Fund which are available for the mandatory redemption of such Term Certificates or (b) other lawfully available funds.

Upon any such purchase in lieu of redemption, not less than five (5) days prior to a mandatory redemption date, the City shall deliver such Term Certificates to the Paying Agent/Registrar prior to the selection of the Term Certificates for redemption and the principal amount so delivered shall be credited against the amount required to be called for redemption in that year.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the registered owner of each of the Certificates to be redeemed in whole or in part. Notice having been so given, the Certificates or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Certificates or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Certificates or portions thereof shall cease to accrue.

As provided in the Ordinance, and subject to certain limitations therein set forth, this Certificate is transferable upon surrender of this Certificate for transfer at the designated office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Certificates of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Certificate called for redemption where such redemption is scheduled to occur within forty five (45) calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Certificate.

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name this Certificate is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Certificate is registered on the Record Date) and for all other purposes, whether or not this Certificate be overdue, and neither the City nor the Paying Agent/Registrar shall be affected by notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Certificate and the series of which it is a part is duly authorized by law; that all acts, conditions, and things to be done precedent to and in the issuance of the Certificates have been properly done and performed and have happened in regular and due time, form, and manner as required by law; that ad valorem taxes upon all taxable property in the City have been levied for and pledged to the payment of the debt service requirements of the Certificates within the limit prescribed by law; that, in addition to said taxes, further provisions have been made for the payment of the debt service requirements of the Certificates by pledging to such purpose Surplus Revenues, as defined in the Ordinance, derived by the City from the operation of the combined water and wastewater system in an amount limited to $1,000; that when so collected, such taxes and Surplus Revenues shall be appropriated to such purposes; and that the total indebtedness of the City, including the Certificates, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City has caused this Certificate to be executed by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Secretary, and the official seal of the City has been duly impressed or placed in facsimile on this Certificate.

| | |
|---|---|
| _____ | _____ |
| City Secretary, City of Arlington, Texas | Mayor, City of Arlington, Texas |
| [SEAL] | |

(b) Form of Comptroller's Registration Certificate. The following Comptroller's Registration Certificate may be deleted from the definitive Certificates if such certificate on the Initial Certificate is fully executed.

| | | |
|---|---|---|
| OFFICE OF THE COMPTROLLER | § | |
| OF PUBLIC ACCOUNTS | § | REGISTER NO. _____ |
| OF THE STATE OF TEXAS | § | |

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Certificate has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the City of Arlington, Texas; and that this Certificate has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, _____.

_____
Comptroller of Public Accounts
of the State of Texas

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar.

The following Certificate of Paying Agent/Registrar may be deleted from the Initial Certificate if the Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Certificate of this series of certificates of obligation was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Certificates referred to in the within-mentioned Ordinance.

THE BANK OF NEW YORK
MELLON TRUST COMPANY, N.A.,
as Paying Agent/Registrar

Dated: _____

By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): _____

_____

_____

(Social Security or other identifying number: _____) the within Certificate and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Certificate on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

_____

_____
Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Certificate in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

(e) The Initial Certificate shall be in the form set forth in paragraphs (a), (b) and (d) of this Section, except for the following alterations:

(i) immediately under the name of the Certificate the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the expression "As shown below" and the words "CUSIP NUMBER" deleted; and

(ii) in the first paragraph of the Certificate, the words "on the maturity date specified above" shall be deleted and the following will be inserted: "on August 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

| Years | Principal Installments | Interest Rate |
|---|---|---|

(Information to be inserted from schedule in Section 3.2 of the Ordinance)

Section 6.3. CUSIP Registration.

The City may secure identification numbers through the CUSIP Services Bureau managed by S&P Capital IQ on behalf of the American Bankers Association, and may authorize the printing of such numbers on the face of the Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Certificates shall be of no significance or effect in regard to the legality thereof and neither the City nor the attorneys approving said Certificates as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Certificates.

Section 6.4. Legal Opinion.

The approving legal opinion of Bracewell LLP, Bond Counsel, may be attached to or printed on the reverse side of each Certificate over the certification of the City Secretary of the City, which may be executed in facsimile.

Section 6.5. Bond Insurance.

Information pertaining to bond insurance, if any, may be printed on each Certificate.

## ARTICLE VII

## SALE AND DELIVERY OF CERTIFICATES; DEPOSIT OF PROCEEDS

Section 7.1. Sale of Certificates; Official Statement.

(a) The Certificates, having been duly advertised and offered for sale at competitive bid, are hereby officially sold and awarded to _____ (the "Purchaser") for a purchase price equal to the principal amount thereof, plus a cash premium of $_____, being the bid which produced the lowest true interest cost to the City. The Initial Certificate shall be registered in the name of the Purchaser or its designee.

(b) The form and substance of the Preliminary Official Statement, and any addenda, supplement or amendment thereto, are hereby in all respects approved and adopted and is hereby deemed final as of its date within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The final Official Statement (the "Official Statement") presented to and considered at this meeting is hereby in all respects approved and adopted and the Mayor and the City Secretary of the City are hereby authorized and directed to execute the same and deliver appropriate numbers of executed copies thereof to the Purchaser. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by the Mayor of the City and the Purchaser, may be used by the Purchaser in the public offering and sale thereof. The City Secretary is hereby authorized and directed to include and maintain a copy of the Official Statement and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting. The use and distribution of the Preliminary Official Statement as supplemented, and the preliminary public offering of the Certificates by the Purchaser, is hereby ratified, approved and confirmed.

(c) All officers of the City are authorized to execute such documents, certificates and receipts as they may deem appropriate in order to consummate the delivery of the Certificates in accordance with the terms of sale therefor. Further, in connection with the submission of the record of proceedings for the Certificates to the Attorney General of the State of Texas for examination and approval of such Certificates, the appropriate officer of the City is hereby authorized and directed to issue a check of the City payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount to be the lesser of (i) 1/10th of 1% of the principal amount of the Certificates or (ii) $9,500).

(d) The obligation of the Purchaser to accept delivery of the Certificates is subject to the Underwriters being furnished with the final, approving opinion of Bracewell LLP, bond counsel for the City, which opinion shall be dated and delivered on the Closing Date.

Section 7.2. Control and Delivery of Certificates.

(a) The Mayor of the City is hereby authorized to have control of the Initial Certificate and all necessary records and proceedings pertaining thereto pending investigation, examination, and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Certificates shall be made to the Representative under and subject to the general supervision and direction of the Mayor, against receipt by the City of all amounts due to the City under the terms of sale.

(c) In the event the Mayor or City Secretary is absent or otherwise unable to execute any document or take any action authorized herein, the Mayor Pro Tem and the Assistant City Secretary, respectively, shall be authorized to execute such documents and take such actions, and the performance of such duties by the Mayor Pro Tem and the Assistant City Secretary shall for

the purposes of this Ordinance have the same force and effect as if such duties were performed by the Mayor and City Secretary, respectively.

Section 7.3. Deposit of Proceeds.

All amounts received on the Closing Date shall be deposited to a special account of the City, such moneys to be dedicated and used solely for the purposes for which the Certificates are being issued as herein provided.

## ARTICLE VIII

## INVESTMENTS

Section 8.1. Investments.

(a) Money in the Interest and Sinking Fund or the Surplus Revenue Fund created by this Ordinance, at the option of the City, may be invested in such securities or obligations as permitted under applicable law.

(b) Any securities or obligations in which such money is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

Section 8.2. Investment Income.

(a) Interest and income derived from investment of the Interest and Sinking Fund and the Surplus Revenue Fund shall be credited to their respective funds.

(b) Interest and income derived from investment of the funds to be deposited pursuant to Section 7.3(b) hereof shall be credited to the account where deposited until the acquisition or construction of said projects is completed and thereafter, to the extent such interest and income are present, such interest and income shall be deposited to the Interest and Sinking Fund.

## ARTICLE IX

## PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.1. Payment of the Certificates.

On or before each Interest Payment Date while any of the Certificates are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, money sufficient to pay such interest on and principal of, redemption premium, if any, and interest on the Certificates as will accrue or mature on the applicable Interest Payment Date or date of prior redemption.

Section 9.2. Other Representations and Covenants.

(a) The City will faithfully perform, at all times, any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance and in each Certificate; the City will promptly pay or cause to be paid the principal of, redemption premium, if any, and interest on each Certificate on the dates and at the places and manner prescribed in such Certificate; and the City will, at the times and in the manner prescribed by this Ordinance, deposit or cause to be deposited the amounts of money specified by this Ordinance.

(b) The City is duly authorized under the laws of the State of Texas to issue the Certificates; all action on its part for the creation and issuance of the Certificates has been duly and effectively taken; and the Certificates in the hands of the Owners thereof are and will be valid and enforceable obligations of the City in accordance with their terms.

## ARTICLE X

## DEFAULT AND REMEDIES

Section 10.1. Events of Default.

Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Certificates when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement, or obligation of the City, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any Owner to the City.

Section 10.2. Remedies for Default.

(a) Upon the happening of any Event of Default, then any Owner or an authorized representative thereof, including but not limited to a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Ordinance by mandamus or other suit, action or special proceeding in equity or at law in any court of competent jurisdiction for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Certificates then outstanding.

Section 10.3. Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Certificates or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Certificates shall not be available as a remedy under this Ordinance.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

## ARTICLE XI

## DISCHARGE

Section 11.1. Discharge.

The Certificates may be defeased, discharged or refunded in any manner permitted by applicable law.

## ARTICLE XII

## MISCELLANEOUS

Section 12.1. Changes to Ordinance.

The Mayor and City Manager, in consultation with Bond Counsel, is hereby authorized to make changes to the terms of this Ordinance if necessary or desirable to carry out the purposes hereof or in connection with the approval of the issuance of the Certificates by the Attorney General of Texas.

Section 12.2. Partial Invalidity.

If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of the Ordinance.

Section 12.3. No Personal Liability.

No recourse shall be had for payment of the principal of or interest on any Certificates or for any claim based thereon, or on this Ordinance, against any official or employee of the City or any person executing any Certificates.

## ARTICLE XIII

## CONTINUING DISCLOSURE UNDERTAKING

Section 13.1. Annual Reports.

(a) 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 1-12, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles prescribed by the Generally Accepted Accounting Principles 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.

(b) If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific referenced to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

Section 13.2. Notice of Disclosure Events.

(a) 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:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) 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 Certificates;

(vii) Modifications to rights of holders of the Certificates, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the Certificates, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City;[1]

(xiii) 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; and

(xiv) Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

(b) The City shall 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 in accordance with Sections 13.1 and 13.2. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Section 13.3. Limitations, Disclaimers and Amendments.

(a) The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will

[1] For the purposes of the event identified in (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person 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 obligated person, 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 obligated person.

give notice of any Bond calls and any defeasances that cause the City to be no longer an "obligated person."

(b) The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Certificates, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(c) No default by the City in observing or performing its obligations under this Article shall constitute a breach of or default under the Ordinance for purposes of any other provisions of this Ordinance.

(d) Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

(e) The provisions of this Article may be amended by the City 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, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates 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 (or any greater amount required by any other provisions of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (B) an entity or individual person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Certificates. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.1 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of financial information or operating data so provided.

## ARTICLE XIV

## AMENDMENTS

Section 14.1. Amendments.

This Ordinance shall constitute a contract with the Owners, be binding on the City, and shall not be amended or repealed by the City so long as any Certificate remains outstanding except as permitted in this Section. The City may, without consent of or notice to any Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of the Owners of the Certificates holding a majority in aggregate principal amount of the Certificates then outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of outstanding Certificates, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by Owners for consent to any such amendment, addition, or rescission.

## ARTICLE XV

## EFFECTIVE IMMEDIATELY

Section 15.1. Effective Immediately.

Notwithstanding the provisions of the City Charter, this Ordinance shall become effective immediately upon its adoption at this meeting pursuant to Section 1201.028, Texas Government Code.

## ARTICLE XVI

## MISCELLANEOUS

Section 16.1. Changes to Ordinance.

The Mayor and Director of Finance, in consultation with Bond Counsel, is hereby authorized to make changes to the terms of this Ordinance if necessary or desirable to carry out the purposes hereof or in connection with the approval of the issuance of the Certificates by the Attorney General of Texas.

Section 16.2. Partial Invalidity.

If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of the Ordinance.

Section 16.3. No Personal Liability.

No recourse shall be had for payment of the principal of or interest on any Certificates or for any claim based thereon, or on this Ordinance, against any official or employee of the City or any person executing any Certificates.

PRESENTED, FINALLY PASSED AND APPROVED, AND EFFECTIVE on the 7th day of June, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY SUPINO, City Secretary

APPROVED AS TO FORM:

By: _____
TERIS SOLIS, City Attorney

*Signature Page to Ordinance Authorizing Issuance of*
*Combination Tax and Revenue Certificates of Obligation*
*Taxable Series 2016C*

#5205000.1

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.

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 24, 2016**

**NEW ISSUE – Book-Entry-Only**

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

*Interest on the Certificates is not excludable from gross income for federal income tax purposes under existing law. See "Tax Matters" herein.*

**$14,215,000***
**CITY OF ARLINGTON, TEXAS**
**(Tarrant County, Texas)**
**Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C**

**Dated: June 1, 2016** **Due: August 15, as shown below**
**Interest to accrue from date of delivery.**

The $14,215,000* City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C (the "Certificates") 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 Certificates. Individual purchases will be made in book-entry form only, in principal amounts of $5,000 or multiples thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Interest on the Certificates will accrue from their date of delivery to the Initial Purchasers (the "Delivery Date") and Certificates will be payable on February 15 and August 15 of each year, commencing February 15, 2017.

**MATURITY SCHEDULE***

| (August 15) Maturity | Amount | Rate | Yield | CUSIP[1] |
|---|---|---|---|---|
| 2017 | $ 1,425,000 | | | |
| 2018 | 1,425,000 | | | |
| 2019 | 1,425,000 | | | |
| 2020 | 1,420,000 | | | |
| 2021 | 1,420,000 | | | |
| 2022 | 1,420,000 | | | |
| 2023 | 1,420,000 | | | |
| 2024 | 1,420,000 | | | |
| 2025 | 1,420,000 | | | |
| 2026 | 1,420,000 | | | |

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

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 Certificates are being offered by the City concurrently with the "City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2016A" (the "Bonds"). The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently. While the Certificates and 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. This official statement does not describe the Bonds.

**No Optional Redemption.** The Certificates will not be subject to optional redemption before their stated maturity (see "THE OBLIGATIONS – No Optional Redemption").

**Legality.** The Certificates are offered for delivery when, as and if issued and received by the Purchasers, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bracewell LLP, Bond Counsel. (See APPENDIX C "Form of Bond Counsel Opinion").

**Delivery.** It is expected that the Certificates will be delivered through the facilities of DTC on or about June 28, 2016.

**BIDS DUE TUESDAY, JUNE 7, 2016 AT 10:00 AM CDT**

* Preliminary, Subject to change.

## 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 Obligations 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 – The Issuer"). |
| **THE CERTIFICATES**..... | The $14,215,000* City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2016C, dated June 1, 2016, will be issued as serial certificates and/or term certificates maturing on August 15 in each of the years 2017 through 2026. Should term certificates be issued, they will be subject to mandatory sinking fund redemption (see "THE CERTIFICATES - General"). |
| **PAYMENT OF INTEREST**..... | Interest on the Certificates accrues from the date of their initial delivery to the initial purchasers. Interest on the Certificates will be paid on February 15, 2017, and on each August 15 and February 15 thereafter until maturity. (See "THE CERTIFICATES - General"). |
| **AUTHORITY FOR ISSUANCE**..... | The Certificates are authorized and issued pursuant to the Home Rule Charter ("City Charter") of the City, the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 2259, Texas Government Code, as amended, and an ordinance passed by the City Council authorizing the issuance of Certificates (the "Ordinance"). |
| **SECURITY FOR THE CERTIFICATES**..... | The Certificates when issued, will be direct obligations of the City, payable as to principal and interest from a combination of (i) an ad valorem tax levied annually, within the limits prescribed by law, against all taxable property in the City and (ii) a pledge of limited surplus revenues ($1,000) of the City's Water and Wastewater System, as provided in the Ordinance. |
| **NO OPTIONAL REDEMPTION** ..... | The Certificates will not be subject to optional redemption before their stated maturity (see "THE CERTIFICATES – No Optional Redemption"). |
| **TAX EXEMPTION** ..... | Interest on the Certificates will not be excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein. |
| **USE OF PROCEEDS**..... | The proceeds from the sale of the Certificates are being used to provide funds (i) to provide 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 "Project"); and (ii) to pay for professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates. |
| **RATINGS** ..... | The Certificates are rated "Aa1" by Moody's Investors Service, Inc., "AAA" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, ("S&P") and "AAA" by Fitch Ratings. 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 "AAA" by Fitch (see "OTHER RELEVANT INFORMATION – Ratings"). |
| **BOOK-ENTRY-ONLY SYSTEM**..... | The definitive Certificates 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 Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates 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 Certificates (see "THE CERTIFICATES - Book-Entry-Only System"). |
| **PAYMENT RECORD** ..... | The City has never defaulted on its revenue obligations and has not defaulted on its bonds payable from ad valorem taxation since 1935, when all such bonds were refunded at par with a reduction in interest rate. |

* Preliminary, subject to change.

## CITY OF ARLINGTON

**Elected Officials**

| City Council | Length of Service | Term Expires | Occupation |
|---|---|---|---|
| Jeff Williams<br>Mayor | 1 year | May, 2017 | Engineer |
| Charlie Parker<br>Council Member | 4 years | May, 2018 | Community Volunteer |
| Sheri Capehart<br>Council Member | 16 years [(1)] | May, 2018 | Computer Security Analyst, Retired |
| Robert Rivera<br>Council Member | 11 years | May, 2017 | Banker/Vice President |
| Kathryn Wilemon<br>Mayor Pro Tem | 13 years | May, 2017 | Community Volunteer |
| Lana Wolff<br>Council Member | 13 years | May, 2017 | Community Volunteer |
| Robert Shepard<br>Council Member | 8 years | May, 2018 | Attorney |
| Victoria Farrar-Myers<br>Council Member | Newly Elected | May, 2018 | UTA Professor |
| Michael Glaspie<br>Council Member | 4 years | May, 2017 | Church Minister |

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

**Appointed Officials**

| Name | Position | Years of Employment with City |
|---|---|---|
| Trey Yelverton | City Manager | 23 |
| Gilbert Perales | Deputy City Manager | 9 |
| Theron Bowman | Deputy City Manager | 33 |
| Jim Parajon | Deputy City Manager | 10 |
| Mike Finley | Director of Finance | 20 |
| Teris Solis | City Attorney | 25 |
| Mary Supino | City Secretary | 6 |

## ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors..... Grant Thornton L.L.P., Dallas, Texas

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

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

For additional information regarding the City, please contact:


Mr. Mike Finley
City of Arlington
101 W. Abram Street, 3rd Floor
Arlington, Texas
(817) 459-6100

Mr. Dave Gordon
Estrada Hinojosa & Company, Inc.
1717 Main Street, Suite 4700
Dallas, Texas
(214) 658-1670

## USE OF INFORMATION IN OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document constitutes an official statement of the City with respect to the Certificates that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

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

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

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

*Neither the City, nor its Financial Advisor, 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 CERTIFICATES 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 CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE CERTIFICATES 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 contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.*

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

*[Remainder of page intentionally left blank]*

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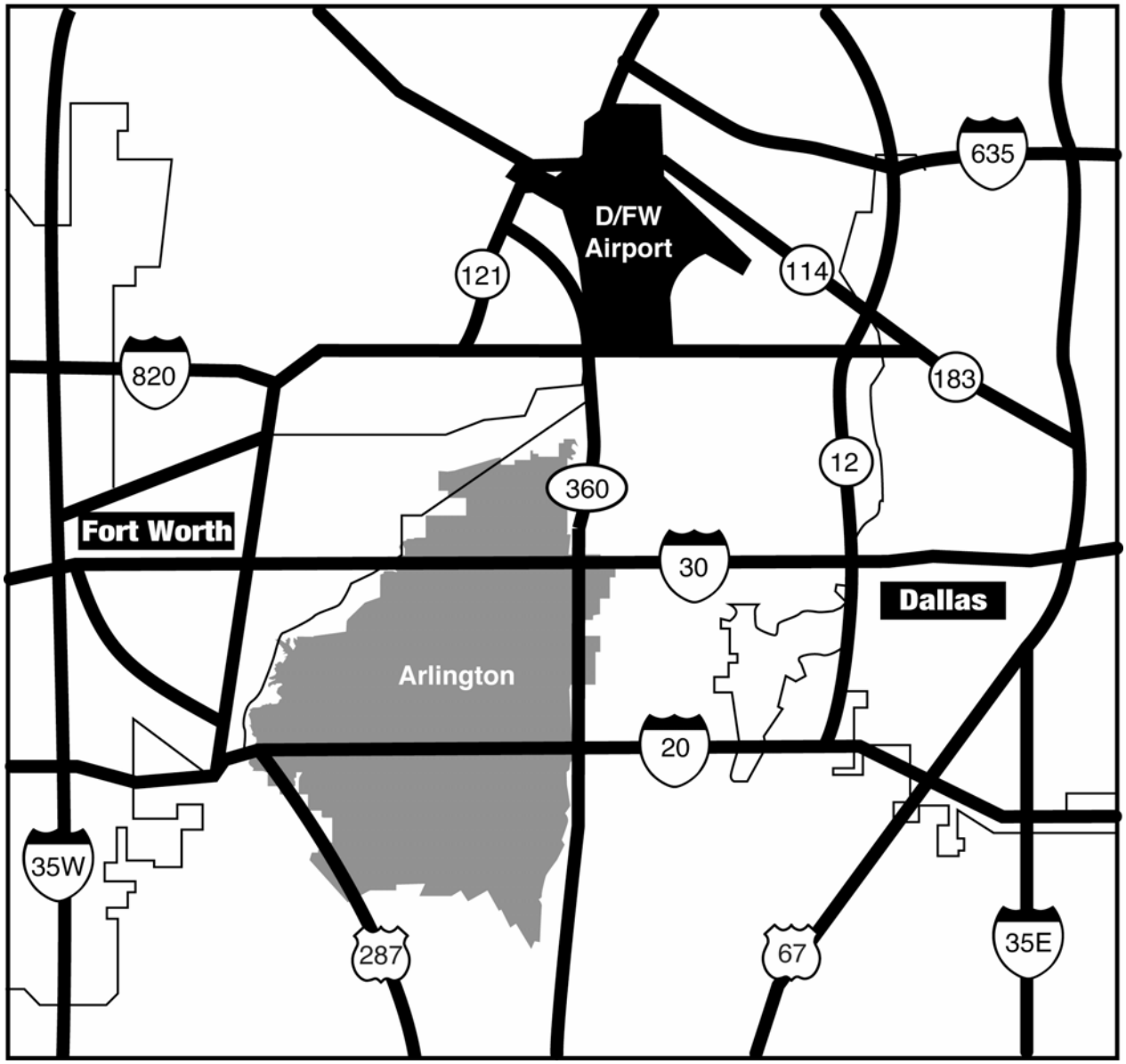
# Dallas/Fort Worth/Arlington Metropolitan Area



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

**$14,215,000***
**Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C**

## INTRODUCTION

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is hereby made for all purposes.

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 "FORWARD-LOOKING STATEMENTS").

### Description of the City

The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and 8 miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.5 square miles, had a 2016 estimated population of 370,367. The City operates as a home-rule City under a Council-Manager form of government as established by its Charter. There is a nine member City Council (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats 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 CERTIFICATES

### Authority for Issuance

The Certificates are authorized and issued pursuant to the Home Rule Charter ("City Charter") of the City, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 2259, Texas Government Code, as amended, and an ordinance passed by the City Council authorizing the issuance of Certificates (the "Ordinance").

### General

$14,215,000* City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C (the "Certificates") will be dated June 1, 2016, and will mature on the dates set forth on page iii of this Official Statement. Interest will accrue from the Date of Delivery and will be paid on February 15, 2017, and on each August 15 and February 15 thereafter until maturity.

### Self-Insurance Program

In October 1986, the City Council adopted an ordinance (as amended and restated, the "Self-Insurance 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.

The Self-Insurance Ordinance creates a risk management fund (the "Risk Management Fund") for the Program. The Risk Management Fund is funded by (i) contributions made annually from the City budget as appropriated and approved by the City Council from available current moneys of the City (typically from transfers from the General Fund and the Water and Wastewater Revenue Fund); and/or (ii) funds derived by the City, in its sole discretion, pursuant to agreements with the City of Arlington Property Finance Authority, Inc., or from other third party sources. The Self-Insurance Ordinance currently provides that payments out of the Risk Management Fund for all purposes cannot exceed $1,500,000 per occurrence and $3,000,000 in aggregate in any one annual period. Should claims exceed these amounts, the excess claims are to be funded by other available City resources.

The Certificates are being issued to capitalize the Self-Insurance Program through September 30, 2026 based on the previous claim and expense experience of the City under the Self-Insurance Program; provided the City cannot predict the actual future claim experience under the Risk Management Fund and whether such capitalization will cover claims through September 30, 2026. Council has the authority to amend the Ordinance if it chooses.

*Preliminary, Subject to change.

**Security**

The Certificates when issued, will be direct obligations of the City, payable as to principal and interest from a combination of (i) an ad valorem tax levied annually, within the limits prescribed by law, against all taxable property in the City and (ii) a pledge of limited surplus revenues ($1,000) of the City's Water and Wastewater System, as provided in the Certificate Ordinance.

**Tax Rate Limitation**

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 of Texas 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 Certificates are being used to provide funds (i) to provide 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 "Project"); and (ii) to pay for professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates.

**Sources and Uses**

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

| | |
|---|---|
| Sources: | |
| Par amount | |
| Net Premium | |
| Total Sources of Funds | $ - |
| Uses: | |
| Deposit to Construction Fund | |
| Cost of Issuance | |
| Total Uses of Funds | $ - |

**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 is Bank of New York Mellon Trust Company, N.A., Dallas, Texas. Payments of principal and interest on the Certificates will be payable by the Bank of New York Mellon, N.A., Dallas, Texas (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 Certificates, as described herein under "BOOK-ENTRY-ONLY SYSTEM."

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

In the event use of the Book-Entry-Only System should be discontinued, interest on the Certificates 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 Certificates 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 Certificates 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 "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 Certificates 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 Certificates, principal and interest on the Certificates will be made as described in "THE CERTIFICATES - Book-Entry-Only System".

**Amendments**

The City may amend the Ordinance 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 Certificates then outstanding, as applicable, amend, add to, or rescind any of the provisions of the Ordinance, except that, without the consent of the registered owners of all of the Certificates, 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 Certificates, as applicable, over any other Certificates or (3) reduce the aggregate principal amount required to be held by owners for consent to any amendment, addition or rescission.

**No Optional Redemption**

The Certificates will not be subject to optional redemption before their stated maturity.

**Defeasance**

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

Under current state law, after such deposit as described above, the Certificates 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 Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates 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 Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

**Holders' Remedies**

The Ordinance provides that while any of the Certificates are outstanding there shall be levied, assessed and collected a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, sufficient to pay principal of and interest on the Certificates when due and to pay the expenses necessary in collecting such taxes. If the City defaults in the payment of the principal of or interest on any Obligation when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the 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 60 days after notice of such default is given by any owner to the City, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. Such right is in addition to any other rights the registered owners of the Certificates may be provided by the laws of the State. Under Texas law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Certificates. Although a registered owner of Certificates could presumably obtain a judgment against the City if a default occurred in the payment of principal of or interest on any such

Bond, 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 Certificates as it becomes 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.

On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.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 in certain circumstances." Because it is not clear that the Texas Legislature has effectively waived the City's immunity from suit of money damages, holders of the Certificates may not be able to bring suit against the City for breach of the Ordinance or the Certificates. As noted above, the Ordinance provides that holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its obligations, but in connection with the issuance of the obligations, the City is not utilizing Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Certificates.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders 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 of revenues, the pledge of 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

**Registration, Transfer and Exchange**

Registration and Payment. The Certificates will be initially issuable only in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Certificates. Principal and semiannual interest on the Certificates 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 Certificates, then the term "Owner" shall refer solely to DTC. In the event that DTC is no longer the securities depository for the Certificates, the term "Owner" shall refer to a successor securities depository or the Beneficial Owners of the Certificates 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 Certificates and a successor securities depository is not appointed by the City printed certificates for the Certificates will be delivered to the owners thereof, and thereafter, the Certificates may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar and such registration shall be at the expense of the City except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Certificate may be assigned by execution of an assignment form on the Certificates or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation or Certificate will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Certificate in accordance with the provisions of the Ordinance. Such new Certificate 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 Certificate 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 Certificates 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 Certificates 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 Certificate 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 Ordinance 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 Certificates. A successor Paying Agent/Registrar, if any, shall be determined by the City. Upon a change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Obligation 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 Certificates. The Certificates 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 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, arid clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates 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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates are discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 shall be sent to DTC. If less than all of the Certificates 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 Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates 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 Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

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

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

**Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Certificates 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 Certificates, 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 Ordinance 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 Purchaser.

**Effect of Termination of Book-Entry-Only System**

In the event the Book-Entry-Only System with respect to the Certificates is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Certificates is discontinued by the City, printed certificates will be issued to the respective holders of the Certificates, as the case may be, and the respective Certificates will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance, 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), the Certificates (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 Certificates are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates 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. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates 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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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## INVESTMENTS

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

### Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State of Texas, 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 Certificates 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, (8) 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, (9) 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, (10) 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, (11) 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, (12) no-loan 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 (13) 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 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.

**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 March 31, 2016 the following percentages of the City's operating funds were invested in the following categories of investments:

| Type of Investment | % Invested |
|---|---|
| Federal Agencies | 74.77% |
| Statewide Local Government Investment Pools [1] | 9.56% |
| Municipals | 9.24% |
| Cash | 6.43% |
| Totals | 100.00% |

Source: City of Arlington, Finance Department.
[1] Currently in TexStar, TexPool, and Texas Daily.

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

As of March 31, 2016, the weighted average maturity of the City's operating portfolio was 404 days and the market value of the operating portfolio was 100 percent of its book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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**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 | Authorized Amount | Previously Issued | Unissued |
|---|---|---|---|
| 1993 Library Mobile and Portable Facilities | $ 570 | $ - | $ 570 |
| 1997 Parks and Recreation | 37,860 | 37,860 | - |
| 2003 Erosion Control | 1,900 | - | 1,900 |
| 2003 Streets | 83,635 | 83,635 | - |
| 2003 Traffic Management | 400 | - | 400 |
| 2005 Park and Recreation | 13,600 | 13,600 | - |
| 2008 Parks and Recreation | 15,500 | 15,500 | - |
| 2008 Streets | 103,735 | 103,735 | - |
| 2008 Library | 500 | 500 | - |
| 2008 Fire | 9,090 | 9,090 | - |
| 2008 Johnson Creek | 12,000 | - | 12,000 |
| 2014 Public Works | 160,130 | 17,455 | 142,675 |
| 2014 Parks and Recreation | 60,000 | 7,241 | 52,759 |
| 2014 Fire | 9,780 | - | 9,780 |
| 2014 Library | 6,090 | 45 | 6,045 |
| **Total** | **$ 514,790** | **$ 288,661** | **$ 226,129** |

Source: City of Arlington Finance Department.

## 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 [3] | Ratio of Tax-Supported Debt | |
|---|---|---|---|---|---|
| | | | | Per Capita | To Assessed Valuation |
| 2007 | 364,300 | $ 16,793,424,763 | $ 223,965,822 | $ 615 | 1.33% |
| 2008 | 369,150 | 17,591,230,061 | 325,807,010 | 883 | 1.85% |
| 2009 | 370,450 | 18,246,819,671 | 299,291,666 | 808 | 1.64% |
| 2010 | 365,438 | 18,251,104,674 | 335,210,885 | 917 | 1.84% |
| 2011 | 365,530 | 17,179,112,308 | 323,860,825 | 886 | 1.89% |
| 2012 | 365,860 | 17,323,444,005 | 315,941,350 | 864 | 1.82% |
| 2013 | 365,930 | 17,677,891,333 | 308,178,549 | 842 | 1.74% |
| 2014 | 369,508 | 18,088,406,989 | 322,944,724 | 874 | 1.79% |
| 2015 | 369,592 | 18,905,765,829 | 323,590,000 | 876 | 1.71% |
| 2016 | 370,367 | 19,548,821,241 | 354,250,000 [4] | 956 | 1.81% |

Source: City of Arlington Finance Department.

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

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

(3) Includes self-supporting debt. See "Table 5 – Computation of Self-Supporting Debt. If revenues or other available funds of the City are not sufficient to pay the self-supporting debt, the City will be obligated to assess an ad valorem tax to pay the difference.

(4) Includes the Certificates. 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 9/30 | Existing Debt Service | | The Certificates[1] | | Less: Self-Supporting Debt [2] | | Total Debt Service Requirements | % of Principal Retired | Fiscal Year Ended 9/30 |
|---|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest | | | |
| 2016 | $ 31,985,000 | $ 12,066,760 | $ - | $ - | $ 4,873,180 | $ 2,231,394 | $ 36,947,186 | | 2016 |
| 2017 | 32,740,000 | 12,698,433 | 1,425,000 | 309,730 | 4,960,938 | 2,518,829 | 39,693,395 | | 2017 |
| 2018 | 28,675,000 | 11,340,506 | 1,425,000 | 261,565 | 3,791,355 | 2,224,349 | 35,686,367 | | 2018 |
| 2019 | 27,265,000 | 10,243,823 | 1,425,000 | 244,750 | 3,638,741 | 2,051,447 | 33,488,384 | | 2019 |
| 2020 | 24,390,000 | 9,253,763 | 1,420,000 | 224,857 | 2,597,500 | 1,902,740 | 30,788,379 | 40.47% | 2020 |
| 2021 | 22,675,000 | 8,310,503 | 1,420,000 | 201,881 | 2,667,500 | 1,793,145 | 28,146,739 | | 2021 |
| 2022 | 21,410,000 | 7,415,024 | 1,420,000 | 173,936 | 2,688,750 | 1,680,050 | 26,050,159 | | 2022 |
| 2023 | 20,250,000 | 6,594,033 | 1,420,000 | 144,059 | 2,753,750 | 1,573,317 | 24,081,024 | | 2023 |
| 2024 | 19,160,000 | 5,761,110 | 1,420,000 | 111,342 | 2,828,750 | 1,435,630 | 22,188,072 | | 2024 |
| 2025 | 18,090,000 | 4,976,988 | 1,420,000 | 75,885 | 2,908,750 | 1,300,286 | 20,353,836 | 69.79% | 2025 |
| 2026 | 18,165,000 | 4,271,996 | 1,420,000 | 38,297 | 2,993,750 | 1,166,723 | 19,734,820 | | 2026 |
| 2027 | 17,655,000 | 3,666,986 | - | - | 3,078,750 | 1,027,591 | 17,215,645 | | 2027 |
| 2028 | 16,935,000 | 2,989,526 | - | - | 3,173,750 | 904,488 | 15,846,288 | | 2028 |
| 2029 | 14,705,000 | 2,408,885 | - | - | 3,263,750 | 785,641 | 13,064,494 | | 2029 |
| 2030 | 12,835,000 | 1,937,400 | - | - | 3,358,750 | 661,898 | 10,751,752 | 90.15% | 2030 |
| 2031 | 11,835,000 | 1,516,594 | - | - | 3,453,750 | 530,342 | 9,367,502 | | 2031 |
| 2032 | 10,915,000 | 1,119,950 | - | - | 3,558,750 | 387,528 | 8,088,672 | | 2032 |
| 2033 | 9,415,000 | 747,150 | - | - | 3,668,750 | 237,219 | 6,256,181 | | 2033 |
| 2034 | 6,285,000 | 425,250 | - | - | 1,203,750 | 81,823 | 5,424,677 | | 2034 |
| 2035 | 4,120,000 | 207,050 | - | - | 676,000 | 40,433 | 3,610,617 | 99.43% | 2035 |
| 2036 | 2,515,000 | 75,450 | - | - | 671,775 | 20,153 | 1,898,522 | 100.00% | 2036 |
| | $ 372,020,000 | $ 108,027,178 | $ 14,215,000 | $ 1,786,302 | $ 62,810,739 | $ 24,555,031 | $ 408,682,710 | | |

[1] Calculated at a rate of 2.27% for illustration purposes only. Preliminary, subject to change.

[2] Self-supporting debt includes a portion of the Permanent Improvement Refunding Bonds, Series 2005, the Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B, a portion of the Combination Tax and Revenue Certificates of Obligation 2009A and 2009B, the Combination Tax and Revenue Certificates of Obligation, Series 2010, a portion of the Permanent Improvement Refunding Bonds, Series 2011B, a portion of the Combination Tax and Revenue Certificates of Obligation 2014, Permanent Improvement Refunding Bonds, Series 2015B, a portion of the Permanent Improvement Refunding Bonds, Series 2016, a portion of the Combination Tax and Revenue Certificates of Obligation, Series 2016B, and a portion of the Certificates. To the extent that such revenues are insufficient to pay debt service on obligation, the City will be required to asses an ad valorem tax.

**Table 5 - Computation of Self-Supporting Debt** [1]

| | | |
|---|---|---|
| **Hotel Occupancy Tax Revenue** | | |
| Gross Hotel Occupancy Tax Revenues for FYE 9/30/15 | $ | 7,854,866 |
| Debt Service Requirements for Convention Center portion of 2005 & 2015B bonds, FY 2016 | | 1,287,589 |
| Percent of Tax Increment Self-Supporting | | 100% |
| **Water and Wastewater System (WWS) Revenues** | | |
| Revenue Available for Debt Service from WWS Revenues, FYE 9/30/15 | $ | 44,353,000 |
| Less: Revenue Bond requirements, FY 2016 | | 16,238,104 |
| Balance Available for Other Purposes | | 28,114,896 |
| Debt Service Requirements for Water for Portions of the 2011B Bonds, FY2016 | | 63,229 |
| Percentage of Water and Wastewater System CO Debt, Self-Supporting | | 100% |
| **Tax Incremental Reinvestment Zone 5 (TIRZ 5)** [2] | | |
| Revenue Available for Debt Service from TIRZ 5, FY 2015 | | 970,343 |
| Debt Service Requirements 2008B CO and PIB 2016 allocated to TIRZ 5, FY 2016 | | 2,578,863 |
| Percentage of TIRZ 5 Obligations Self-Supporting | | 38% |
| **Tax Increment Reinvestment Zone 4 (TIRZ 4)** | | |
| Beginning Fund Balance TIRZ 4, 10/1/14 | $ | 2,784,077 |
| Tax Revenue TIRZ 4, FY 2015 | | 2,125,232 |
| Total Balance Available for Debt Service FY2015 | | 4,909,309 |
| Debt Service Requirement for 2010 CO and 2014 CO portion allocated to TIRZ 4, FY 2016 | | 1,803,764 |
| Percentage of TIRZ 4 Obligations Self-Supporting | | 100% |
| **Park Performance Fund (PPF) Revenues** | | |
| Revenue Available for Debt Service from PPF Revenues, FYE 9/30/15 | $ | 9,619,391 |
| Debt Service Requirements for PPF Portion of PIB 2005 & 2015B, FY 2016 | | 777,633 |
| Percentage of Park Performance Fund Portion of PIB 2005 and 2015B Debt, Self-Supporting | | 100% |
| **Airport General Gas Lease Fund Revenues** | | |
| Revenue Available for Debt Service from Airport General Gas Lease Revenues, FYE 9/30/15 | $ | 175,000 |
| Debt Service Requirements for Airport Portion of 2009A and B CO, FY 2016 | | 593,496 |
| Percentage of Airport Portion of CO 2009A and B Debt, Self-Supporting | | 29% |
| Total Debt Service Requirements, FY 2016 | $ | 7,104,574 |

[1] If funds are not sufficient for any of the below debt service payments, the City will be obligated to assess an ad valorem tax to pay the difference.

[2] The interest and sinking fund tax rate was established with the expectation that the shortfall would be funded from funds on deposit in the Debt Service Fund.

*[Remainder of Page Left Blank Intentionally]*

**Table 6 - Tax Adequacy** [1]

The following analysis assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2016 Net Assessed Valuation.

| Tax Adequacy | | |
|---|---|---|
| Average Annual Requirement (2016 - 2035) ……..…….. | $ | 19,461,081 |
| A tax rate of $0.1016 per $100 assessed valuation produces …… | | 19,461,081 |
| Average Annual Requirement (10 year) (2016 - 2025) …… | $ | 29,742,354 |
| A tax rate of $0.1552 per $100 assessed valuation produces …… | | 29,742,354 |
| Maximinum Annual Requirement (2017) ……. | $ | 39,693,395 |
| A tax rate of $0.2072 per $100 assessed valuation produces …… | | 39,693,395 |

[1] Amounts do not include self-supporting debt. Includes the Certificates. 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 6/28/2016 [1] | Percent | Amount Overlapping |
|---|---|---|---|
| Arlington ISD | $ 759,612,485 | 76.88% | $ 583,990,079 |
| Ft. Worth ISD | 782,490,000 | 0.52% | 4,068,948 |
| Hurst-Euless-Bedford ISD | 274,883,170 | 0.99% | 2,721,343 |
| Kennedale ISD | 40,509,449 | 52.96% | 21,453,804 |
| Mansfield ISD | 787,170,000 | 28.86% | 227,177,262 |
| Tarrant Co | 361,420,000 | 13.94% | 50,381,948 |
| Tarrant Co College Dist | - | 13.86% | - |
| Tarrant Co Hosp Dist | 21,595,000 | 13.91% | 3,003,865 |
| Viridian Municipal Management District | 39,850,000 | 100.00% | 39,850,000 |
| Total Net Overlapping Debt | | | $ 932,647,249 |
| Arlington, City of [2] | 386,235,000 | 100.00% | $ 386,235,000 |
| Total Direct and Overlapping Debt | | | $ 1,318,882,249 |
| Total Direct and Overlapping Debt % of AV | | | 7.14% |
| Total Direct and Overlapping Debt Per Capita | | | $ 3,568 |

[1] Source: Municipal Advisory Council, net debt outstanding per representative of each jurisdiction.
[2] Includes the Certificates and includes self-supporting debt. Preliminary, Subject to change.

*[Remainder of Page Left Blank Intentionally]*

## TAX-SUPPORTED CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's Capital Improvement Program is prepared annually and primarily enabled by recent bond election results. The City's most recent permanent improvement bond election, totaling $236,000,000, was held on November 4, 2014 with all propositions passing. The propositions on the ballot included $160,130,000 for Public Works; $60,000,000 for Parks; $9,780,000 for Fire; and $6,090,000 for Libraries. Combined with the authorized but unissued bonds from prior elections, the City has $226,129,000 in unissued permanent improvement bonding authority.

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 2016 will be approximately $52,850,000. The projects include funds for fire improvements, library improvements, parks and recreation and for public works and transportation.

## 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, 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 Comprehensive Annual Financial Report (CAFR) for the year ended April 30, 1966 and then annually from 1977 to 2003 and 2005 to 2014. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2014.

## 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. Accordingly, the accounting and financial reporting of the City's governmental funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34. 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, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when the liability has matured and payment is due.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide business-type activities and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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. Stadium Venue Fund, a capital project fund, accounts for the planning, acquisition, establishment, development, and construction of the Dallas Cowboys 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 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 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. This 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 of the City 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 2011 to 2015 have been compiled from the audited financial statements included in the Comprehensive Annual Financial Reports of the City. These unaudited summaries should be read in conjunction with their related audited financial statements and notes. For the fiscal year ended September 30, 2015, the General Fund had revenues less than expenditures and transfers by $549,000 or -0.28% percent of General Fund revenues, leaving a General Fund balance at September 30, 2015, of $56,023. The following table presents a comparison of the City's General Fund balance for fiscal years 2011 to 2015.

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

| | Fiscal Years Ended September 30, | | | | |
|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2012** | **2011** |
| **Beginning Fund Balance** | $ 56,191 | $ 56,740 | $ 63,497 | $ 66,775 | $ 66,567 |
| **Revenues** | | | | | |
| Taxes | 136,722 | 131,794 | 131,069 | 126,158 | 122,816 |
| Franchise Fees | 26,477 | 26,970 | 25,550 | 25,600 | 27,260 |
| Service Charges | 5,359 | 5,345 | 5,100 | 5,355 | 6,904 |
| Interest | 1,754 | 1,842 | 1,909 | 2,168 | 2,009 |
| All Other | 31,269 | 31,805 | 30,562 | 30,875 | 30,281 |
| **Total Revenues** | $ 201,581 | $ 197,756 | $ 194,190 | $ 190,156 | $ 189,270 |
| **Expenditures** | | | | | |
| **Total Expenditures** | $ 208,798 | $ 206,056 | $ 205,802 | $ 198,279 | $ 189,505 |
| Net Expenditures Over (Under) Expenditures | (7,217) | (8,300) | (11,612) | (8,123) | (235) |
| Other Financing Sources | | | | | |
| Issuance of Capital Leases | | | | | |
| Operating Transfers | 9,049 | 7,751 | 4,855 | 4,845 | 443 |
| **Ending Fund Balance** | $ 58,023 | $ 56,191 | $ 56,740 | $ 63,497 | $ 66,775 |
| General Fund Balance as a Percent of General Fund Expenditures | 27.79% | 27.27% | 27.57% | 32.02% | 35.24% |

Source: Audited Financial Statements.

The following table shows the City's estimated revenues and budgeted expenditures for fiscal year 2016, as reported in the adopted Budget.

**Table 8 - DEBT SERVICE FUND BUDGET**
**Fiscal Year 2016**

| | |
|---|---|
| Beginning Balance | $ 2,914,116 |
| Property Tax Revenue | 39,213,792 |
| Interest Revenue | 77,593 |
| Premium on Bond Issuance | 120,000 |
| Transfers In [(1)] | 5,211,881 |
| Total Available for Debt Service | 47,537,382 |
| Debt Service Expenditures | (44,782,042) |
| Estimated Ending Fund Balance | $ 2,755,340 |

Source: City of Arlington Finance Department

(1) Includes transfers to the Debt Service Fund from the Convention and Event Service Fund, Park Performance Fund, TIRZ 5, TIRZ 4, Airport General Gas Lease Fund, and Water and Wastewater surplus revenues.

## TAX DATA

### General

A major source of operational revenue and funds for tax-supported debt service payments is the receipts from ad valorem taxation. The following is a recapitulation of (1) the authority for taxation, including methodology, limitations, remedies and procedures; (2) historical analysis of collection and trends of tax receipts and provisions for delinquencies; and (3) an analysis of (a) the base, (b) the principal taxpayers, and (c) other ad valorem taxation that may compete with the City's tax collections. Additionally, sales tax, hotel occupancy tax and short term motor vehicle rental tax authority and collections are described.

### Authority for Ad Valorem Taxation

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to $2.50 per $100 assessed valuation for all city purposes and makes no allocation of such tax rate between debt service requirements and expenses of general city government. The City operates under a Home Rule Charter that adopts these provisions of the Constitution. For fiscal year 2016, the Council has levied a tax rate equal to $0.6480 per $100 assessed valuation of which $0.2127 was allocated to pay debt service on outstanding tax-supported Bonds and notes. See "Table 9 - Tax Rate Distribution and Collection Ratios."

### Effective Tax Rate and Rollback Tax Rate

Before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City, the City Council must adopt a tax rate per $100 taxable value for the current year. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's total maintenance and operations tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional sales tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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.

**Property Subject to Taxation**

All real property and tangible personal property in the City is subject to taxation except for certain mandated and discretionary exemptions granted pursuant to State law and Title I of the Texas Tax Code (the "Property Tax Code"). The Property Tax Code mandates exemption of public property, property exempt by federal law from ad valorem taxes, household goods, personal effects of an individual, and certain property of religious and charitable organizations, schools, and disabled veterans. Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. The Council currently exempts up to $60,000 of the appraised value of such residential homesteads. The FYE 2015 tax rolls reflect the Council granting persons 65 years of age and older, disabled persons and disabled veterans exemptions totaling $1,102,411,713.

Article VIII, Section 1-b of the Texas Constitution provides the City with the authority to exempt a percentage of the market value of residential homesteads. The percentage may not exceed 20 percent in FY 2008 and each subsequent year. Where an ad valorem tax has previously been pledged for the payment of debt, the Council may continue to levy and collect the tax against the value of the exempt homesteads until the debt is discharged if the cessation of the levy would impair the obligation. The Council granted 20 percent residential homestead exemptions on the FY 2015 tax roll, which totaled $1,890,914,407 or 19 percent of the FY 2015 taxable assessed valuation. Senate Joint Resolution 1 ("SJRl "), passed during the 84th Texas Legislature, authorized a constitutional amendment to allow the Legislature to prohibit a municipality that adopts an optional homestead exemption from reducing or repealing the amount of the exemption. SJRl was approved by the voters in the November 2015 Constitutional election, and Senate Bill 1, also passed during the 84th Texas Legislature, prohibits municipalities from reducing or repealing the amount of their optional homestead exemption that was in place for the 2014 tax year for a period running through December 31, 2019. In addition, $50,954,982 of value was reduced from the FY 2015 tax rolls in accordance with State law to reflect value of agricultural land based upon production rather than market value.

Article VIII of the Texas Constitution provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), 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. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." Under Section 11.253 of the Texas Tax Code, "Goods-in-Transit" are exempt from taxation unless a taxing unit opts out of the exemption. The City did opt out. Goods-in-Transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory.

Section 23.83 of the Property Tax Code allows taxes to be deferred on property that is restricted to scenic use. Deferrals were first claimed under this section in 1990. The FY 2015 tax roll reveals an exempt value of $8,344,115 due to scenic deferrals.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children. Notwithstanding the foregoing, a disabled veteran who receives from the United States department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead.

A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

The surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. House Joint Resolution 75 ("HJR75"), passed during the 84th Texas legislature, proposed a constitutional amendment that allows the Legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of the surviving spouse of a 100 percent or totally disabled veteran and who would have had qualified for the full exemption before the law authorizing a residence homestead exemption took effect. The proposition authorized by HJR75 was approved by voters in the November 2015 constitutional election. As such, the surviving spouse of a totally disabled veteran who died on or before January 1, 2010 and who would have qualified for the full exemption on the homestead's entire value if it had been available at that time, will be entitled to an exemption from ad valorem taxation of all or part of the market value of the residence homestead if the spouse has not remarried.

Temporarily located inventory can be taxed on a local option basis. To continue taxation of this so called "freeport" property, the governing body of a taxing entity, such as the Council, was required to take action prior to January 1, 1990. The Council adopted an ordinance, which allowed for the continued taxation of "freeport" property for 1990 and subsequent years. On January 13, 1998, the Council repealed the aforementioned ordinance, which has the effect of exempting "freeport" property from taxation effective January 1, 1999. This exemption is irrevocable under current State law. The amount of "freeport" assessed value subject to exemption for the FY 2015 tax roll is $1,429,192,809, with $588,579,406 actually exempt. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public funds for economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded. The City can make no representations or predictions concerning the impact such tax limitation would have on the City's tax rate, financial condition or ability to make debt service payments

Chapter 311 of the Texas Tax Code allows the Council to designate reinvestment zones and to enter into tax abatement agreements with property owners within these zones. The abatement value loss on the FY 2015 tax roll is $362,509,416.

**Tax Increment Financing Districts**

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. Other overlapping taxing units may agree to contribute all of part of future ad valorem taxes levied and collected against the value of property in the zone in excess of the "frozen value" to pay or finance the costs of certain public improvements in the zone. The difference between any increase in the assessed valuation of taxable real property in the TIF in excess of the base value of taxable real property in the TIF is known as the "Incremental Value," and during the existence of the TIFs, taxes levied by the City against the Incremental Value in the TIFs are restricted to paying project and financing costs within the TIFs and are not available for the payment of other obligations of the City, except for obligations that are expressly secured from the Incremental Value within a particular zone.

The City Council adopted an ordinance on November 3, 1998, establishing a tax increment financing district (the "TIF District #1") encompassing approximately 533 acres in the City's downtown area. TIF District #1 took effect on January 1, 1999 and will terminate on December 31, 2018. The City Council can terminate the TIF District at an earlier date by subsequent ordinance. The taxable value for the TIF for the fiscal year ended September 30, 2015 was approximately $77,584,395 more than the taxable value in the TIF during the year in which it was created.

The City Council adopted an ordinance on September 27, 2005, establishing a tax increment financing district (the "TIF District #2") encompassing approximately 2,000 acres in the northeast quadrant of the City. TIF District #2 took effect on January 1, 2006 and was dissolved by the City Council on March 27, 2007. TIF District #2 was replaced by TIF District #6.

The City Council adopted an ordinance on November 8, 2005, establishing a tax increment financing district (the "TIF District #4") encompassing approximately 320 acres in the City's south central area. TIF District #4 took effect on January 1, 2005 and will terminate on December 31, 2025. The taxable value for the TIF for the fiscal year ended September 30, 2015 was approximately $198,040,849 more than the taxable value in the TIF during the year in which it was created.

The City Council adopted an ordinance on December 19, 2006, establishing a tax increment financing district (the TIF District #5 Entertainment District") 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 District #5 Entertainment District took effect on January 1, 2007 and will terminate on December 31, 2036. The taxable value for the TIF for the fiscal year ended September 30, 2015 was approximately $125,572,702 more than the taxable value in the TIF during the year in which it was created.

The City Council adopted an ordinance on December 18, 2007, establishing a tax increment financing district (the "TIF District #6") encompassing approximately 2,000 acres in the northeast quadrant of the City. The TIF District took effect on January 1, 2007 and will terminate on December 31, 2036. The taxable value for the TIF for the fiscal year ended September 30, 2015 was approximately $125,853,037 more than the taxable value in the TIF during the year in which it was created.

**Appraisal of Taxable Property**

The Property Tax Code established a county-wide appraisal district in each county of the State. Each appraisal district assumes the responsibility of appraising all taxable property and preparing and certifying the tax rolls for each unit of government that levies ad valorem tax in that county. The appraisal of property within the City is the responsibility of the Tarrant Appraisal District. Under the 1981 amendment to the Property Tax Code, the City is now entitled to vote, in the proportion to its taxes levied in Tarrant County, in selecting the governing board of appraisal district. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence 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 residence homestead for a tax year to an amount that would not exceed either the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. A city, or other taxing unit, may challenge the appraisals assigned to property within its jurisdiction under certain limited circumstances. These entities can also sue the appraisal district to compel it to comply with the Property Tax Code.

The City's FY 2015 appraisal roll was prepared and certified by the Tarrant Appraisal District's Chief Appraiser and Appraisal Review Board. Such appraisal rolls are used by the City in establishing its tax rate. The City Council is responsible for setting the rate, and levying and collecting the taxes. All taxable property in the City is presently valued on the City's tax roll at 100 percent of its estimated market value as of January 1. The rate of taxation was determined and set by the Council based upon the January 1 valuation. Taxes are due of the subject year (or when billed) and become delinquent after January 31 of the following year, except for a split payment option. Under the split payment option, adopted by the City beginning with fiscal year 2003, taxpayers can make one-half payment prior to December 1, and the final one-half payment prior to July 1 of the following year without penalty or interest. Since October 1, 2002 ad valorem taxes for the City have been collected by the Tarrant County Tax Assessor-Collector. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

**City's Rights in the Event of Tax Delinquencies**

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

| Month | Cumulative Penalty | Cumulative Interest | Total |
|---|---|---|---|
| February | 6% | 1% | 7% |
| March | 7 | 2 | 9 |
| April | 8 | 3 | 11 |
| May | 9 | 4 | 13 |
| June | 10 | 5 | 15 |
| July | 12 | 6 | 18 |

After July, penalty remains at 12%, and interest increases at the rate of 1% each month or portion of the month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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.

**Tax Limitation Election**

A City election was approved on February 5, 2005, which adopted a homestead property tax limitation for disabled individuals and individuals 65 years of age or older. This limitation on the residential homesteads of qualifying property owners is defined under the Texas Property Tax Code, section 11.261. The limitation cannot be repealed by any action of the City or through an election of the City under current state law. The homestead property tax ceiling limits the amount of taxes paid to the City based on the taxes paid in the first year that the property qualifies for the disabled exemption or the 65 years of age or older exemption. The limitation is a dollar amount and does not increase unless improvements (other than repairs or improvements required to comply with governmental requirements) are made to the residential homestead. For those property owners who qualified in 2005 for either exemption, the tax ceiling was set based on the taxes levied in September 2005 by the City. The tax ceiling carries forward to a surviving spouse age 55 or older of an individual who is 65 years of age or older.

The City has 65,554 residential homestead properties in FY 2016 and 18,299 of these properties received an exemption for a disabled individual or individual 65 years of age or older.

**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**

| | | Tax Rate | | | | % Collections | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Estimated Net Taxable Valuation [1] | General Fund | Debt Service Fund Rate | Total Tax Rate | Tax Levy | Current Year | Prior Years[2] |
| 2012 | $ 17,323,444,005 | $ 0.4393 | $ 0.2087 | $ 0.6480 | $ 112,255,917 | 98.13 | 99.46 |
| 2013 | 17,677,641,683 | 0.4423 | 0.2057 | 0.6480 | 114,551,118 | 97.82 | 99.06 |
| 2014 | 18,088,406,988 | 0.4423 | 0.2057 | 0.6480 | 117,212,877 | 97.66 | 98.57 |
| 2015 | 18,905,765,829 | 0.4353 | 0.2127 | 0.6480 | 122,509,363 | 97.64 | 98.51 |
| 2016 | 19,548,821,241 | 0.4460 | 0.2020 | 0.6480 | 126,676,362 | 94.51 [3] | 94.57 [3] |

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.

(3) As of February 29, 2016.

**Table 10 - Tax Base Distribution**
**Fiscal Years 2011 to 2015**

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Residential | 59.3% | 58.5% | 58.3% | 59.0% | 59.5% |
| Commercial, Industrial, Retail | 36.9% | 38.0% | 37.6% | 37.0% | 38.0% |
| Mineral | 1.9% | 1.5% | 2.1% | 2.3% | 0.8% |
| Undeveloped | 1.9% | 2.0% | 2.0% | 2.2% | 2.3% |

Source: City of Arlington Finance Department

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**Table 11 - Top Ten Taxpayers** [1]

| Taxpayer | Type of Business | FY 2016 |
|---|---|---|
| General Motors Corporation | Automobile Assembly | $ 334,514,604 |
| Arlington Highlands LLP | Retail | 175,105,200 |
| Oncor Electric Delivery Co. | Public Utility | 151,740,179 |
| Parks at Arlington | Retail | 142,695,717 |
| Chesapeake Operating | Natural Gas Producer | 115,048,650 |
| Six Flags Fund | Amusement Park | 88,827,385 |
| Bravo (Dallas) LLC | Commercial Multifamily | 70,812,000 |
| Wal-Mart Real Estate | Retail | 68,274,005 |
| Lincoln Square Dunhill | Real Estate Holdings | 67,371,660 |
| DFW Midstream LLP | Natural Gas Producer | 66,166,564 |
| **Total** | | **$ 1,280,555,964** |
| Above ten taxpayers as % of total tax rolls | | 6.55% |
| Total tax roll | | $ 19,548,821,241 |

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

**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 |
|---|---|---|---|---|---|
| 2011 | $ 48,982,079 | $ 111,320,468 | 44% | 365,530 | $ 134 |
| 2012 | 50,724,512 | 112,255,917 | 45% | 365,860 | 139 |
| 2013 | 54,198,622 | 114,551,118 | 47% | 365,930 | 148 |
| 2014 | 53,412,259 | 117,212,877 | 46% | 369,508 | 145 |
| 2015 | 55,543,300 | 119,627,907 | 46% | 369,592 | 150 |

[1] Receipts reflect the City's 1% sales tax.
[2] City estimate. Source: of Arlington Finance Department.

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## PENSION FUND

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 850 administered by TMRS, an agent, multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial valuation performed. All assumptions for the December 31, 2014 valuations are contained in the 2014 TMRS comprehensive Annual Financial Report (CAFR), a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153 or accessing the CAFR on line at www.tmrs.com.

Benefits depend upon a sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200 percent of the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. Additionally, initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees. In 2015, that amount was equal to 50% of the change in the consumer price index (CPI).

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.

### Funding Policy

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. The rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City discloses the annual pension costs (which equal the required contributions) based on the calculated rates for the City's fiscal year. The rate is 16.28% of covered payroll for the months in calendar year 2014, and 15.62% for the months in calendar year 2015. This rate consists of the normal cost contribution rate and the prior service contribution rate. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation for the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2012 valuation is effective of rates beginning January 1, 2014). If a change in plan provisions is elected by the City, this rate can change.

### Changes in Actuarial and Amortization Methods

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, The TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually reporting basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than .5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. The statutes further provide that plan members may request up to a forty year amortization period. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

### Funding Status and Funding Process

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

As of December 31, 2014, the most recent actuarial valuation date, the plan was 89.92 percent funded. The actuarial accrued liability for benefits was $1,003,238,111, and the actuarial value of assets was $933,378,081, resulting in an unfunded actuarial accrued liability (UAAL) of $104,604,129. The covered payroll (annual payroll of active employees covered by the plan) was $149,838,550, and the ratio of the UAAL to the covered payroll was 69.81%.

**Actuarial Methods and Assumptions**

| | |
|---|---|
| Actuarial Cost Method: | Entry Age Normal |
| Amortization Method: | Level Percent of Payroll, Closed |
| Remaining Amortization Period: | 21 Years |
| Asset Valuation Method: | 10 Year smoothed market; 15% soft corridor |
| Inflation: | 3.00% |
| Salary Increases: | 3.50% to 12.00% including inflation |
| Investment Rate of Return: | 7.00% |
| Retirement Age: | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009 |
| Mortality: | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied at 103% and projected on a fully generational basis with scale BB |

**Annual Pension Cost and Net Pension Obligation**

The City's annual pension cost of $24,327,508 was equal to the required contributions.

| | |
|---|---|
| Actuarilly Determined Contribution | $ 23,963,340 |
| Contributions in relation to the actuarillly determined contribution | 24,327,508 |
| Contribution deficiency (excess) | (364,168) |
| Covered employee payroll | 153,414,470 |
| Contributions as a percentage of covered employee payroll | 16.24% |

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## OTHER POST-EMPLOYMENT BENEFITS

**Retiree Health Insurance**

*Plan Description*. The City of Arlington administers a single-employer defined benefit health care plan. The plan provides postretirement health care benefits to eligible retirees and their spouses.

An eligible employee can continue their health care coverage in retirement if their age plus service is at least 70 with a minimum age requirement of 50 years and a minimum of ten years of service with the City. Employees hired after December 31, 2006 are not eligible for postretirement health care benefits. As of July 1, 2015, 936 retirees met those eligibility requirements. The City plan has a non-duplication coordination of benefits with Medicare and other primary plans for retirees and/or their dependants.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (dollar amounts in thousands):

| | |
|---|---|
| Annual required contribution (ARC) | $ 8,505 |
| Interest on Net OPEB obligation | 1,513 |
| Adjustment to the ARC | (2,020) |
| Annual pension cost (expense) | 7,998 |
| Contributions made | (5,011) |
| Increase (Decrease) in OPEB obligation | 2,987 |
| Net OPEB obligation beginning of the year | 33,633 |
| Net OPEB obligation end of the year | $ 36,620 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 are as follows (dollar amounts in thousands).

| Fiscal Year Ending 9/30 | OPEB Cost | Annual OPEB Contribution | OPEB Obligation |
|---|---|---|---|
| 2015 | 7,998 | 62.50% | 36,620 |

**Disability Income Plan**

*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.

Membership of the plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation.

| | |
|---|---|
| Retirees and beneficiaries receiving benefits: | 16 |

**Supplemental Death Benefits Plan**

*Plan Description.* The City of Arlington contributes to the Supplemental Death Benefit Fund (SDBF), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS). This is a separate trust administered by the TMRS Board of Trustees. SDBF provides a death benefit of $7,500 for retirees. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for SDBF. That report may be obtained from the TMRS website at www.TMRS.com.

## CONTINUING DISCLOSURE OF INFORMATION

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

**Annual Reports**

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

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

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

**Disclosure Event Notices**

The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Certificates: (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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Obligation calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Certificates, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City[(1)]; (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; and (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. The City shall also file, in a timely manner, notice of a failure by the City to provide required annual financial information and notices of material events in accordance with its continuing disclosure agreement.

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[(1)] 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.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Certificates 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 Certificates 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 Certificates. If the City so amends the agreement, it has

agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Compliance with Prior Undertakings**

During the last five years, the City had outstanding water and wastewater revenue bonds, special-tax revenue bonds, and ad valorem tax revenue obligations (the "Insured Obligations"), insured by various municipal bond insurance companies. The City did not timely file certain material events notices with respect to insurer rating changes (downgrades and upgrades) from 2009 to 2010. However, under the City's Continuing Disclosure Agreements in effect for Insured Obligations issued from 2004 through 2014, the City's requirement to provide timely notice of certain events was subject to the qualifier "if such event is material to a decision to purchase or sell Obligations." During such insurer downgrades, the City's underlying, unenhanced credit rating with respect to the Insured Obligations remained higher than the credit rating of the insurers and as such, the City does not believe such Insurer downgrades were material. Also, in 2009, 2010 and 2013, the City did not timely file notice of the upgrading of its underlying, unenhanced credit rating with respect to its water and wastewater system revenue bonds, ad valorem tax revenue bonds, and special-tax revenue bonds by S&P, Fitch and Moody's. The City has now filed an events notice with respect to its rating upgrades in 2009, 2010 and 2013, and procedures have been implemented by the City to ensure that all event notices are timely filed in the future. Also, in 2013, the City filed its required quantitative financial information and operating data with the Municipal Advisory Council of Texas (the "MAC") by the required date but due to an administrative error the information was not timely filed with EMMA. The City filed an events notice with respect to the oversight and filed the information with EMMA in 2014 after noticing the error and has since established procedures to avoid an error in the future.

## ADDITIONAL INFORMATION

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

## TAX MATTERS

**General**

The following discussion summarizes certain material U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the Certificates by an initial holder (as described below). This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authority and administrative interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Neither the City nor Bond Counsel offers any assurance that the IRS will not challenge one or more of the tax consequences described in this discussion, and neither of the City nor Bond Counsel has obtained, nor do the City or Bond Counsel intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Certificates.

This discussion is limited to holders who purchase the Certificates in this initial offering for a price equal to the issue price of the Certificates (i.e., the first price at which a substantial amount of the Certificates is sold for cash other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, the "Issue Price") and who hold the Certificates as capital assets (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or income tax treaties or any U.S. federal estate or gift tax considerations. In addition, this discussion does not address all tax considerations that may be important to a particular holder in light of the holder's circumstances or to certain categories of investors that may be subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that have elected the mark-to-market method of accounting for their securities;
- U.S. Bondholders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the Certificates as part of a hedge, straddle, conversion or other "synthetic security" or integrated transaction;
- certain U.S. expatriates;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- persons subject to the alternative minimum tax;
- entities that are tax-exempt for U.S. federal income tax purposes; and
- partnerships and other pass-through entities and holders of interests therein.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Certificates, the tax treatment of such partnership or a partner of such partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships acquiring Certificates and partners of partnerships acquiring the Certificates should consult their own tax advisors about the U.S. federal income tax consequences of acquiring, holding and disposing of the Certificates.

INVESTORS CONSIDERING THE PURCHASE OF THE CERTIFICATES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR

SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE CERTIFICATES UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

**Tax Consequences to U.S. Bondholders**

As used herein "U.S. Bondholder" means a beneficial owner of a Certificate and who or that is, for U.S. federal income tax purposes:

- an individual who is a U.S. citizen or U.S. resident alien;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

*Interest on the Certificates*

A U.S. Bondholder will be required to include any stated interest payments in income in accordance with its method of accounting for U.S. federal income tax purposes. If a U.S. Bondholder is a cash method taxpayer, such holder must report interest on the Certificates as ordinary income when it is received. If a U.S. Bondholder is an accrual method taxpayer, such holder must report the interest on the Certificates as ordinary income as it accrues.

*Original Issue Discount*

If the Issue Price of the Certificates of any stated maturity is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Certificates of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Certificates at maturity over its Issue Price, and the amount of the original issue discount on such Certificates will be amortized over the life of the Certificates using the "constant yield method" provided in the U.S. Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Certificates, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such Certificates that exceeds actual cash interest payments to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on such Certificates each taxable year will be reported annually to the Service and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds such Certificates will increase the adjusted tax basis of such Certificates in the hands of such beneficial owner.

*Premium*

If the Issue Price of the Certificates of any stated maturity is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased such Certificate with "amortizable Bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of such Certificate and may offset interest otherwise required to be included in respect of such Certificate during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on such Certificate held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of such Certificate. However, if such Certificate may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the U.S. Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of such Certificate. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

*Disposition of the Certificates*

A U.S. Bondholder will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a Certificate. This gain or loss will equal the difference between the U.S. Bondholder's adjusted tax basis in the Certificate and the amount realized (excluding any proceeds attributable to accrued but unpaid stated interest which will be recognized as ordinary interest income to the extent any such Bondholder has not previously included such amounts in income) by the Bondholder. A U.S. Bondholder's adjusted tax basis in the Certificates will generally equal the amount the U.S. Bondholder paid for the Certificates increased by any original issue discount previously included in the Bondholder's income and decreased by the amount of the bond premium that has been previously amortized. The gain or loss generally will be long-term capital gain or loss if the Bondholder held the Certificates for more than one year at the time of the sale, redemption, exchange, retirement or other taxable disposition. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

**Additional Tax on Investment Income**

An additional 3.8% net investment income tax, or the "NIIT," is imposed on the "net investment income" of certain U.S. Bondholders who are individuals and on the undistributed "net investment income" of certain estates and trusts, to the extent the sum of net investment income and other modified adjusted gross income exceeds specified dollar amounts. Among other items, "net investment income" would generally include interest income and net gain from the disposition of property, such as the Certificates, less certain deductions. U.S. Bondholders should consult their tax advisors with respect to the tax consequences of the NIIT.

**Tax Consequences to Non-U.S. Bondholders**

As used herein, a "non-U.S. Bondholder" means a beneficial owner of Certificates that is an individual, corporation, estate or trust that is not a U.S. Bondholder.

*Interest on the Certificates-Portfolio Interest*

Subject to the discussions below under the headings "Information Reporting and Backup Withholding—Non-U.S. Bondholders and "Information Reporting and Backup Withholding—Foreign Account Tax Compliance," payments to a non-U.S. Bondholder of interest on the Certificates generally will be exempt from withholding of U.S. federal tax under the "portfolio interest" exemption if the non-U.S. Bondholder properly certifies as to the non-U.S. Bondholder's foreign status as described below, and:

- the non-U.S. Bondholder does not own, actually or constructively, 10% or more of the City's voting stock;
- the non-U.S. Bondholder is not a "controlled foreign corporation" for U.S. federal income tax purposes that is related to the City (actually or constructively); and
- the non-U.S. Bondholder is not a bank whose receipt of interest on the Certificates is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such Bondholder's trade or business.

The foregoing exemption from withholding tax will not apply unless (i) the non-U.S. Bondholder provides his, her or its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form), and certifies under penalties of perjury, that such holder is not a U.S. person, (ii) a financial institution holding the Certificates on a non-U.S. Bondholder's behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) from such holder and provides the Trustee with a copy, or (iii) the non-U.S. Bondholder holds their Certificates directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that such holder is not a U.S. Bondholder.

If a non-U.S. Bondholder cannot satisfy the requirements described above, payments of principal and interest made to such holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. Bondholder provides the Trustee with a properly executed (a) IRS Form W-8BEN or IRS Form W-8-BEN-E or successor form claiming an exemption from or a reduction of withholding under an applicable tax treaty or (b) IRS Form W-8ECI (or successor form) stating that interest paid on the Certificates is not subject to withholding tax because it is effectively connected with such non-U.S. Bondholder's conduct of a trade or business in the United States.

If a non-U.S. Bondholder is engaged in an active trade or business in the United States and interest on the Certificates is effectively connected with the active conduct of that trade or business (and, in the case of an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. Bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if such non-U.S. Bondholder were a U.S. person as defined under the Code. In addition, if a non-U.S. Bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Certificates, that is effectively connected with the active conduct by such non-U.S. Bondholder of a trade or business in the United States.

*Disposition of the Certificates*

Subject to the discussions below under the headings "Information Reporting and Backup Withholding—Non-U.S. Bondholders and "Information Reporting and Backup Withholding—Foreign Account Tax Compliance," a non-U.S. Bondholder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a Certificate unless:

- the gain is effectively connected with the conduct by the non-U.S. Bondholder of a U.S. trade or business (and, if required by an applicable income tax treaty, is treated as attributable to a permanent establishment maintained by the Bondholder in the United States);
- the non-U.S. Bondholder is a nonresident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met;
- the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If a non-U.S. Bondholder is described in the first bullet point above, the non-U.S. Bondholder generally will be subject to U.S. federal income tax in the same manner as a U.S. Bondholder. If a non-U.S. Bondholder is described in the second bullet point above, the Bondholder generally will be subject to U.S. federal income tax at a flat rate of 30% or lower applicable treaty rate on the gain derived from the sale or other disposition, which may be offset by U.S. source capital losses.

*Information Reporting and Backup Withholding*

***U.S. Bondholders***

Information reporting will apply to payments of principal and interest made by the City on, or the proceeds of the sale or other disposition of, the Certificates with respect to U.S. Bondholders (unless such holder is an exempt recipient such as a corporation), and backup withholding, currently at a rate of 28%, may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

***Non-U.S. Bondholders***

Payments to non-U.S. Bondholders of interest on their Certificates and any amounts withheld from such payments generally will be reported to the IRS and such holder. Backup withholding will not apply to payments of principal and interest on the Certificates if the non-U.S. Bondholder certifies as to his, her or its non-U.S. Bondholder status on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) under penalties of perjury or such non-U.S. Bondholder otherwise qualifies for an exemption (provided that neither the City nor its agent, if any, know or have reason to know that such Bondholder is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of Certificates to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless a non-U.S. Bondholder provides the certification described above or such Bondholder otherwise qualifies for an exemption. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the non-U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the non-U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

*Foreign Account Tax Compliance*

Pursuant to the Foreign Account Tax Compliance Act ("FATCA"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition (including payments of principal) of, Certificates held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the IRS to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Certificates are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition of, Certificates held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (a) certifies that such entity does not have any "substantial United States owners" or (b) provides certain information regarding the entity's "substantial United States owners," which will be provided to the IRS, as required. Prospective Bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the Certificates.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE CERTIFICATES, INCLUDING THE EFFECT AND APPLICABILITY OF (I) U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS, (II) GIFT AND ESTATE TAX LAWS, AND (III) ANY INCOME TAX TREATY.

*[Remainder of page intentionally left blank]*

## OTHER RELEVANT INFORMATION

### Ratings

The Certificates are rated “Aa1” by Moody’s Investors Service, Inc., “AAA” by Standard & Poor's Rating Services, a Standard & Poor’s Financial Services LLC business, (“S&P”) and “AAA” by Fitch Ratings. The City’s presently outstanding tax supported debt of the City has underlying ratings of “Aa1” by Moody's, “AAA” by S&P and “AAA” 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 Certificates.

### Litigation

The City is currently involved in several lawsuits in which some liability is probable. The potential liability as of September 30, 2015, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at $250,000.

The City is currently involved in an employment lawsuit in which the plaintiff alleges that the City’s termination of an Arlington police officer was a violation of the City’s personnel policies. The plaintiff elected to appeal his termination to an arbitrator. The arbitrator ruled that the officer be reinstated with back pay. The City appealed the arbitrator’s decision. The Court ordered the City to reinstate the officer provided he passes certain requirements, which he has done. In June 2014, the court ruled to award the officer $164,471 in back pay, but the City has appealed the ruling. In August 2015, the Fort Worth Court of Appeals issued an opinion requiring the trial court to set aside the judgment in accordance with the Court of Appeals' decision. Thus, the case is returning to the trial court for further proceedings. It is uncertain whether "set aside" requires the trial judge to uphold the termination or order another arbitration. Liability with regard to the officer’s back wages is probable. To the extent owed, back pay continues to accrue and a $277,000 accrual has been recorded at September 30, 2015.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA limitations (see Note 13 of the City’s audited basic financial statements) of insurance coverage, if any, on all claims will not have a materially adverse effect on the City's financial position as a whole.

### Legal Matters

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificates and to the effect that the Certificates are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will not be excludable from gross income for federal income tax purposes under existing law and subject to the matters described under "TAX MATTERS" herein. 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 Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry- Only System.

### Registration and Qualification

The sale of the Certificates has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon exemptions provided therein; the Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been registered or qualified under the securities act of any jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates 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 Certificates 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 Purchaser of the Certificates

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the “Certificates Initial Purchaser”) to purchase the Certificates at the interest rates shown on page (iii) of the Official Statement plus an underwriting discount of $_____. The Certificates Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the

City to the Certificates Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Certificates Initial Purchaser.

**Financial Advisor**

Estrada Hinojosa & Company, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. 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 Certificates, 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.

*[Remainder of page intentionally left blank]*

## Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Purchasers of the Certificates 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 Certificates, on the date of such Official Statement, on the date of sale of said Certificates 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, 2015, the date of the last audited financial statements of the City appearing in the Official Statement.

## Miscellaneous

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

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

/s/
Mayor
City of Arlington, Texas

ATTEST:

/s/
City Secretary
City of Arlington, Texas

**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 (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats. The Council elects both a Mayor Pro Tem and a Deputy Mayor Pro Tem from among its members.

### Mayor and City Council

Policy-making and supervisory functions are the responsibility of and are vested in the Council under provisions of the City Charter. Ordinance, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station and webcast. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council, but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

### Administration

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

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

*[Remainder of page intentionally left blank]*

## 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 | (1) | 160,113 | 7.66% | 226,545,805 | 1.15% |
| 1990 | (1) | 261,721 | 6.35% | 248,765,170 | 0.98% |
| 2000 | (1) | 332,969 | 2.72% | 281,421,906 | 1.31% |
| 2010 | (1) | 365,438 | 0.98% | 308,745,538 | 0.97% |
| 2011 | (2) | 365,530 | 0.03% | 312,697,481 | 1.28% |
| 2012 | (2) | 365,860 | 0.09% | 316,700,009 | 1.28% |
| 2013 | (2) | 365,930 | 0.02% | 320,753,769 | 1.28% |
| 2014 | (2) | 369,508 | 0.98% | 324,859,417 | 1.28% |
| 2015 | (2) | 369,592 | 0.02% | 329,017,618 | 1.28% |
| 2016 | (2) | 370,367 | 0.21% | 333,229,043 | 1.28% |

Source: U.S. Dept. of Commerce, U.S. Census, and the Community Development and Planning Department Estimates.
(1) Actual Census population.
(2) Estimated population from the United States is calculated at 1.28% annual growth rate, per the United States Census Bureau.

**Employment**

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

**Unemployment Rate**
**Annual Average Rates**
**2011 to 2015**

| | January 2016 | January 2015 | January 2014 | January 2013 | January 2012 |
|---|---|---|---|---|---|
| Arlington | 3.8% | 4.5% | 6.0% | 7.5% | 7.1% |
| Texas | 4.4% | 4.7% | 5.7% | 6.9% | 7.3% |
| United States | 5.3% | 6.1% | 7.0% | 8.5% | 8.8% |

Source: Texas Workforce Commission

**Arlington Major Employers** [1]

| Employer | Type of Business | Number of employees |
|---|---|---|
| Arlington Independent School District | Public Education | 8,200 |
| University of Texas at Arlington | Higher Education | 5,300 |
| General Motors | Automobile Assembly | 4,484 |
| Texas Health Resources | Medical | 4,063 |
| Six Flags Over Texas | Amusement Park | 3,800 |
| The Parks Mall at Arlington | Retail | 3,500 |
| GM Financial | Automobile Financing | 2,965 |
| City of Arlington | Municipality | 2,509 |
| J.P. Morgan Chase | Banking Services | 1,965 |
| Texas Rangers Baseball Club | Major League Baseball | 1,881 |
| **Total** | | **38,667** |

[1] Arlington Chamber of Commerce. Includes part-time and peak seasonal employees.

**Building Permits**

| | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Permits | Declared Value | Permits | Declared Value | Permits | Declared Value |
| New Single Family | 388 | $ 86,937,841 | 328 | $ 135,154,940 | 580 | $ 128,592,698 |
| New Multifamily | 6 | 43,345,523 | - | - | - | - |
| New Commercial | 142 | 128,197,757 | 143 | 150,605,419 | 125 | 94,840,703 |
| Other (Residential and Commercial) | 4,282 | 142,759,827 | 4,683 | 108,306,498 | 3,890 | 93,256,722 |
| Grand Total | 4,818 | $ 401,240,948 | 5,154 | $ 394,066,857 | 4,595 | $ 316,690,123 |

Source: City of Arlington Building Inspections Division

**APPENDIX B**

**AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF ARLINGTON FISCAL YEAR 2015**

Grant Thornton

# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Grant Thornton LLP**
1717 Main Street, Suite 1800
Dallas, TX 75201-4667

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twitter.com/GrantThorntonUS

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

## Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Housing Authority or the Arlington Convention and Visitors Bureau, Inc. (the "component units"), discretely presented component units, which statements reflect 5%, 4%, and 93% of assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Arlington Convention and Visitors Bureau, Inc. were not audited in accordance with *Government Auditing Standards.*

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

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

**Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas as of September 30, 2015, 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.

**Emphasis of matter**

As disclosed in Note 1.Q to the financial statements, the City adopted new accounting guidance in fiscal year 2015 related to the accounting for pensions. Our opinion is not modified with respect to this matter.

**Other matters**

*Required supplementary information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 20, the Budgetary Comparison Schedule – General Fund, the Schedule of Changes in the City's Net Pension Liability – TMRS, the Schedule of Contributions – TMRS, the Schedule of Changes in the City's Net Pension Liability– Part-Time Deferred Income Trust Plan, the Schedule of Contributions – Part-Time Deferred Income Trust Plan, the Schedule of Funding Progress – Disability Income Plan, and the Schedule of Funding Progress – Postemployment Healthcare Plan on pages 77 through 83, be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

Grant Thornton

*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 combining financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other information*

The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 29, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

GRANT THORNTON LLP

Dallas, Texas
February 29, 2016

ARLINGTON℠

THE AMERICAN DREAM CITY

## CITY OF ARLINGTON, TEXAS

### Management's Discussion and Analysis
### For the Year Ended September 30, 2015 (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the City of Arlington's (City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities and financial position of the City of the fiscal year ended September 30, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal (p. vii - xi of report) and statistical section (p. 125 - 154 of report), as well as information found on the City's website at www.arlington-tx.gov including City Council's Priorities, the annual budget and business plan, and other community information. It should be noted that the Independent Auditors' Report describes the auditors' association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through 71.

## FINANCIAL HIGHLIGHTS

The City implemented GASB statements relating to pension reporting during FY15. Implementation required the City to restate beginning net position for the current year and to begin recording the net pension liability on the government-wide financial statements. Beginning net position was restated as follows:

| Activity Type | Net Position 9/30/14 | Restated Net Position | Difference |
|---|---|---|---|
| Governmental | 1,273,819 | 1,206,486 | (67,333) |
| Business-type | 670,363 | 664,043 | (6,320) |

Additional information regarding GASB 68 and 71 is included in Footnote 6 and in the Required Supplementary Information section. The net position of governmental activities **increased** by $18M during FY15. Net investment in capital assets and restricted net position remained the same as reported last year.

- The City's **increase** in total net position of $37.4M for the year was $43.5M higher than the $6.1M decrease reported last year. The increase is primarily related to increased revenues in property and sales tax, capital grants and contributions, and charges for services increase in the proprietary funds. The Water and Sewer Utility's net position increased by $19M in fiscal year 2015 compared to $14.3M in fiscal year 2014.

- The City's governmental funds reported combined ending fund balances of $286.8M, an i**ncrease** of $6.3M over last year. This increase is due to a combination of:

    - An **increase** of $11M of fund balance restricted and committed for capital projects and an **increase** of $1.1M assigned to encumbrances.
    - A **decrease** of prepaids totaling $5.4M of nonspendable fund balance.
    - A **decrease** in unassigned General Fund balance of $.4M.

- The 2015 General Fund assigned fund balance was $56.3M with $.5M unassigned, an overall **increase** in the aggregate from prior year. In 2014, the comparable balances were $54.4M and $.9M. Fund balance assignment changes in the General Fund include decreases information technology and park performance of $.01M, and $.3M respectively. Increases to encumbrances, working capital, subsequent years'

expenses, compensated absences and dispatch of $1.2M, .6M, .2M, .07M and .2M respectively were also noted.

- Total debt of $666.2M **decreased** $19M during the year. Debt issues in 2015 include $32.0M in Permanent Improvement Bonds and $36.8M in Permanent Improvement Refunding bonds, $11.9M in Water and Wastewater System Refunding bonds, $18.2M in Water and Wastewater System Revenue Bonds, Series 2015A and $.24M bonds related to the 2008 Texas Water Development Board (TWDB) Clean and Drinking Water Programs. Bond principal payments for 2015 total $107M on existing obligations with an additional $11.9M in principal refunded. Exclusive of Cowboy's Stadium debt, City of Arlington debt is allocated 65% for general government, with the remaining 35% to water, wastewater and storm water activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements**

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

The Statement of Net Position presents information on all of the assets, liabilities, deferred inflows and deferred 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 Net Position combines governmental funds' current financial resources (short-term spendable resources) with additional accruals, capital assets and long-term obligations. Other non-financial factors should also be taken into consideration to assess the overall health or financial condition of the City, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the 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 the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

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

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

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

- Component Units – The City includes one blended component unit with financial activity in 2015 in its report – Arlington Property Finance Authority, Inc. For fiscal year 2015, the City includes six discretely presented component units in its report – Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation (new, no activity) and the Arlington Convention Center Development Corporation (ACCDC). Although legally separate, these component units are important because the City is financially accountable for them.

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

A fund is a self-balancing set of 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. The fund financial statements provide detailed information about the most significant funds – not the City as a whole.

**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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The majority of the City's basic services are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are defined in a reconciliation following the fund financial statements.

The City maintains twenty-one individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and the Streets Capital Projects Fund, all of which are considered to be major funds. Data from the other eighteen 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 this report.

**Proprietary Funds**

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

statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in the Comprehensive Annual Financial Report.

**THE CITY AS TRUSTEE**

**Reporting the City's Fiduciary Responsibilities**

The City is the trustee, or fiduciary, for several funds, including the Part-Time Deferred Income Trust, Thrift Savings Plan, and Disability Income Plan, as well as certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. While individual funds are provided in the report, the assets and activities of these funds are excluded from the City's government-wide financial statements, because the City cannot use these assets to finance its operations.

**NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and postemployment healthcare to the employees.

**THE CITY AS A WHOLE – Government-wide Financial Analysis**

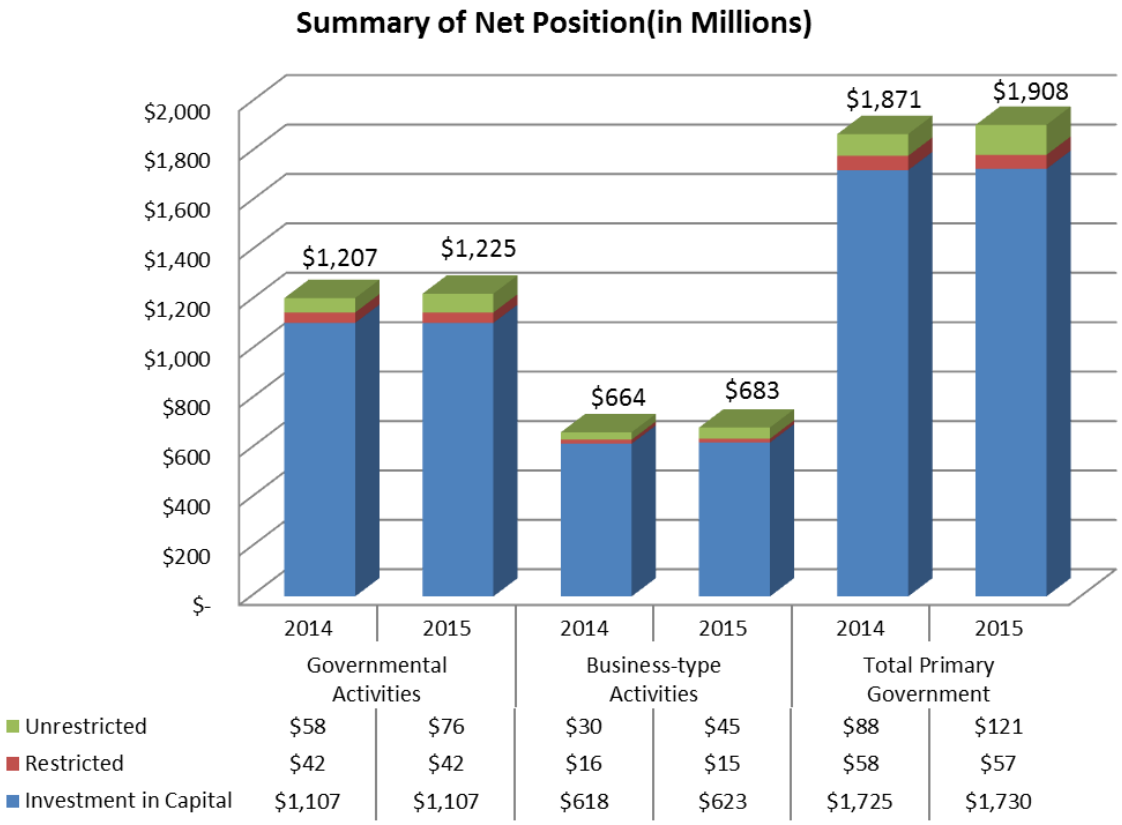
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position was $1.9B as of September 30, 2015. The largest portion of the City's net position $1.7B (91%) reflects its investments in capital assets (e.g. land, building, 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; consequently these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future.

**Table 1**
**Summary of Net Position**
**(Amounts Expressed in Millions)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Current and other assets | $357 | $370 | $135 | $138 | $492 | $508 |
| Capital assets | 1,573 | 1,571 | 708 | 728 | 2,281 | 2,299 |
| Deferred outflows of resources | 6 | 32 | 1 | 4 | 7 | 36 |
| Total assets and deferred outflows of resources | 1,936 | 1,973 | 844 | 870 | 2,780 | 2,843 |
| Long-term liabilities | 656 | 666 | 152 | 160 | 808 | 826 |
| Other liabilities | 69 | 71 | 28 | 27 | 97 | 98 |
| Deferred inflows of resources | 4 | 11 | - | - | 4 | 12 |
| Total liabilities and deferred inflows of resources | 729 | 748 | 180 | 187 | 909 | 935 |
| Net position: | | | | | | |
| Net investment in capital assets | 1,107 | 1,107 | 618 | 623 | 1,725 | 1,730 |
| Restricted | 42 | 42 | 16 | 15 | 58 | 57 |
| Unrestricted | 58 | 76 | 30 | 45 | 88 | 121 |
| Total net position | $1,207 | $1,225 | $664 | $683 | $1,871 | $1,908 |

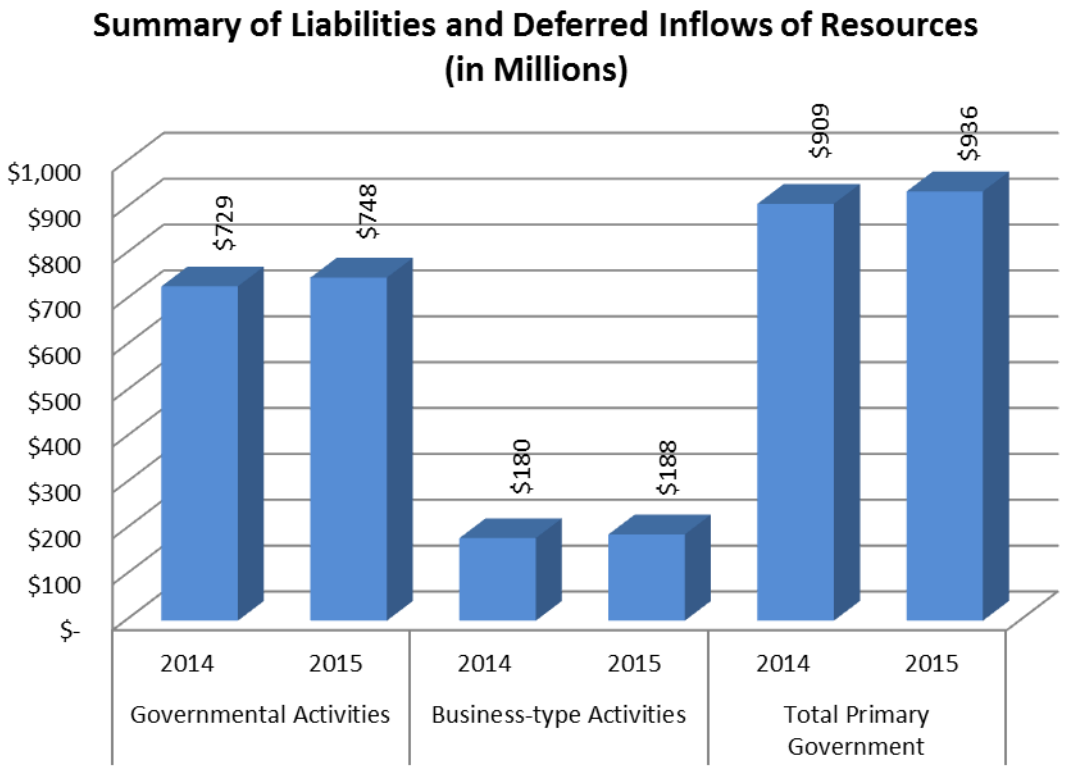
Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68.

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




Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68.

An additional portion of the City's net position of $57M (3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of $121M (6%) may be used to meet the government's ongoing obligations to citizens and creditors.




Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68.

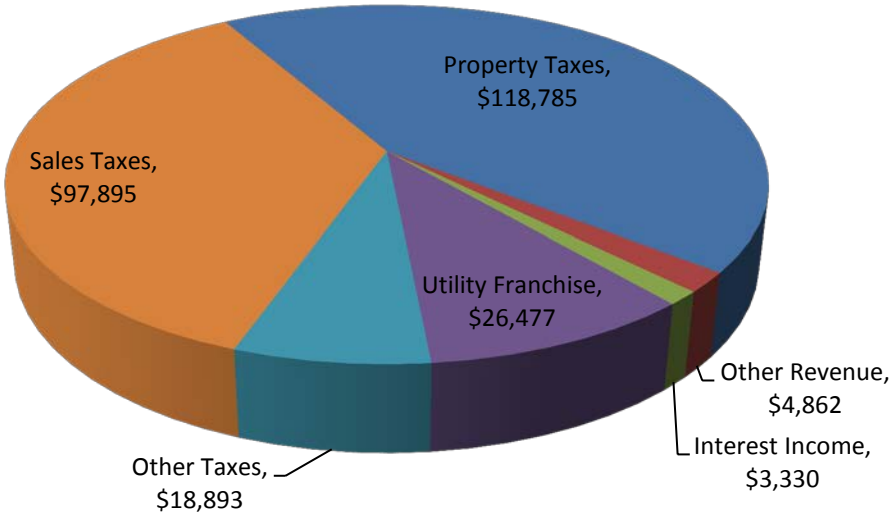
Liabilities and deferred inflows of resources increased from $836M to $935M for the total government, an increase of 11.8%. The increase, of which the majority is primarily shown in the governmental activities, results from the new GASB 68 requirement, in which the City is required to record the net pension liability of the City on the Statement of Net Position. Additional information on GASB 68 is discussed elsewhere in the notes to the financial statements

**Governmental Activities**

The City's general revenues increased compared to the prior year, increasing overall by 4.99%. Sales and property tax revenue accounted for the majority of the increase this year compared to last.

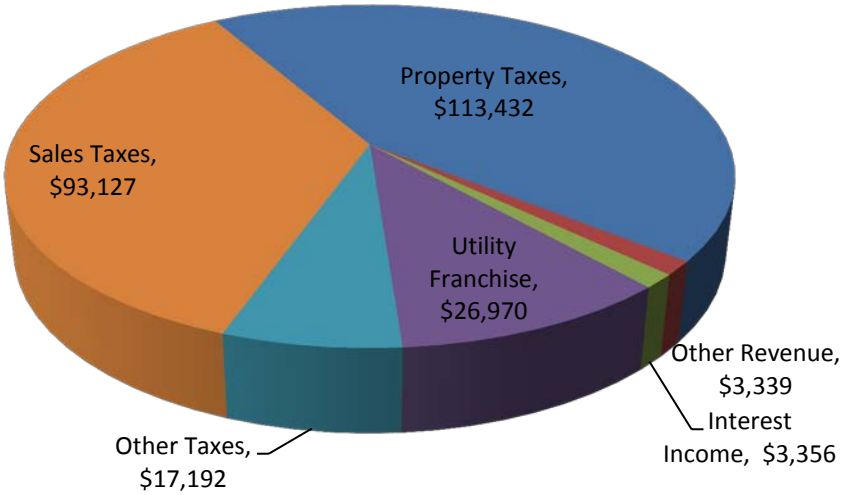
Property tax collections were up from the prior year by about $5.3M. The residential property values increased by 4.8%, while commercial property values increased by 2.3%. The City anticipates property values to increase with continued state of economic conditions. The property tax rate for 2015 was set at $0.6480 per $100 assessed valuation; remaining unchanged for the twelfth consecutive year.

## 2015 General Revenue
## (in thousands)




Sales tax revenue increased by $4.8M, up 5.12% from the prior year. Consumer confidence continued to strengthen during the year and the dramatic drop in gasoline prices created more disposable income for the average consumer. The City also benefited from major events at AT&T Stadium and the Texas Rangers playoff berth. Taking these factors into consideration, strong sales tax collections in 2015 indicate the economy in Arlington is continuing to improve. Utility franchise fee collections decreased 1.8% in 2015, primarily due to decreased revenue for electrical and gas utilities.

## 2014 General Revenue
## (in thousands)



Governmental activities increased the City's net position by $18.1M, and business-type activities increased net position by $19M, for a total increase of $37.1M. Changes from 2014 to 2015 are shown in Table 2.

**Table 2**
**Changes in Net Position**
**(amounts expressed in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| **Revenues** | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | $ 60,996 | $ 62,095 | $ 126,919 | $ 136,030 | $ 187,915 | $ 198,125 |
| Operating grants and contributions | 9,953 | 12,700 | - | - | 9,953 | 12,700 |
| Capital grants and contributions | 4,910 | 10,479 | 3,136 | 1,148 | 8,046 | 11,627 |
| General Revenues: | | | | | - | - |
| Taxes | 223,751 | 235,573 | - | - | 223,751 | 235,573 |
| Utility franchise fees | 26,970 | 26,477 | - | - | 26,970 | 26,477 |
| Interest income | 3,356 | 3,330 | 348 | 564 | 3,704 | 3,894 |
| Other | 3,339 | 4,862 | 61 | - | 3,400 | 4,862 |
| **Total revenues** | 333,275 | 355,516 | 130,464 | 137,742 | 463,739 | 493,258 |
| **Expenses** | | | | | | |
| General government | 74,183 | 69,680 | - | - | 74,183 | 69,680 |
| Public Safety | 146,899 | 142,489 | - | - | 146,899 | 142,489 |
| Public Works | 63,566 | 64,549 | - | - | 63,566 | 64,549 |
| Public Health | 2,740 | 2,849 | - | - | 2,740 | 2,849 |
| Parks and recreation | 34,075 | 33,410 | - | - | 34,075 | 33,410 |
| Public welfare | 11,558 | 10,019 | - | - | 11,558 | 10,019 |
| Convention and event services | 7,366 | 8,387 | - | - | 7,366 | 8,387 |
| Interest and fiscal charges | 28,703 | 22,299 | - | - | 28,703 | 22,299 |
| Water, sewer and storm water | - | - | 100,792 | 102,158 | 100,792 | 102,158 |
| **Total expenses** | 369,090 | 353,682 | 100,792 | 102,158 | 469,882 | 455,840 |
| **Increase (decrease) in net position before transfers** | (35,815) | 1,834 | 29,672 | 35,584 | (6,143) | 37,418 |
| Transfers and capital contributions | 15,355 | 16,535 | (15,355) | (16,535) | - | - |
| **Increase (decrease) in net position** | (20,460) | 18,369 | 14,317 | 19,049 | (6,143) | 37,418 |
| **Net Position, October 1** | 1,294,279 | 1,206,486 | 656,046 | 664,043 | 1,950,325 | 1,870,529 |
| **Impact of change in accounting principle** | (67,333) | - | (6,320) | - | (73,653) | - |
| **Net Position, September 30** | $ 1,206,486 | $ 1,224,855 | $ 664,043 | $ 683,092 | $ 1,870,529 | $ 1,907,947 |

Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68.

Tax revenues were up $11.8M from 2014, largely attributable to strong sales tax revenues and property tax collections. Operating grants and contributions increased $2.7M compared to the prior year due increased revenue in the following special revenue funds: Urban Mass Transit, Home Investment Partnership, North Texas Council of Governments, and Gas Lease funds. Capital grants and contributions increased as a result of Library bond activity.

Overall, expenditures decreased approximately $14.0M (3%) from the prior year. Increases are primarily attributed to reclassification/equity adjustments, increased staffing and salary expenses. The decreases are primarily due to position vacancies, postponement of projects, and decrease in the amount of interest and fiscal charges in the current year.

The revenue increase of $7.3M in business activities (Water and Wastewater/Storm Water Utility) is largely a result of an increase in water sales and sewer service revenues in the current year. Increases in expenses were primarily for the cost of purchasing water and sewage treatment.

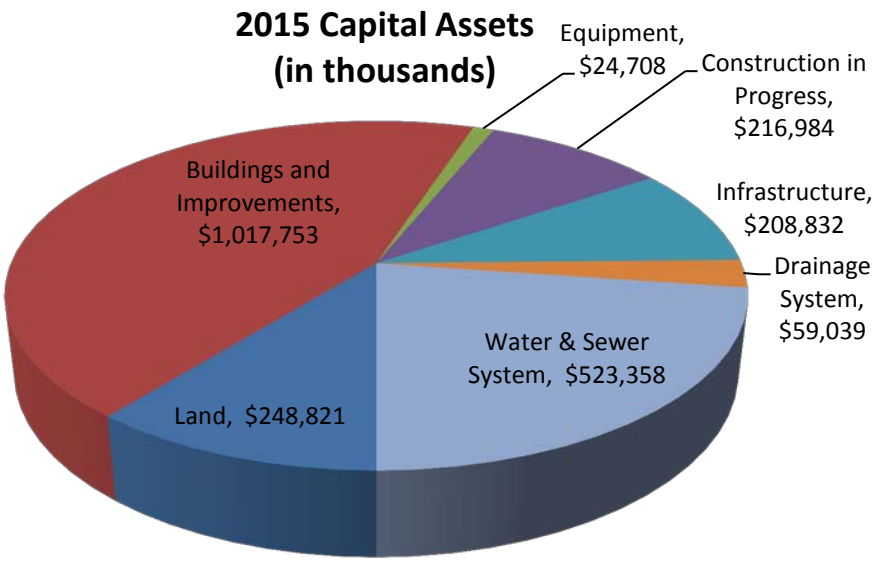
**CAPITAL ASSET AND DEBT ADMINISTRATION**

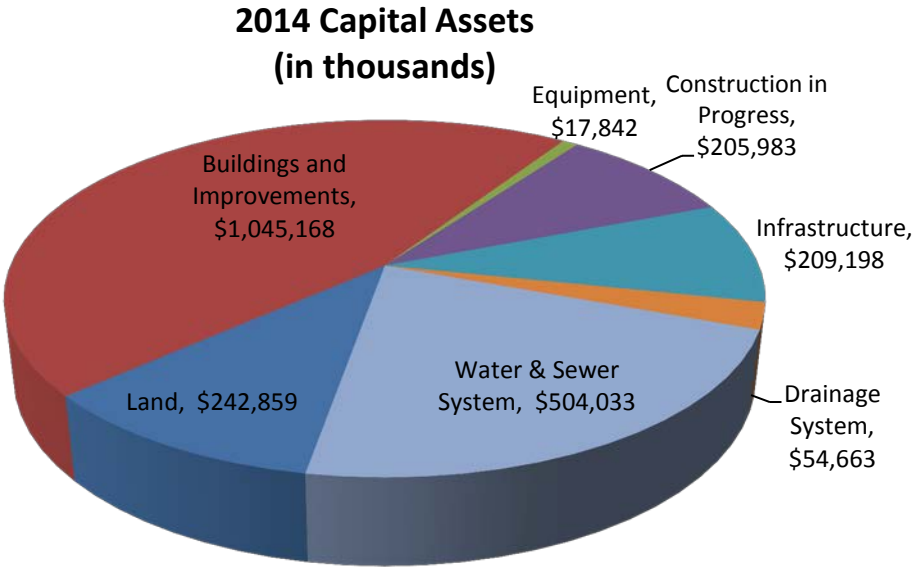
**Capital Assets**

At the end of the fiscal year 2015, the City had $2.3B invested in a broad range of capital assets. This amount is a slight increase from the prior fiscal year. Footnote 5 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

**Table 3**
**Capital Assets, net of Accumulated Depreciation**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Land | $ 221,319 | $ 226,911 | $ 21,540 | $ 21,910 | $ 242,859 | $ 248,821 |
| Buildings and improvements | 1,043,746 | 1,016,389 | 1,422 | 1,364 | 1,045,168 | 1,017,753 |
| Equipment | 17,007 | 24,124 | 835 | 584 | 17,842 | 24,708 |
| Construction in progress | 80,814 | 95,045 | 125,169 | 121,939 | 205,983 | 216,984 |
| Infrastructure | 209,198 | 208,832 | - | - | 209,198 | 208,832 |
| Drainage system | - | - | 54,663 | 59,039 | 54,663 | 59,039 |
| Water and sewer system | - | - | 504,033 | 523,358 | 504,033 | 523,358 |
| Totals | $1,572,084 | $1,571,301 | $707,662 | $728,194 | $2,279,746 | $2,299,495 |

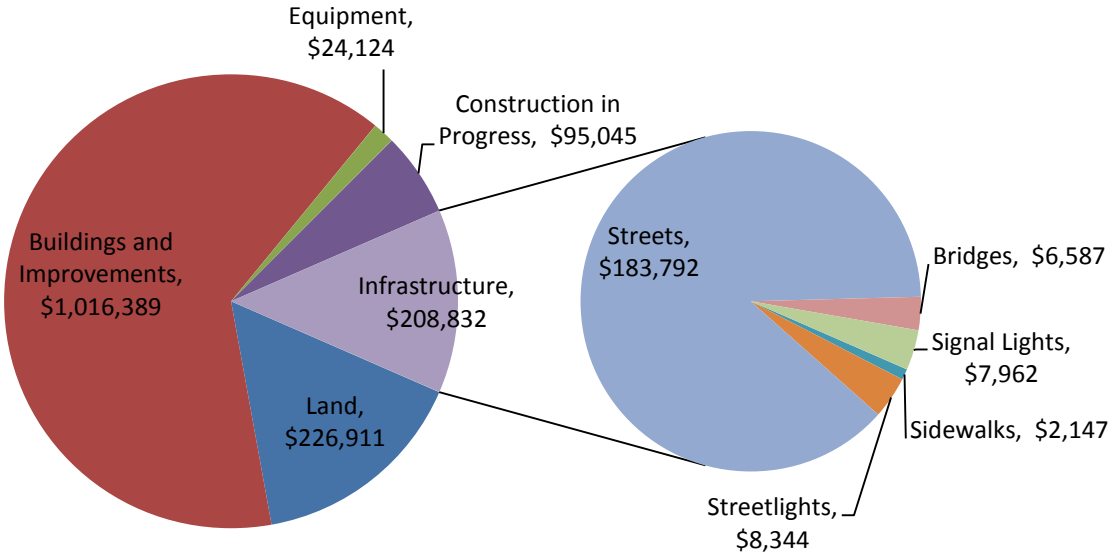



The City's governmental activities infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

| Asset | Book Value | Accumulated Depreciation | Net Value |
|---|---|---|---|
| Sidewalks | $ 65,802 | $ (63,655) | $ 2,147 |
| Streetlights | 19,202 | (10,858) | 8,344 |
| Streets | 724,575 | (540,783) | 183,792 |
| Bridges | 32,097 | (25,510) | 6,587 |
| Signal Lights | 17,032 | (9,070) | 7,962 |
| | $ 858,708 | $ (649,876) | $ 208,832 |

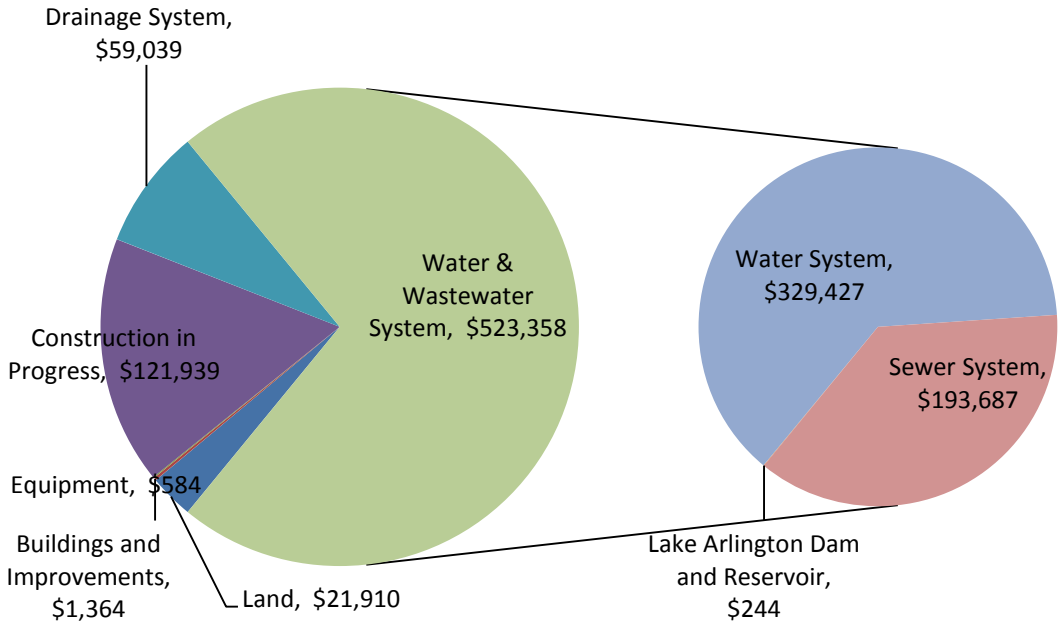
## 2015 Capital Assets – Governmental Infrastructure Detail (in thousands)




The City's water and sewer enterprise infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

| Asset | Book Value | Accumulated Depreciation | Net Value |
|---|---|---|---|
| Lake Arlington | $ 2,619 | $ (2,375) | $ 244 |
| Water System | 510,377 | (180,950) | 329,427 |
| Sewer System | 290,792 | (97,105) | 193,687 |
| | $ 803,788 | $ (280,430) | $ 523,358 |

## 2015 Capital Assets – Enterprise Infrastructure Detail (in thousands)



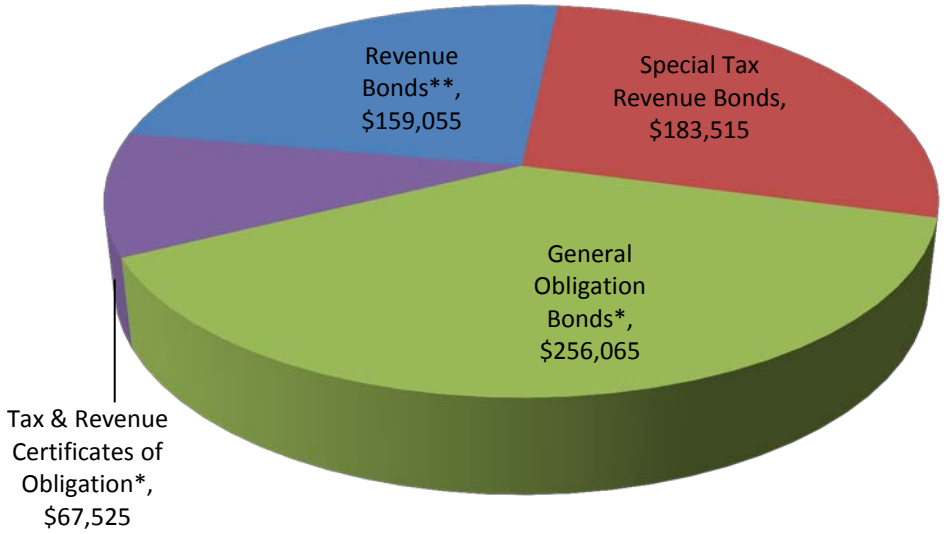

Major capital asset additions during the fiscal year include the following:

- Private developer capital contributions of $1.1M 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 $27.4M
- Storm drainage system capital improvements and expansion of $26.5M
- Street construction projects capital outlay totaling $26.8M
- Improvements to parks and recreation facilities of $4.4M

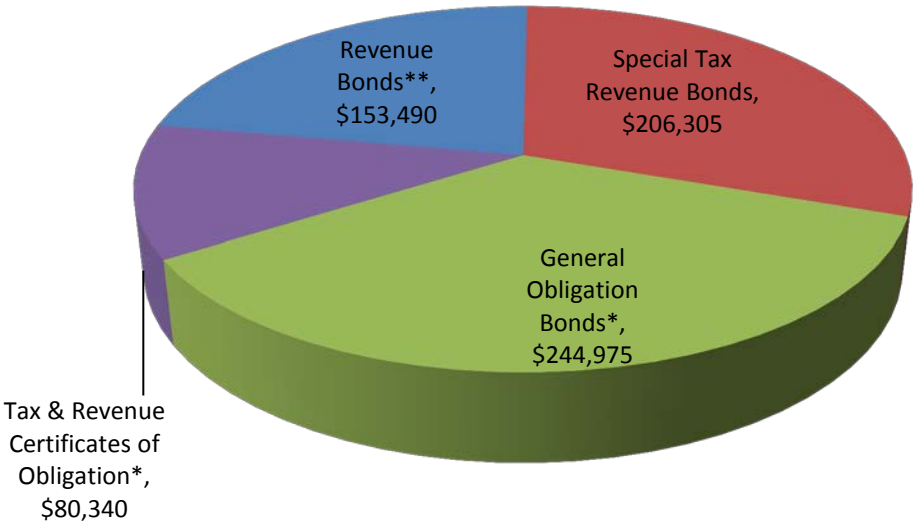
**Debt**

At year-end, the City had $666.1M in debt, a decrease of $18.9M from 2014. The City refunded $11.9M in water and wastewater system revenue bonds.

## 2015 Outstanding Debt (in thousands)




## 2014 Outstanding Debt (in thousands)




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

**Table 4**
**Outstanding Debt**
**(Amounts Expressed in Thousands)**

| | Governmental Activities | | Business-type Activities | | Total Activities | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| General obligation bonds (backed by the City) | $ 244,975 | $ 256,065 | $ - | $ - | $ 244,975 | $ 256,065 |
| Combination tax and revenue certificates of obligation (backed by the City) | 80,340 | 67,525 | - | - | 80,340 | 67,525 |
| Special tax revenue bonds | 206,305 | 183,515 | - | - | 206,305 | 183,515 |
| Revenue bonds (backed by fee revenues) | - | - | 153,490 | 159,055 | 153,490 | 159,055 |
| | $ 531,620 | $ 507,105 | $ 153,490 | $ 159,055 | $ 685,110 | $ 666,160 |

During the current fiscal year, the City issued $68.9M in Permanent Improvement and Refunding bonds to make various capital improvements, and to pay costs related to the issuance of the bonds. In 2015, the City issued $18.2M in Water and Sewer Revenue Bonds for the purpose of improving and expanding existing water and wastewater infrastructure. In 2015, the City issued $11.9M in Water and Wastewater System Revenue Refunding Bonds to refund outstanding obligations and pay costs associated with the sale of the bonds. Additionally, the City issued $.235M related to the 2008 debt issues held by the Texas Water Development Board (TWDB) as part of the TWDB Clean and Drinking Water Programs. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2015, the City's debt ratings were as follows by type and agency:

| Type | Fitch | S&P | Moodys |
|---|---|---|---|
| City GO/CO - Tax Supported | AAA | AAA | Aa1 |
| Water & Wastewater Revenue | AAA | AAA | Aa2 |
| Storm Water Revenue | | AAA | Aa2 |
| Cowboys Complex Special Obligations | A+ | A+ | A1 |

General bonded debt per capita decreased from $892 in 2014 to $871 in 2015.

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 1.75%.

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 $500,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors which can vary considerably from year to year. Total estimated claims liability at September 30, 2015 was $9.05M.

**THE CITY'S FUNDS**

The governmental funds of the City reported a combined fund balance of $286.8M. The General Fund balance was $58M, an increase of $1.8M from prior year. The Debt Service fund balance increased $.1M, ending the year with $34.5M. The increase was a result of general obligation debt issuance and the refunding and retirement of principal on existing debt. Other changes in fund balances should be noted:

- Street Capital Projects fund spending increased in fiscal year 2015, up from $22M to $26.7M. The $26.7M in capital outlay was offset by capital contributions of $5M and a debt issuance of $25.6M, resulting in a $3.9M increase in fund balance.

- The City's water and sewer fund net position of $595M increased by $13.8M in the current year. The increase in net position is primarily due to increased operating revenues exceeding expenses by $28M.

- The Storm Water Utility fund, created in 2009 to address the City's need to manage issues associated with storm water runoff, saw an increase of $5.5M to net position in 2015; storm water fee revenues exceeded fund expenses by $7.1M, increasing net position to $91.3M at the end of the fiscal year.

**GENERAL FUND BUDGET HIGHLIGHTS**

During fiscal year 2015, there were no budget amendments in the General Fund.

Actual expenditures on a budgetary basis of $212.9M were slightly less than budgeted expenditures of $222.8M. Position vacancies resulted in significant salary and benefit savings in the fund.

Revenues on a budgetary basis were higher than the budgeted amount of $224.2M by $.9M. Taxes, licenses and permits, leases, rents, and concessions, and service charges were higher than expected by $.8M, $1.3M, $1.7M and $1.1M respectively. Utility franchise fees were down due to decreased electrical and gas utility revenues. In addition, decreased red light camera violations revenue resulted in lower than budgeted revenues in fines and forfeitures. Building permit and gas well fees accounted for most of the licenses and permit fees decreases.

**ECONOMIC FACTORS AND FISCAL YEAR 2016**

Each year, the City Council and appointed officials consider many factors when setting the fiscal year's budget, tax rates, and fees that will be charged for the business-type activities. The City of Arlington continues to see the need for services and programs outpacing economic growth. While the City has experienced some growth over the past several years, the City must constantly innovate, improve processes, and search for prudent opportunities for investment. General Fund property tax revenues increased to $118.8M and sales taxes were strong in 2015. Nevertheless, City Council and management remain committed to prudent, conservative fiscal planning. Key budget priorities in 2016 are:

- Invest in our economy
- Enhance regional mobility
- Put technology to work
- Champion great neighborhoods
- Support quality education

The City's total General Fund revenues and transfers for 2016 are budgeted at $223.5M, and total General Fund expenditures are expected to be $221.9M, an net decrease of $.9M over 2015.

The General Fund's largest single revenue source is property taxes. This revenue represents 37% of the General Fund budget. The property tax rate for 2016 is $0.6480 per $100 valuation, unchanged since 2004. The tax rate is broken into two pieces, operations and maintenance, $0.4460 per $100 valuation, to the General Fund, and interest and sinking, $0.2020 per $100 valuation, for debt service. The General Fund property tax revenue for 2016 is estimated to be $83.5M, up $4.9M (6.28%) from last year's estimate.

The City's portion of the local 8 cent sales tax rate is one and three-quarter cents. The General Fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, and one-half cent provides for debt service for the AT&T Stadium debt. Sales tax revenue for the General Fund for fiscal year 2016 is estimated at $58.8M, an increase from 2015 collections.

The City's Water and Sewer Fund accounts for nearly 30% 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 $67.8M and $55.1M respectively for FY 2016. 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 2016 Operating Budget can be accessed on the City's website: www.arlingtontx.gov.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's fiscal accountability. If you have questions about this report or need additional information, contact Amy Trevino, Controller (amy.trevino@arlingtontx.gov), in the Finance Department, at the City of Arlington, 101 S. Mesquite St., Suite 800, Arlington, TX 76010. The City is also an active member of MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington CAFR on file. Additionally, the CAFR can be found on the City's website at www.arlingtontx.gov.

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF NET POSITION**
**AS OF SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **ASSETS** | | | | |
| Cash and cash-like investments | $ 282,705 | $ 35,441 | $ 318,146 | $ 9,895 |
| Investments | - | - | - | 100,732 |
| Land Held for Resale | 7,654 | - | 7,654 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes | 5,670 | - | 5,670 | - |
| Sales taxes | 17,323 | - | 17,323 | - |
| Trade accounts | 3 | 10,210 | 10,213 | - |
| Franchise fees | 6,754 | - | 6,754 | - |
| Unbilled trade accounts | - | 7,755 | 7,755 | - |
| Loan receivable | - | 1,833 | 1,833 | - |
| Special assessments | 137 | - | 137 | - |
| Accrued interest | 1,166 | - | 1,166 | - |
| Ballpark lease | 12,367 | - | 12,367 | - |
| Settlement agreement | 7,714 | - | 7,714 | - |
| Other | 3,965 | 121 | 4,086 | 683 |
| Internal balances | 2,807 | (2,807) | - | - |
| Due from other governments | 5,863 | - | 5,863 | - |
| Inventory of supplies | 1,493 | 1,230 | 2,723 | - |
| Prepaid expenses | 5,894 | - | 5,894 | 25 |
| Net other post employment benefit asset | 459 | - | 459 | - |
| Restricted assets- | | | | |
| Bond contingency- | | | | |
| Investments | - | 14,822 | 14,822 | - |
| Capital construction- | | | | |
| Investments | - | 58,670 | 58,670 | - |
| Escrow | - | 2,205 | 2,205 | - |
| Meter deposits- | | | | |
| Investments | - | 5,351 | 5,351 | - |
| Loan receivable | - | 3,667 | 3,667 | - |
| Closure/Post-closure trust fund | | | | |
| Investments | 7,703 | - | 7,703 | - |
| Capital Assets- | | | | |
| Land | 226,911 | 21,910 | 248,821 | - |
| Buildings and improvements | 1,294,861 | 2,833 | 1,297,694 | 563 |
| Water and sewer system | - | 803,789 | 803,789 | - |
| Machinery and equipment | 105,727 | 11,909 | 117,636 | 1,270 |
| Infrastructure | 858,708 | - | 858,708 | - |
| Drainage systems | - | 96,435 | 96,435 | - |
| Construction in progress | 95,045 | 121,939 | 216,984 | - |
| Accumulated depreciation | (1,009,951) | (330,621) | (1,340,572) | (1,385) |
| **Total Assets** | 1,940,978 | 866,692 | 2,807,670 | 111,783 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred loss on debt refunding | 7,241 | 2,147 | 9,388 | - |
| Deferred outflow-Contributions Pension | 16,024 | 1,193 | 17,217 | - |
| Deferred outflow-Investment Earnings Pension | 8,524 | 635 | 9,159 | - |
| **Total Assets and Deferred Outflows of Resources** | 1,972,767 | 870,667 | 2,843,434 | 111,783 |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **LIABILITIES** | | | | |
| Accounts payable and accrued liabilities | $ 25,953 | $ 4,069 | $ 30,022 | $ 2,362 |
| Retainage payable | 1,741 | - | 1,741 | - |
| Accrued interest | 2,743 | - | 2,743 | - |
| Payable from restricted assets- | | | | |
| Accounts payable and accrued liabilities | - | 2,511 | 2,511 | - |
| Retainage payable | - | 1,445 | 1,445 | - |
| Accrued interest | - | 1,654 | 1,654 | - |
| Meter deposits | - | 5,351 | 5,351 | - |
| Non-current liabilities | | | | |
| Due within one year: | | | | |
| Estimated claims payable | 4,309 | - | 4,309 | - |
| General obligation and certificates of obligation debt | 31,985 | - | 31,985 | - |
| Special tax revenue debt | 1,975 | - | 1,975 | - |
| Accrued compensated absences | 1,445 | 152 | 1,597 | - |
| Revenue bonds | - | 11,543 | 11,543 | - |
| Capital lease obligation | 996 | - | 996 | - |
| Due in more than one year: | | | | |
| Estimated claims payable | 4,736 | - | 4,736 | - |
| Net other post-employment benefit obligation | 36,620 | - | 36,620 | - |
| General obligation and certificates of obligation debt | 300,973 | - | 300,973 | - |
| Special tax revenue debt | 183,074 | - | 183,074 | - |
| Landfill closure accrued liabilities | 7,703 | - | 7,703 | - |
| Accrued compensated absences | 26,783 | 1,906 | 28,689 | - |
| Revenue bonds | - | 151,096 | 151,096 | - |
| Net pension liability | 97,355 | 7,249 | 104,604 | - |
| Capital lease obligation | 8,864 | - | 8,864 | - |
| **Total Liabilities** | 737,255 | 186,976 | 924,231 | 2,362 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflow-actuarial assumption pension | 8,047 | 599 | 8,646 | - |
| Deferred inflow - lease & settlement agreements | 2,610 | - | 2,610 | 12 |
| **Total Liabilities and Deferred Inflows of Resources** | 747,912 | 187,575 | 935,487 | 2,374 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 1,106,327 | 622,780 | 1,729,107 | 448 |
| Restricted for debt service | 34,526 | 14,947 | 49,473 | - |
| Restricted for use of impact fees | 7,623 | - | 7,623 | - |
| Restricted for housing assistance | - | - | - | 7 |
| Restricted for endowments | - | - | - | 104,742 |
| Unrestricted | 76,379 | 45,365 | 121,744 | 4,212 |
| **Total Net Position** | $ 1,224,855 | $ 683,092 | $ 1,907,947 | $ 109,409 |

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

ARLINGTON℠

THE AMERICAN DREAM CITY

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | | Program Revenues | | |
|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| **Primary Government:** | | | | |
| **Governmental Activities:** | | | | |
| General government | $ 69,680 | $ 25,617 | $ 520 | $ 5,744 |
| Public safety | 142,489 | 17,957 | 5,489 | - |
| Public works | 64,549 | 1,585 | 183 | 4,685 |
| Public health | 2,849 | 3,508 | 148 | - |
| Parks and recreation | 33,410 | 10,356 | - | 50 |
| Public welfare | 10,019 | 220 | 6,360 | - |
| Convention and event services | 8,387 | 2,852 | - | - |
| Interest and fiscal charges | 22,299 | - | - | - |
| **Total Governmental Activities** | 353,682 | 62,095 | 12,700 | 10,479 |
| **Business-Type Activities:** | | | | |
| Water and sewer | 97,118 | 123,870 | - | 1,148 |
| Storm water utility | 5,040 | 12,160 | - | - |
| **Total Business-Type Activities** | 102,158 | 136,030 | - | 1,148 |
| **Total Primary Government** | $ 455,840 | $ 198,125 | $ 12,700 | $ 11,627 |
| **Component Units:** | | | | |
| Arlington Housing Authority | $ 26,906 | $ - | $ 26,820 | $ - |
| Arlington Convention and Visitors Bureau | 5,356 | 5,354 | - | - |
| Arlington Tomorrow Foundation | 7,290 | - | - | - |
| Arlington Housing Finance Corporation | 8 | - | 4 | - |
| Arlington Industrial Development Corporation | 3 | - | - | - |
| Arlington Convention Center Development Corp | 4,565 | - | - | 4,565 |
| Arlington Economic Development Corp | - | - | - | - |
| **Total Component Units** | $ 44,128 | $ 5,354 | $ 26,824 | $ 4,565 |

General Revenues:
- Property taxes
- Sales taxes
- Criminal justice tax
- State liquor tax
- Bingo tax
- TIF/TIRZ
- Occupancy tax
- Franchise fees based on gross receipts
- Interest
- Net increase (decrease) in fair value of investments
- Other

Transfers
Total general revenues and transfers
Change in net position
Net position - beginning (as restated)*
Net position - ending

The notes to the financial statements are an integral part of this statement.
* Footnote I.Q. provides additional information regarding restatement of net position.

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| $ (37,799) | $ - | $ (37,799) | $ - |
| (119,043) | - | (119,043) | - |
| (58,096) | - | (58,096) | - |
| 807 | - | 807 | - |
| (23,004) | - | (23,004) | - |
| (3,439) | - | (3,439) | - |
| (5,535) | - | (5,535) | - |
| (22,299) | - | (22,299) | - |
| (268,408) | - | (268,408) | - |
| - | 27,900 | 27,900 | - |
| - | 7,120 | 7,120 | - |
| - | 35,020 | 35,020 | - |
| $ (268,408) | $ 35,020 | $ (233,388) | $ - |
| $ - | $ - | $ - | $ (86) |
| - | - | - | (2) |
| - | - | - | (7,290) |
| - | - | - | (4) |
| - | - | - | (3) |
| - | - | - | - |
| - | - | - | - |
| $ - | $ - | $ - | $ (7,385) |
| 118,785 | - | 118,785 | 2,610 |
| 97,895 | - | 97,895 | - |
| 421 | - | 421 | - |
| 1,817 | - | 1,817 | - |
| 85 | - | 85 | - |
| 6,470 | - | 6,470 | - |
| 10,100 | - | 10,100 | - |
| 26,477 | - | 26,477 | - |
| 3,330 | 465 | 3,795 | - |
| (294) | 99 | (195) | (5,124) |
| 5,156 | - | 5,156 | 599 |
| 16,535 | (16,535) | - | - |
| 286,777 | (15,971) | 270,806 | (1,915) |
| 18,369 | 19,049 | 37,418 | (9,300) |
| 1,206,486 | 664,043 | 1,870,529 | 118,709 |
| $ 1,224,855 | $ 683,092 | $ 1,907,947 | $ 109,409 |

**CITY OF ARLINGTON, TEXAS**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**AS OF SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | General | Debt Service | Street Capital Projects | Other Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash-like investments | $ 49,134 | $ 28,577 | $ 68,740 | $ 122,110 | $ 268,561 |
| Land held for resale | - | - | - | 7,654 | 7,654 |
| Closure/Post-closure restricted cash | 7,703 | - | - | - | 7,703 |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Taxes | 3,000 | 642 | - | 2,028 | 5,670 |
| Sales taxes | 9,899 | 4,949 | - | 2,475 | 17,323 |
| Franchise fees | 6,754 | - | - | - | 6,754 |
| Special assessments | - | - | 137 | - | 137 |
| Accrued interest | 808 | 358 | - | - | 1,166 |
| Lease and settlement agreements | 20,081 | - | - | - | 20,081 |
| Other | 3,156 | - | - | 731 | 3,887 |
| Due from other funds | 4,537 | - | - | - | 4,537 |
| Due from other governments | - | - | - | 5,863 | 5,863 |
| Inventory of supplies, at cost | 1,207 | - | - | 240 | 1,447 |
| Prepaid Expenditures | 71 | - | - | 5,740 | 5,811 |
| **Total Assets** | $ 106,350 | $ 34,526 | $ 68,877 | $ 146,841 | $ 356,594 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | | |
| **Liabilities:** | | | | | |
| Accounts payable and accrued liabilities | $ 11,654 | $ - | $ 2,397 | $ 11,406 | $ 25,457 |
| Retainage payable | 3 | - | 1,219 | 519 | 1,741 |
| Due to other funds | - | - | - | 4,537 | 4,537 |
| Closure/Post-closure trust fund | 7,703 | - | - | - | 7,703 |
| **Total Liabilities** | 19,360 | - | 3,616 | 16,462 | 39,438 |
| **Deferred inflows of resources:** | | | | | |
| Taxes | 2,650 | - | - | - | 2,650 |
| Landfill lease | 4,344 | - | - | - | 4,344 |
| Gas lease | - | - | - | 141 | 141 |
| Lease and settlement agreements | 20,081 | - | - | - | 20,081 |
| Unearned | 1,892 | - | 137 | 1,071 | 3,100 |
| **Total Deferred Inflows of Resources** | 28,967 | - | 137 | 1,212 | 30,316 |
| **Fund Balances:** | | | | | |
| Nonspendable: | | | | | |
| Inventory | 1,207 | - | - | 240 | 1,447 |
| Prepaids | 71 | - | - | 5,740 | 5,811 |
| Restricted for: | | | | | |
| Debt service | - | 34,526 | - | - | 34,526 |
| Capital projects | - | - | 65,124 | 43,975 | 109,099 |
| Special revenue | - | - | - | 25,573 | 25,573 |
| Committed to: | | | | | |
| Utility rate case | 500 | - | - | - | 500 |
| Capital projects | - | - | - | 27,516 | 27,516 |
| Special revenue | - | - | - | 25,534 | 25,534 |
| Assigned to: | | | | | |
| Encumbrances | 5,598 | - | - | - | 5,598 |
| Working capital | 18,162 | - | - | - | 18,162 |
| Subsequent years' expenditures | 6,538 | - | - | - | 6,538 |
| Compensated absences | 1,443 | - | - | - | 1,443 |
| Other post employment benefits | 1,718 | - | - | - | 1,718 |
| Future initiatives | 17,151 | - | - | - | 17,151 |
| Dispatch | 916 | - | - | - | 916 |
| Information technology | 119 | - | - | - | 119 |
| Business continuity | 4,062 | - | - | - | 4,062 |
| Park performance | - | - | - | 489 | 489 |
| Court security | - | - | - | 100 | 100 |
| Unassigned | 538 | - | - | - | 538 |
| **Total Fund Balances** | 58,023 | 34,526 | 65,124 | 129,167 | 286,840 |
| **Total Liabilities, Deferred Inflows of Resources and Fund Balances** | $ 106,350 | $ 34,526 | $ 68,877 | $ 146,841 | $ 356,594 |

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

**CITY OF ARLINGTON, TEXAS**
**RECONCILIATION OF THE STATEMENT OF NET POSITION**
**OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET**
**AS OF SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | | | |
|---|---|---|---|
| **Total fund balance per balance sheet** | | | $ 286,840 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding $13,125 recorded in the internal service funds). | | | 1,558,176 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | | |
| | Fund Deferred Inflows | Net Position Deferred Inflows | |
| Taxes | $ 2,650 | $ - | |
| Landfill | 4,344 | 4,344 | |
| Gas lease | 141 | 141 | |
| Grant revenue | 505 | (1,875) | |
| Ballpark lease | 12,367 | - | |
| Settlement | 7,714 | - | |
| Unearned | 2,595 | - | |
| | 30,316 | 2,610 | 27,706 |
| Internal service funds are used by management to charge the cost of fleet services, general services, APFA, technology services, 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. | | | 20,980 |
| Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds (excluding $8,810 recorded in the internal service funds). | | | |
| Bonds payable | | $(507,105) | |
| Premium general obligation debt | | (13,165) | |
| Discount on bonds | | 2,263 | |
| Deferred outflow of resources (refunding) | | 7,241 | |
| Accrued interest payable | | (2,743) | |
| Compensated absences | | (28,186) | |
| Net other post-employment benefit obligation | | (36,620) | |
| Net other post-employment asset | | 459 | |
| TMRS: | | | |
| Net pension liability | $ (97,355) | | |
| Deferred inflow-actuarial gain | (8,047) | | |
| Deferred outflow-investment loss | 8,524 | | |
| Deferred outflow-contributions 1/1-9/30/15 | 16,024 | (80,854) | |
| Estimated claims | | (277) | |
| Capital Leases | | (9,860) | |
| | | | (668,847) |
| **Net position of governmental activities** | | | $ 1,224,855 |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | General | Debt Service | Streets Capital Projects | Other Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes | $ 136,722 | $ 70,805 | $ - | $ 28,459 | $ 235,986 |
| Licenses and permits | 7,448 | - | - | - | 7,448 |
| Utility franchise fees | 26,477 | - | - | - | 26,477 |
| Fines and forfeitures | 13,847 | - | - | - | 13,847 |
| Leases, rents and concessions | 7,703 | 2,500 | - | - | 10,203 |
| Service charges | 5,359 | - | - | 14,957 | 20,316 |
| Interest revenue | 1,754 | 845 | 249 | 474 | 3,322 |
| Net increase (decrease) in fair value of investments | 71 | (596) | 88 | 136 | (301) |
| Contributions | 1,621 | - | 4,619 | 50 | 6,290 |
| Intergovernmental revenues | 520 | - | - | 12,180 | 12,700 |
| Gas lease royalty | - | - | - | 9,984 | 9,984 |
| Gas lease other | - | - | - | 303 | 303 |
| Other | 59 | 153 | 41 | 8,316 | 8,569 |
| **Total Revenues** | 201,581 | 73,707 | 4,997 | 74,859 | 355,144 |
| **EXPENDITURES** | | | | | |
| Current- | | | | | |
| General government | 37,242 | - | - | 4,682 | 41,924 |
| Public safety | 135,739 | - | - | 5,811 | 141,550 |
| Public works | 18,672 | - | - | 27,051 | 45,723 |
| Public health | 2,162 | - | - | 600 | 2,762 |
| Public welfare | - | - | - | 8,497 | 8,497 |
| Parks and recreation | 14,983 | - | - | 11,263 | 26,246 |
| Convention and event services | - | - | - | 8,037 | 8,037 |
| Capital outlay | - | - | 26,779 | 16,495 | 43,274 |
| Debt service- | | | | | |
| Principal retirement | - | 54,815 | - | - | 54,815 |
| Redemption premium | - | 13 | - | - | 13 |
| Interest and fiscal charges | - | 23,624 | - | - | 23,624 |
| **Total Expenditures** | 208,798 | 78,452 | 26,779 | 82,436 | 396,465 |
| Excess (deficiency) of revenues over (under) expenditures | (7,217) | (4,745) | (21,782) | (7,577) | (41,321) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Issuance of bonds | - | - | 24,748 | 7,256 | 32,004 |
| Issuance of refunding bonds | - | 36,845 | - | - | 36,845 |
| Issuance of certificates of obligation | - | - | - | - | - |
| Amount used to fund escrow account | - | (40,435) | - | - | (40,435) |
| Bond premium | - | 3,306 | 898 | 264 | 4,468 |
| Transfers in | 19,639 | 5,171 | - | 18,431 | 43,241 |
| Transfers out | (10,590) | - | - | (17,860) | (28,450) |
| **Total Other Financing Sources and Uses** | 9,049 | 4,887 | 25,646 | 8,091 | 47,673 |
| **Net Change in Fund Balances** | 1,832 | 142 | 3,864 | 514 | 6,352 |
| **Fund Balances, October 1,** | 56,191 | 34,384 | 61,260 | 128,653 | 280,488 |
| **Fund Balances, September 30** | $ 58,023 | $ 34,526 | $ 65,124 | $ 129,167 | $ 286,840 |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | | |
|---|---|---|
| **Net change in fund balance - total governmental funds** | | $ 6,352 |
| 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. | | 41,362 |
| 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. | | (52,459) |
| Revenues in the statement of activities that do not provide current financial recources are not reported as revenues in the funds. | | 258 |
| 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. | | |
| Interest on bond payoff | (1,322) | |
| Repayment of general obligation debt | 95,250 | |
| Proceeds from issuance of bonds | (68,850) | |
| Amortization of deferred loss on bond refunding | (648) | |
| Amortization of bond premium | (1,159) | |
| Repayment of capital lease | 954 | |
| | | 24,225 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Compensated absences | (711) | |
| Accrued interest expense | 228 | |
| Post-employment benefit obligation expense | (3,039) | |
| TMRS net pension liability | 4,015 | |
| Estimated salary expense | (277) | |
| | | 216 |
| 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. | | (1,585) |
| **Change in net position of governmental activities** | | $ 18,369 |

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

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Storm Water Utility | Total | Governmental Activities-Internal Service Funds |
| **ASSETS** | | | | |
| **Current Assets:** | | | | |
| Cash and cash-like investments | $ 19,053 | $ 16,388 | $ 35,441 | $ 14,144 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Trade accounts | 9,195 | 1,015 | 10,210 | 3 |
| Unbilled trade accounts | 7,228 | 527 | 7,755 | - |
| Loan receivable | 1,833 | - | 1,833 | - |
| Other | 121 | - | 121 | 78 |
| Prepaid Expenditures | - | - | - | 83 |
| Inventory of supplies, at cost | 1,230 | - | 1,230 | 46 |
| Subtotal | 38,660 | 17,930 | 56,590 | 14,354 |
| Restricted Assets: | | | | |
| Bond contingency-cash and cash-like investments | 11,600 | 726 | 12,326 | - |
| Capital construction-cash and cash-like investments | 29,529 | - | 29,529 | - |
| **Total Current Assets** | 79,789 | 18,656 | 98,445 | 14,354 |
| **Non-Current Assets:** | | | | |
| Restricted Assets: | | | | |
| Bond contingency- | | | | |
| Investments | 2,496 | - | 2,496 | - |
| Capital construction- | | | | |
| Investments | 29,141 | - | 29,141 | - |
| Escrow | 2,205 | - | 2,205 | - |
| Meter deposit investments | 5,351 | - | 5,351 | - |
| Loan receivable | 3,667 | - | 3,667 | - |
| Capital Assets: | | | | |
| Land | 7,486 | 14,424 | 21,910 | - |
| Buildings and improvements | 2,833 | - | 2,833 | 467 |
| Water and sewer system | 803,789 | - | 803,789 | - |
| Machinery and equipment | 11,886 | 23 | 11,909 | 42,063 |
| Drainage system | - | 96,435 | 96,435 | - |
| Construction-in-progress | 99,803 | 22,136 | 121,939 | - |
| Accumulated depreciation | (293,220) | (37,401) | (330,621) | (29,405) |
| Total Capital Assets Net of Accumulated Depreciation | 632,577 | 95,617 | 728,194 | 13,125 |
| **Total Noncurrent Assets** | 675,437 | 95,617 | 771,054 | 13,125 |
| **Total Assets** | 755,226 | 114,273 | 869,499 | 27,479 |
| **Deferred Outflows of Resources:** | | | | |
| Deferred loss on debt refunding | 2,147 | - | 2,147 | - |
| Deferred outflow - contributions GASB 68 | 1,193 | - | 1,193 | - |
| Deferred outflow - investment earnings GASB 68 | 635 | - | 635 | - |
| **Total Assets and Deferred Outflows of Resources** | $ 759,201 | $ 114,273 | $ 873,474 | $ 27,479 |

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

(continued)

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Storm Water Utility | Total | Governmental Activities-Internal Service Funds |
| **LIABILITIES** | | | | |
| **Current Liabilities:** | | | | |
| Accounts payable and accrued liabilities | $ 3,321 | $ 748 | $ 4,069 | $ 496 |
| Accrued compensated absences | 141 | 11 | 152 | - |
| Revenue bonds payable from unrestricted assets | 7,725 | 1,280 | 9,005 | - |
| **Current Liabilities Payable From Restricted Assets:** | | | | |
| Accounts payable and accrued liabilities | 2,511 | - | 2,511 | - |
| Retainage payable | 1,025 | 420 | 1,445 | - |
| Accrued interest | 1,354 | 300 | 1,654 | - |
| Estimated claims payable | - | - | - | 4,032 |
| Revenue bonds payable | 2,538 | - | 2,538 | - |
| Meter deposits | 5,351 | - | 5,351 | - |
| **Total Current Liabilities** | 23,966 | 2,759 | 26,725 | 4,528 |
| **Noncurrent Liabilities:** | | | | |
| Estimated claims payable | - | - | - | 4,736 |
| Compensated absences | 1,660 | 246 | 1,906 | 42 |
| Revenue bonds payable from unrestricted assets | 131,148 | 19,948 | 151,096 | - |
| Net pension liability | 7,249 | - | 7,249 | - |
| **Total Noncurrent Liabilities** | 140,057 | 20,194 | 160,251 | 4,778 |
| **Total Liabilities** | 164,023 | 22,953 | 186,976 | 9,306 |
| **Deferred Inflows of Resources:** | | | | |
| Deferred inflow - actuarial assumption GASB 68 | 599 | - | 599 | - |
| **Total Liabilities and Deferred Inflows of Resources** | 164,622 | 22,953 | 187,575 | 9,306 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 548,811 | 73,969 | 622,780 | 13,125 |
| Restricted for debt service | 14,947 | - | 14,947 | - |
| Unrestricted | 30,821 | 17,351 | 48,172 | 5,048 |
| **Total Net Position** | $ 594,579 | $ 91,320 | $ 685,899 | $ 18,173 |

| | |
|---|---|
| Reconciliation to government-wide statements of net position: | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | (2,807) |
| Net position of business-type activities | $ 683,092 |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | **Water and Sewer** | **Storm Water Utility** | **Total** | **Governmental Activities- Internal Service Funds** |
| **Operating Revenues:** | | | | |
| Water sales | $ 64,606 | $ - | $ 64,606 | $ - |
| Sewer service | 53,874 | - | 53,874 | - |
| Storm water fee - commercial | - | 5,589 | 5,589 | - |
| Storm water fee - residential | - | 6,571 | 6,571 | - |
| Service charges | - | - | - | 35,772 |
| Sundry | 5,390 | - | 5,390 | - |
| **Total Operating Revenues** | 123,870 | 12,160 | 136,030 | 35,772 |
| **Operating Expenses:** | | | | |
| Purchase of water | 22,335 | - | 22,335 | - |
| Purchase of sewage treatment | 29,373 | - | 29,373 | - |
| Salaries and wages | 12,861 | 1,685 | 14,546 | 447 |
| Employees' retirement | 1,537 | 247 | 1,784 | 63 |
| Supplies | 1,860 | 55 | 1,915 | 3,055 |
| Maintenance and repairs | 4,798 | 454 | 5,252 | 141 |
| Utilities | 2,956 | 16 | 2,972 | 91 |
| Claims (net of adjustments) | - | - | - | 27,559 |
| Legal and professional | 74 | - | 74 | 803 |
| Depreciation | 15,715 | 1,930 | 17,645 | 3,714 |
| Miscellaneous services | 4,139 | 653 | 4,792 | 4,251 |
| **Total Operating Expenses** | 95,648 | 5,040 | 100,688 | 40,124 |
| **Operating Income (Loss)** | 28,222 | 7,120 | 35,342 | (4,352) |
| **Nonoperating Revenues (Expenses):** | | | | |
| Interest revenue | 323 | 142 | 465 | 31 |
| Net increase in the fair value of investments | 90 | 9 | 99 | 7 |
| Gain on sale of assets | - | - | - | 656 |
| Interest expense and fiscal charges | (1,142) | - | (1,142) | - |
| **Total Nonoperating Revenues (Expenses)** | (729) | 151 | (578) | 694 |
| Income (loss) before transfers and contributions | 27,493 | 7,271 | 34,764 | (3,658) |
| Contributions in aid of construction | 1,148 | - | 1,148 | - |
| Transfers in | - | - | - | 1,744 |
| Transfers out | (14,732) | (1,803) | (16,535) | - |
| **Change in Net Position** | 13,909 | 5,468 | 19,377 | (1,914) |
| **Total Net Position, October 1 (as restated)*** | 580,670 | 85,852 | 666,522 | 20,087 |
| **Total Net Position, September 30** | $ 594,579 | $ 91,320 | $ 685,899 | $ 18,173 |

| | |
|---|---|
| Net change in net position - total proprietary funds | $ 19,377 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | (328) |
| Change in net position of business-type activities | $ 19,049 |

The notes to the financial statements are an integral part of this statement.
* Footnote I.Q. provides additional information regarding restatement of net position.

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Business-type Activities-Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Storm Water Utility | Total | Governmental Activities-Internal Service Funds |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Cash received from customers | $ 116,722 | $ 11,981 | $ 128,703 | $ 35,714 |
| Cash payments to suppliers | (67,163) | (1,126) | (68,289) | (35,445) |
| Cash payments to employees | (14,599) | (1,901) | (16,500) | (504) |
| **Net Cash Provided By (Used For) Operating Activities** | 34,960 | 8,954 | 43,914 | (235) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | | |
| Transfers in | - | - | - | 1,744 |
| Transfers out | (14,732) | (1,803) | (16,535) | - |
| **Net Cash Provided By (Used For) Noncapital Financing Activities** | (14,732) | (1,803) | (16,535) | 1,744 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Acquisition and construction of capital assets | (27,384) | (5,964) | (33,348) | (3,243) |
| Increase/Decrease in escrow balance | 1,968 | - | 1,968 | - |
| Proceeds from sales of capital assets | - | - | - | 685 |
| Proceeds from issuance of long-term debt | 32,177 | - | 32,177 | - |
| Repayment of long-term debt | (23,540) | (1,280) | (24,820) | - |
| Interest payment long-term debt | (5,583) | (1,094) | (6,677) | - |
| **Net Cash Used For Capital And Related Financing Activities** | (22,362) | (8,338) | (30,700) | (2,558) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Proceeds from interest earnings | 339 | 142 | 481 | 31 |
| Net decrease in the fair value of investments | 90 | 9 | 99 | 7 |
| Purchase of investments | (94,777) | - | (94,777) | - |
| Maturities/sales of investments | 81,405 | - | 81,405 | - |
| **Net Cash Provided By (Used For) Investing Activities** | (12,943) | 151 | (12,792) | 38 |
| **Net Decrease In Cash And Cash Equivalents** | (15,077) | (1,036) | (16,113) | (1,011) |
| **Cash and cash-like investments, October 1** | 75,259 | 17,424 | 92,683 | 15,155 |
| **Cash and cash-like investments, September 30** | $ 60,182 | $ 16,388 | $ 76,570 | $ 14,144 |
| **Reconciliation of operating income to net cash provided by operating activities:** | | | | |
| Operating income (loss) | $ 28,222 | $ 7,120 | $ 35,342 | $ (4,352) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation | 15,715 | 1,930 | 17,645 | 3,714 |
| Amortization of bond premium | 530 | 94 | 624 | - |
| Amortization of deferred loss on bond refunding | (227) | - | (227) | - |
| Provision for bad debts | 203 | 7 | 210 | - |
| (Increase) decrease in- | | | | |
| Receivables | (7,519) | (179) | (7,698) | (58) |
| Inventory of supplies | (587) | - | (587) | 7 |
| Prepaid expenses | - | - | - | 5 |
| Increase (decrease) in- | | | | |
| Accounts payable and accrued liabilities | (1,158) | 22 | (1,136) | (34) |
| Net pension liability | (300) | - | (300) | - |
| Estimated claims payable | - | - | - | 479 |
| Retainage payable | (85) | (71) | (156) | - |
| Meter deposits | 140 | - | 140 | - |
| Accrued compensated absences | 26 | 31 | 57 | 4 |
| Total adjustments | 6,738 | 1,834 | 8,572 | 4,117 |
| **Net Cash Provided By Operating Activities** | $ 34,960 | $ 8,954 | $ 43,914 | $ (235) |
| **Noncash investing, capital, and financing activities:** | | | | |
| Contributions of capital assets from developers | 1,148 | - | 1,148 | - |

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

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF FIDUCIARY NET POSITION**
**FIDUCIARY FUNDS**
**SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Pension Trust Funds | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash-like investments | $ 51 | $ 7,377 |
| Investments | | |
| Investment retired city mgr 401(k) plan | 86 | - |
| Money market fund | 39,599 | - |
| Corporate bonds | 2,382 | - |
| Fixed income mutual bond funds | 14,114 | - |
| Common stock mutual bond funds | 72,875 | - |
| Balanced mutual funds | 25,252 | - |
| Participant borrowing | 5,340 | - |
| Self directed brokerage accounts | 4,452 | - |
| Total Investments | 164,100 | - |
| **Total Assets** | $ 164,151 | $ 7,377 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ - | $ 7,377 |
| Retired city mgr 401(k) plan payable | 86 | $ - |
| **Total Liabilities** | $ 86 | $ 7,377 |
| **NET POSITION** | | |
| Held in trust for pension benefits | $ 164,014 | |
| Assigned pension trust | 51 | |
| **Total Net Position** | $ 164,065 | |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Pension Trust Funds |
|---|---|
| **ADDITIONS** | |
| Employer contributions | $ 2,846 |
| Employee contributions | 6,709 |
| Net appreciation in fair value of investments | 3,651 |
| Other additions | 26 |
| **Total Additions** | 13,232 |
| **DEDUCTIONS** | |
| Benefits | 13,680 |
| Plan administration | 198 |
| Other deductions | 58 |
| **Total Deductions** | 13,936 |
| **Increase in Net Position** | (704) |
| **Net Position, October 1** | 164,769 |
| **Net Position, September 30** | $ 164,065 |

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

ARLINGTON℠

THE AMERICAN DREAM CITY

**CITY OF ARLINGTON, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Arlington, Texas (the "City") was incorporated April 19, 1884 and the city charter was adopted January 17, 1920, under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Council Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and sewer utilities, and general administrative services.

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

### A. Financial Statement Presentation

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

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting of the City's governmental funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34. 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. A budgetary comparison statement is presented that compares the originally adopted and final General Fund budget with actual results, and schedules of funding progress for pension and 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. 61. The Financial Reporting Entity, 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.

Arlington Property Finance Authority, Inc.

Arlington Property Finance Authority, Inc. (the "APFA") provides the City with a defined and funded self-insurance program for general and automotive liability. The financial statements of APFA, a component unit, have been "blended" with those of the City because its board of directors is appointed by the City Council, and the City management maintains significant continuing management oversight with respect to APFA's policies. Additionally, APFA provides services entirely to the City and its employees.

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 $100 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 Industrial Development Corporation

The Arlington Industrial Development Corporation (the "AIDC") promotes industrial and commercial development within the City. The AIDC's board of directors is appointed by the City Council. The AIDC's management is designated by the City, and City employees are responsible for the daily activities of the AIDC; accordingly, the City has financial accountability over AIDC's activities. Separate AIDC component unit financial statements are not prepared. The AIDC was terminated in fiscal year 2015.

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 mayor, three council members, and three citizens. There was no activity in fiscal year 2015.

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 inter-fund activity has been removed from these statements. The exception is that inter-fund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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 taxes and other revenue to be available if they are collected within 60 days of the end of the current fiscal period, while grants typically are received within 90 days. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when the liability has matured and payment is due.

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

Business-type activities and all proprietary funds, and the pension trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from 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 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 non-operating revenues and expenses.

The following major funds 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:

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

2. Enterprise 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 Utility Fund and the Storm Water Utility Fund. The Water 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.

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; 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.

E. Cash, Cash-like Investments and Investments

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

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

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.

G. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized.

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

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

H. Capitalization of Interest

The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2015, $2,782,840 of interest cost, net of $71,400 interest earned, was capitalized as capital assets in the Water and Sewer Fund as part of the costs of constructing various projects. Interest expensed (net of capitalized interest) and interest earned in fiscal 2015 for the Water and Sewer Fund amounted to approximately $1,142,000 and $323,000, respectively. In the Storm Water Utility Fund $897,663 of interest cost, net of $725 interest earned, was capitalized as capital assets as part of the costs of constructing various projects. Interest earned in fiscal 2015 for the Storm Water Utility Fund amounted to approximately $142,000 and there was no interest expensed (net of capitalized interest).

I. Arbitrage Liability

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

J. Pensions

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

Beginning in fiscal year 2015, and in accordance with GASB 68 and 71, the City's net pension liability is now recorded on the face of the financial statements. The beginning net position has been restated to record the beginning net pension liability. The City elected to allocate the net pension liability among governmental and business type activities based on measurement year contribution percentages. The City elected to absorb fund allocations of less than 1.25% of total contributions to Governmental activities. Component units' contributions total 1.03% of total contributions and are not allocated separately, due to the threshold percentage. The estimated amount of net pension liability included in governmental activities for component units is $1.08M. The City also elected not to show a deferred inflow/outflow for changes in proportion from year to year between governmental and business type activities and simply let those changes flow through expense in the year of occurrence. Detailed pension information is discussed in footnote 6.

K. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 20 days per year for 15 years of service and over. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees 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 (180 for fire fighters). 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

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution 11-361 dated September 27, 2011 adopting the fund balance policy, authorized the City Manager or his designee to assign fund balance to a specific purpose.

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

N. Minimum Fund Balance Policy

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

O. Net Position

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

P. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this

category. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension related items are reported in the government wide statement of net position.

Q. New Accounting Pronouncements

During fiscal year 2015, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The objective of this Statement is to improve financial reporting for pension plans. This statement requires recognition of a long-term obligation for pension benefits as a liability. Current financial statements reflect this change.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement amends Statement 68 to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68.

The implementation of Statement No. 68 resulted restatement of beginning net position for the elimination of the previously reported net pension asset, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below (amounts in thousands):

| | Government-wide Statement of Activities | |
|---|---|---|
| | Governmental Activities | Business-type Activities |
| Net position at September 30, 2014, as previously reported | $ 1,273,819 | $ 670,363 |
| Elimination of net pension obligation as of September 30, 2014 | 17,536 | - |
| Recording of net pension liability as of September 30, 2014 | (101,017) | (7,522) |
| Deferral for pension contributions made after the measurement date | 16,148 | 1,202 |
| Net position at September 30, 2014, as restated | $ 1,206,486 | $ 664,043 |

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

Statement No. 72, *Fair Value Measurement and Application,* which is effective for the City beginning in fiscal year 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68,* which is effective for the City beginning in fiscal year 2016. This statement clarifies the application of certain provisions of Statements 67 and 68 regarding required supplementary information and accounting and financial reporting.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans,* which is effective for the City beginning in fiscal year 2017. This statement replaces GASB Statements

43 and 57. This statement addresses enhanced note disclosures and required supplementary information to improve financial reporting.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* which is effective for the City beginning in fiscal year 2018. This statement replaces the requirements of GASB Statements 45 and 57 and establishes new accounting and financial reporting requirements for OPEB plans.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which is effective for the City beginning in fiscal year 2016. This statement supersedes Statement No. 55. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or event is not specified within a source of authoritative GAAP.

Statement No. 77, *Tax Abatement Disclosures,* which is effective for the City beginning in fiscal year 2017. This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is effective for the City beginning in fiscal year 2016. This statement amends the scope and applicability of Statement 68.

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

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as expenditures on the budgetary basis and interdepartmental expenses which are eliminated. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The schedules comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases 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 2015, there were no budget amendments.

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

The portion of ad valorem tax revenues in the General Fund from "rolled back" tax payments (taxes, up to five years back, on properties previously taxed at special use exemption values and currently changed to full values) are excluded from the budgetary basis tax revenues and from the general governmental expenditures.

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 are not estimable for all Special Revenue Funds and are not budgeted. Expenditures are limited to total revenues over the life of the funds. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in an annual Capital Improvements Program plan.

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

| General Fund | Street Capital Projects Fund | Other Nonmajor Funds | Total |
|---|---|---|---|
| $ 5,598 | $ 21,770 | $ 19,172 | $ 46,540 |

**B. Excess of expenditures over appropriations**

For the year ended September 30, 2015, 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, 2015.

**III. DETAILED NOTES ON ALL FUNDS**

**1. CASH, CASH-LIKE INVESTMENTS AND INVESTMENTS**

Deposits - At September 30, 2015, the carrying amount of the City's demand deposits was $30,939,000 (bank balance, $34,124,000). The balance in cash on hand was $32,000 at year end.

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

Cash, Cash-like investments and investments include: (amounts in thousands) Governmental Activities ($290,408), Business-type Activities ($114,284), and Agency Funds ($7,377).

As of September 30, 2015, the City had the following investments (amounts in thousands):

| Investments | Fair Value | Weighted Avg Maturity (in days) | Credit Risk |
|---|---|---|---|
| Agency | 287,589 | 482 | **AAA** |
| Local Gov't Invest Pools | 38,691 | 1 | **AAA** |
| Texas Municipal | 16,837 | 302 | **AA+** |
| Non-Texas Municipal | 30,695 | 528 | **AA+** |
| Certificates of Deposit | - | - | **AAA** |
| Money Market Fund | 7,286 | 1 | **AAA** |
| Total Fair Value | 381,098 | | |

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

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

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

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

| Security | % of Portfolio |
|---|---|
| United States Treasury | 100% of portfolio per Issuer |
| U.S. Agencies and Instrumentalities | 100% of portfolio 35% per Issuer |
| Other Obligations guaranteed by U.S. | 100% of portfolio 10% per Issuer |
| Obligations of Texas and its subdivisions | 10% of portfolio 2% per Issuer |
| Obligations of other states and its subdivisions | 10% of portfolio 2% per Issuer |
| Certificates of Deposit | 50% of portfolio 20% per Issuer |
| Repurchase Agreements | 40% of portfolio 15% per counterparty |
| Guaranteed Investment Contract | 100% of bond funds |
| Commercial Paper | 20% of portfolio 5% per Issuer |
| Money Market Mutual Fund | 100% of portfolio 15% per MMF |
| Local Government Investment Pools | 100% of portfolio 25% per pool |

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

The City's investments in local government investment pools include investments in TexPool, TexasDaily and TexStar. 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.

## 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 FY15 was $25,774,601,000 which encompasses all properties in Arlington, including real estate, personal, and mineral properties prior to any exemptions or abatements. The assessed value for the tax roll of September 1, 2014, upon which the original FY15 levy was based, was $18,905,766,000.

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

For the fiscal year ended September 30, 2015, the City had a tax rate of $0.6480 ($0.4460 for general government and $0.2020 for debt service) per $100 assessed valuation with a tax margin of $1.8520 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 $350,134,786 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $18,905,766,000.

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

## 3. COWBOYS COMPLEX DEVELOPMENT PROJECT/AT&T STADIUM

In 2004, the voters authorized the City to provide the planning, acquisition, construction and financing for the Cowboys Complex Development Project (the "Complex"), approving an increase in the City's sales tax of one-half cent, a two percent increase in the hotel occupancy tax and a five percent short-term motor vehicle rental tax. The Complex was completed in July 2009 and is a multi-functional enclosed facility with a retractable roof and seating for approximately 85,000. The final cost of the project was $1.1 billion and in accordance with the funding and closing agreement, the City paid a portion of the projected costs, $325 million, to build the Complex.

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") for lease of the Complex. The Lease Agreement calls for an initial term of 30 years. Monthly lease payments of $166,666.67 began in June, 2009 for an annualized rental rate of $2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of $1 million per year for the first 10 years and $1.25 million per year for all remaining renewals. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the Tenant, capped at $500 thousand per year. The revenue for this fiscal year was $500,000. The lease is accounted for as an operating lease. The cost of the stadium is $1,109,951,954 with an accumulated depreciation of $149,445,951.

City Debt – In 2005, the City issued $297,990,000 Cowboys Complex Special Obligations to fund the City's share of the project costs for the Complex, including $164,265,000 Cowboys Complex Special Obligation Tax-Exempt Special Tax Bonds, Series 2005B (the "Multi-Modal Bonds"). In December, 2008 the City issued $112,185,000 in Special Tax

Revenue Bonds to refund $104,265,000 of the Series 2005B bonds and in May 2009 issued $62,820,000 to refund the remaining $60,000,000 of the Series 2005B bonds.

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, 2015, outstanding conduit debt was $139,090,000.

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 will receive 5% of the revenue as additional rent from the naming rights deal, up to $500,000 annually, to help pay off the City's debt.

**4. RECEIVABLES**

Receivables at September 30, 2015 for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (amounts expressed in thousands):

| | General | Debt Service | Storm Water Utility | Water & Sewer | Street Capital Projects | Other Nonmajor Governmental Funds | Internal Service Funds | Total |
|---|---|---|---|---|---|---|---|---|
| Receivables: | | | | | | | | |
| Taxes | $ 10,692 | $ 642 | $ - | $ - | $ - | $ 2,028 | $ - | $ 13,362 |
| Franchise Fees | 6,754 | - | - | - | - | - | - | 6,754 |
| Trade Accounts | - | - | 1,071 | 11,096 | - | - | 3 | 12,170 |
| Unbilled Trade Accounts | - | - | 527 | 7,490 | - | - | - | 8,017 |
| Special Assessments | - | - | - | - | 137 | - | - | 137 |
| Sales Taxes | 9,899 | 4,949 | - | - | - | 2,475 | - | 17,323 |
| Lease and settlement agreements | 20,081 | - | - | - | - | - | - | 20,081 |
| Accrued Interest | 808 | 358 | - | - | - | - | - | 1,166 |
| Loan Receivable | - | - | - | 5,500 | - | - | - | 5,500 |
| Other | 3,156 | - | - | 121 | - | 731 | 78 | 4,086 |
| Gross Receivables | 51,390 | 5,949 | 1,598 | 24,207 | 137 | 5,234 | 81 | 88,596 |
| Less: Allowance for Uncollectibles | (7,692) | - | (56) | (2,163) | - | - | - | (9,911) |
| Net total Receivables | $ 43,698 | $ 5,949 | $ 1,542 | $ 22,044 | $ 137 | $ 5,234 | $ 81 | $ 78,685 |

The only receivables not expected to be collected within one year are $3,667,000 of the loan receivable in the water and sewer fund.

## 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 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 | $ 221,319 | $ 5,592 | $ - | $ 226,911 |
| Construction in progress-other | 80,814 | 43,496 | (29,265) | 95,045 |
| Total capital assets, not being depreciated | 302,133 | 49,088 | (29,265) | 321,956 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,291,950 | 5,086 | (2,175) | 1,294,861 |
| Equipment | 93,685 | 15,540 | (3,498) | 105,727 |
| Infrastructure | 843,136 | 15,572 | - | 858,708 |
| Total capital assets, being depreciated | 2,228,771 | 36,198 | (5,673) | 2,259,296 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 248,204 | 31,863 | (1,595) | 278,472 |
| Equipment | 76,678 | 8,372 | (3,447) | 81,603 |
| Infrastructure | 633,938 | 15,938 | - | 649,876 |
| Total accumulated depreciation | 958,820 | 56,173 | (5,042) | 1,009,951 |
| Total capital assets, being depreciated, net | 1,269,951 | (19,975) | (631) | 1,249,345 |
| Governmental activities capital assets, net | $ 1,572,084 | $ 29,113 | $ (29,896) | $ 1,571,301 |

| | Balance at Beginning Of Year | Additions | Retirements | Balance at End Of Year |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 21,540 | $ 370 | $ - | $ 21,910 |
| Construction in progress | 125,169 | 37,016 | (40,246) | 121,939 |
| Total capital assets, not being depreciated | 146,709 | 37,386 | (40,246) | 143,849 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 2,833 | - | - | 2,833 |
| Drainage System | 90,133 | 6,302 | - | 96,435 |
| Water and sewer system | 769,062 | 34,727 | - | 803,789 |
| Machinery and equipment | 11,900 | 9 | - | 11,909 |
| Total capital assets, being depreciated | 873,928 | 41,038 | - | 914,966 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,411 | 58 | - | 1,469 |
| Drainage System | 35,470 | 1,926 | - | 37,396 |
| Water and sewer system | 265,029 | 15,402 | - | 280,431 |
| Machinery and equipment | 11,065 | 260 | - | 11,325 |
| Total accumulated depreciation | 312,975 | 17,646 | - | 330,621 |
| Total capital assets, being depreciated, net | 560,953 | 23,392 | - | 584,345 |
| Business-type activities capital assets, net | $ 707,662 | $ 60,778 | $ (40,246) | $ 728,194 |

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

| | |
|---|---|
| Governmental activities: | |
| General Government | $ 26,224 |
| Public Safety | 3,050 |
| Parks and recreation | 5,551 |
| Public works | 17,634 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 3,714 |
| Total depreciation expense – governmental activities | $56,173 |
| Business-type activities: | |
| Storm Water Utility | 1,931 |
| Water and sewer | $ 15,715 |
| Total depreciation expense – business-type activities | $ 17,646 |

Discretely presented component units:

(amounts expressed in thousands)

| | Balance at Beginning of Year | Transfer and Additions | Transfers and Retirements | Balance at End of Year |
|---|---|---|---|---|
| **Arlington Housing Authority, Inc.** | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | $ 563 | $ - | $ - | $ 563 |
| Machinery and equipment | 369 | 7 | - | 376 |
| Totla capital assets, being depreciated | 932 | 7 | - | 939 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (279) | (14) | - | (293) |
| Machinery and equipment | (347) | (28) | - | (375) |
| Total accumulated depreciation | (626) | (42) | - | (668) |
| Arlington Housing Authority, Inc. | | | | |
| Capital assets, net | $ 306 | $ (35) | $ - | $ 271 |

| | Balance at Beginning of Year | Transfer and Additions | Transfers and Retirements | Balance at End of Year |
|---|---|---|---|---|
| **Arlington Convention and Visitors Bureau, Inc.** | | | | |
| Capital asset, being depreciated: | | | | |
| Machinery and equipment | $ 810 | $ 84 | $ - | $ 894 |
| Total capital assets, being depreciated | 810 | 84 | - | 894 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | (646) | (71) | - | (717) |
| Total accumulated depreciation | (646) | (71) | - | (717) |
| Arlington Convention and Visitors Bureau, Inc. | | | | |
| Capital assets, net | $ 164 | $ 13 | $ - | $ 177 |

## 6. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

A. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 860 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

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

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

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 1,494 |
| Inactive employees entitled to but not yet receiving benefits | 917 |
| Active Employees | 2,462 |
| | 4,873 |

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 16.28% and 15.62% in calendar years 2014 and 2015,

respectively. The city's contributions to TMRS for the year ended September 30, 2015, were $24,327,508 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 3% per year |
| Overall payroll growth | 3% per year |
| Investment Rate of Return | 7%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Domestic Equity | 17.5% | 4.80% |
| International Equity | 17.5% | 6.05% |
| Core Fixed Income | 30.0% | 1.50% |
| Non-Core Fixed Income | 10.0% | 3.50% |
| Real Return | 5.0% | 1.75% |
| Real Estate | 10.0% | 5.25% |
| Absolute Return | 5.0% | 4.25% |
| Private Equity | 5.0% | 8.50% |
| Total | 100.0% | |

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### Changes in the Net Pension Liability

| | **Total Pension Liability** (a) | **Plan Fiduciary Net Position** (b) | **Net Pension Liability** (a) - (b) |
|---|---|---|---|
| Balance at 12/31/2013 | $ 1,003,238,111 | $ 894,699,665 | $ 108,538,446 |
| Changes for the year: | | | |
| Service cost | 22,819,492 | - | 22,819,492 |
| Interest | 69,393,550 | - | 69,393,550 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | (10,846,092) | - | (10,846,092) |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 24,198,117 | (24,198,117) |
| Contributions - employee | - | 10,501,146 | (10,501,146) |
| Net investment income | - | 51,180,304 | (51,180,304) |
| Benefit payments, including refunds of employee contributions | (46,622,851) | (46,622,851) | - |
| Administrative expense | - | (534,366) | 534,366 |
| Other changes | - | (43,934) | 43,934 |
| Net changes | 34,744,099 | 38,678,416 | (3,934,317) |
| **Balance at 12/31/14** | **$ 1,037,982,210** | **$ 933,378,081** | **$ 104,604,129** |

| | |
|---|---|
| Plan fiduciary net position as a percentage of the total pension liability | 89.92% |
| Covered-employee payroll | $ 149,837,550 |
| Net pension liability as a percentage of covered employee payroll | 69.81% |

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

| | Discount Rate (6.0%) | Discount Rate (7.0%) | Discount Rate (8.0%) |
|---|---|---|---|
| City's net pension liability | $ 253,083,001 | $ 104,604,129 | $ (16,991,323) |

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the city recognized pension expense of $19,751,515.

At September 30, 2015, 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 | $ - | $8,646,653 |
| Changes in actuarial assumptions | - | - |
| Difference between projected and actual investment earnings | 9,158,938 | - |
| Contributions subsequent to the measurement date | 17,217,349 | - |
| Total | $26,376,287 | $8,646,653 |

$17,217,349 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, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

| | |
|---|---|
| 2016 | $ 90,296 |
| 2017 | $ 90,296 |
| 2018 | $ 90,296 |
| 2019 | $ 241,397 |
| 2020 | $ - |
| Thereafter | $ - |
| Total | $ 512,285 |

Pursuant to the TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7.00% to 6.75% and changing the inflation assumption from 3.00% to 2.50%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known, the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

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

**Plan Description**

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

*Plan membership.* As of June 30, 2015 pension plan membership consisted of the following:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 9 |
| Inactive plan members entitled to but not yet receiving benefits | 3,733 |
| Active plan members | 666 |
| | 4,408 |

*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 the 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 time employee contributions with interest. With 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, 2015, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 0.8 percent of annual payroll.

| Fiscal Year Ending June 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2014 | $ 21,324 | $ 21,324 | $ - | $2,791,558 | 0.8% |
| 2015 | 22,419 | 22,419 | - | 2,849,197 | 0.8% |

**Investments**

*Investment policy.* The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Committee. It is the policy of the Committee to pursue an investment strategy with the primary focus on current income generation and capital preservation while allowing for modest consideration for capital growth. The majority of assets are to be held in fixed income securities or other income producing investments with moderate levels of principal volatility. The following was the Committee's adopted asset allocation policy as of June 30, 2015:

| Asset Class | Target Allocation |
|---|---|
| Equity | 20% |
| Fixed-Income | 77% |
| Cash (or equivalents) | 3% |

*Rate of return.* For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 1.73 percent. For all assets, a total return is calculated (including market value appreciation or depreciation, plus interest and dividends). The monthly rates of return are then geometrically linked.

**Net Pension Asset of the City**

The components of the net pension asset of the City at June 30, 2015 were as follows:

| | |
|---|---|
| Total pension liability | $ 2,311,103 |
| Plan fiduciary net position | (2,681,047) |
| City's net pension asset | $ ( 369,944) |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 116.0% |

*Actuarial Assumption.* The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 3.0 percent |
| Salary increases | 3.5 percent |
| Investment rate of return | 5.5 percent |

Mortality rates were based on the RP-2000 Mortality Table projected to 2003 with Scale AA.

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| Asset Class | Long-term Expected Real Rate of Return |
|---|---|
| Cash & Cash Equivalents | 0.00% |
| Fixed Income | 0.64% |
| Domestic Large Cap Equity | 5.43% |
| Domestic Mid Cap Equity | 6.22% |
| Domestic Small Cap Equity | 6.74% |
| International Developed Equity | 5.31% |
| International Emerging Equity | 7.17% |

*Discount rate.* A single discount rate of 5.5 percent was used to measure the total pension liability as of June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 5.5 percent and a municipal bond rate of 3.8 percent (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2015). The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position and the future contributions were sufficient to finance the future benefit payments for current plan members. 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.

*Sensitivity of the net pension asset to changes in the discount rate.* The following presents the net pension asset of the City, calculated using the discount rate of 5.5 percent, 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 (4.5 percent) or 1 percentage point higher (6.5 percent) than the current rate:

| | 1% Decrease (4.5%) | Current Discount Rate (5.5%) | 1% Increase (6.5%) |
|---|---|---|---|
| City's net pension asset | $171,829 | $369,944 | $534,708 |

The actuarial assumptions used in the July 1, 2015 actuarial valuation included were (a) 5.50 percent investment return, (b) no inflation rate adjustment, and (c) 3.50 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. Because the assets of the plan exceed the actuarial liability, amortization of the unfunded liability is discontinued and the contribution required for the plan was developed under the aggregate cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities; the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

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, 2015, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $160,134,000.

The City's total payroll during fiscal 2015 was $158,843,000. The current year contribution was calculated based on a covered payroll of $102,331,000, resulting in a required and actual employer contribution of $2,761,000 and actual employee contributions of $6,609,000. The employer contribution represents 2.70 percent of the covered payroll. The employee contribution represents approximately 6.5 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2015. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

The Thrift Savings Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2015. (amounts in thousands):

| | |
|---|---|
| ASSETS | |
| Investments | 160,220 |
| Total Assets | $ 160,220 |
| | |
| LIABILITIES | |
| Retired City mgr 401(k) plan payable | 86 |
| Total Liabilities | 86 |
| | |
| NET POSITION | |
| Held in trust for pension benefits | 160,083 |
| Assigned pension trust | 51 |
| Total Net Position | $ 160,134 |

Changes in Net Position
Thrift Savings Plan

| | |
|---|---|
| ADDITIONS | |
| Employer contributions | $ 2,761 |
| Employee contributions | 6,609 |
| Net appreciation in fair value of investments | 3,624 |
| Other additions | 2 |
| | 12,996 |
| DEDUCTIONS | |
| Benefits | 13,424 |
| Plan administration | 104 |
| Other deductions | 58 |
| | 13,586 |
| Decrease in Net Position | (590) |
| Net Position, October 1 | 160,724 |
| Net Position, September 30 | $ 160,134 |

City contributions for the above plans for the year ended September 30, 2015, are as follows (amounts in thousands):

| | |
|---|---|
| TMRS | $24,050 |
| THRIFT | 2,761 |
| PTDIT | 20 |
| | $26,831 |

**7. OTHER POST EMPLOYMENT BENEFITS**

**Disability Income Plan**

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.

Summary of Significant Accounting Policies
*Basis of Accounting.* DIP's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* Cash and cash-like investments with original maturity dates less than one year are stated at cost that approximates fair value. Investments are stated at fair value based on either the month end price, the last available price or the last available activity.

Plan Description and Contribution Information
Membership of the plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits: 16

*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.

*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, 2015, the City contributed $65,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As of July 1, 2015, the most recent actuarial valuation date, the plan was 85.9 percent funded. The actuarial accrued liability for benefits was $1,588,266, and the actuarial value of assets was $1,364,432, resulting in an unfunded actuarial accrued liability (UAAL) of $223,834.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation date | 7/1/2015 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar amortization |
| Remaining amortization period | 8 years (closed) |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 5.5 percent |
| Inflation rate | 3.0 percent |

*Funding Policy.* The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City fully funds the required contributions each year.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial

liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset (dollar amounts in thousands):

| | |
|---|---|
| Annual required contribution | $ 66 |
| Interest on net OPEB asset | (28) |
| Adjustment to annual required contribution | 79 |
| Annual OPEB cost (expense) | 117 |
| Contributions made | (65) |
| Decrease in net OPEB asset | 52 |
| Net OPEB asset - beginning of year | (511) |
| Net OPEB asset - end of year | $ (459) |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2015 and the six preceding years are as follows:

| Ending | Cost | Contribution | (Asset) |
|---|---|---|---|
| 9/30/15 | $117,000 | 55.60% | $ (459,000) |
| 9/30/14 | $119,000 | 94.10% | $ (511,000) |
| 9/30/13 | $120,000 | 206.70% | $ (518,000) |
| 9/30/12 | $283,000 | 126.10% | $ (390,000) |
| 9/30/11 | $249,000 | 149.80% | $ (316,000) |
| 9/30/10 | $305,000 | 127.21% | $ (192,000) |
| 9/30/09 | $358,000 | 142.25% | $ (109,000) |
| 9/30/08 | $364,000 | 100.00% | - |

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.

DIP does not issue separate GAAP financial reports. Its financial statements are presented below as of September 30, 2015 (in thousands):

| Net Position | |
|---|---|
| Assets | |
| Investments | $ 1,322 |
| Total assets | 1,322 |
| Net position, held in trust for | |
| Other postemployment benefits | $ 1,322 |

| Changes in Net Position | |
|---|---|
| Additions | |
| Employer contributions | $ 65 |
| Net appreciation in fair value | |
| Of investments | 24 |
| Total additions | $ 89 |
| Deductions | |
| Benefits | (150) |
| Plan Administration | (16) |
| Total deductions | (166) |
| Increase in net position | (77) |
| Net position, October 1, 2014 | 1,399 |
| Net position, September 30, 2015 | $ 1,322 |

**Retiree Health Insurance**

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

To be eligible for retiree health insurance, an employee must be eligible to retire from the City of Arlington based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer based coverage terminates. As of July 1, 2015, there were 936 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.

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 Contributions**

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

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

*Funding Policy.* The City Council through the budget process has the authority to establish and amend contribution requirements of the plan. Currently the plan is funded on a pay-as-you-go basis.

*Annual OPEB Cost and Net OPEB Obligation*. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (dollar amounts in thousands):

| | |
|---|---|
| Annual required contribution | $ 8,505 |
| Interest on net OPEB Obligation | 1,513 |
| Adjustment to annual required contribution | (2,020) |
| Annual OPEB cost (expense) | 7,998 |
| Contributions made | (5,011) |
| Increase in net OPEB obligation | 2,987 |
| Net OPEB obligation – beginning of year | 33,633 |
| Net OPEB obligation – end of year | $ 36,620 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the six preceding years are as follows (dollar amounts in thousands):

| Ending | Cost | Contribution | Obligation |
|---|---|---|---|
| 9/30/15 | $ 7,998 | 62.50% | $ 36,620 |
| 9/30/14 | $ 8,366 | 59.31% | $ 33,633 |
| 9/30/13 | $ 8,723 | 65.31% | $ 30,229 |
| 9/30/12 | $ 12,133 | 46.66% | $ 27,203 |
| 9/30/11 | $ 8,379 | 56.14% | $ 20,731 |

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $101.3 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $101.3 million. The covered payroll (annual

payroll of active employees covered by the plan) was $138.2 million, and the ratio of the UAAL to the covered payroll was 73.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

| | |
|---|---|
| Valuation date | 7/1/2015 |
| Investment rate of return | 4.5% per annum, net of expenses |
| Actuarial cost method | Projected Unit Credit |
| amortization method | Level dollar, open |
| Remaining amortization period | 30 years |
| Healthcare Cost trend rate - medical | 7.25% initial (2015) |
| | 4.5% ultimate (2030) |
| Inflation rate | 4.00% |

**Supplemental Death Benefits Plan**

*Plan Description.* The City of Arlington contributes to the Supplemental Death Benefit Fund (SDBF), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by TMRS. This is a separate trust administered by the TMRS Board of Trustees. SDBF provides a death benefit of $7,500 for retirees. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for SDBF. That report may be obtained from the TMRS website at www.TMRS.com.

*Funding Policy.* Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .15 percent of covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the mortality and service experience of all employees covered by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. Contributions are made monthly based on covered payroll of employee members of the City. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net position available for OPEB. The City's contributions to SDBF for the years ended September 30, 2015, 2014, and 2013, were $230,122, $181,872, and $207,493, respectively, which equaled the required contributions each year.

**8. DEBT AND LIABILITIES**

General Obligation Bonds

On May 15, 2015, the City issued Permanent Improvement Bonds, Series 2015A of $32,005,000 with an interest rate of 2.00 to 5.0 percent and serial maturities on August 15 from 2016 through 2035. Interest on the bonds is due every February and August 15, beginning August 15, 2015. The bonds were issued for designing, developing, constructing, improving, extending and expanding streets, thoroughfares, sidewalks, bridges and other public ways

of the City, including street lighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith; acquiring, developing, renovating, and improving parks and open spaces for park and recreation purposes in and for the City; designing, constructing, reconstructing, improving, renovating, expanding, equipping and furnishing firefighting facilities, including fire station facilities and administrative facilities; designing, constructing, improving, renovating, expanding, equipping, and furnishing libraries and related facilities, including the acquisition of land therefor; and paying the costs of issuing the 2015A Bonds. Total interest requirements for the Series 2015A bonds at a rate from 2.00 to 5.00 percent is $12,148,883 in the aggregate.

In May 2015, the City issued $36,845,000 in Permanent Improvement Refunding Bonds, Series 2015B for the purpose of refunding a portion of the City's outstanding debt, and paying the cost of issuing the 2015B bonds. The Series B bonds mature on August 15 over a period from 2017 to 2027. Interest is payable February 15 and August 15 of each year commencing August 15, 2015. Total interest requirements for the Series B bonds at a rate from 2.50 to 5.00 is $6,795,894 in the aggregate. The refunding was undertaken to achieve a present value savings on debt service payments of 3,317,279.

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

| Purpose | Interest Rates | Amount |
|---|---|---|
| Governmental activities | 2.00-5.50% | $ 116,775 |
| Governmental activities - refunding | 1.0-5.000% | 139,290 |
| Total Governmental | | $ 256,065 |

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

| Year Ending September 30 | Governmental Activities, General Obligation | |
|---|---|---|
| | Principal | Interest |
| 2016 | $ 26,245 | $ 9,564 |
| 2017 | 26,110 | 8,528 |
| 2018 | 23,085 | 7,720 |
| 2019 | 21,670 | 6,825 |
| 2020 | 18,785 | 5,987 |
| 2021-2025 | 72,445 | 20,240 |
| 2026-2030 | 49,880 | 8,199 |
| 2031-2035 | 17,845 | 1,551 |
| | $ 256,065 | $ 68,614 |

General obligation debt authorized and unissued as of September 30, 2015, amounted to $261,249,000.

Certificates of Obligation

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

| Year Ending September 30 | Governmental Activities, Certificates of Obligation | |
|---|---|---|
| | Principal | Interest |
| 2016 | $ 5,740 | $ 2,896 |
| 2017 | 4,105 | 2,695 |
| 2018 | 3,065 | 2,522 |
| 2019 | 3,130 | 2,371 |
| 2020 | 3,180 | 2,232 |
| 2021-2025 | 16,955 | 8,796 |
| 2026-2030 | 18,415 | 4,968 |
| 2031-2035 | 12,935 | 1,238 |
| | $ 67,525 | $ 27,718 |

Special Obligation Bonds

In 2005, the City issued $297,990,000 Dallas Cowboys Complex Special Obligations to fund the City's share of the project costs for the Complex, including $164,265,000 Dallas Cowboys complex Special Obligation Tax-Exempt Special Tax bonds, Series 2005B (the "Multi-Modal Bonds"). In 2008-2009, the City issued $112,185,000, Series 2008, and $62,820,000, Series 2009, in Special Tax Revenue Bonds, refunding a total of $164,265,000 of the 2005B issue principal.

The debt service requirements of the above special obligation debt are as follows (amounts in thousands):

| Year Ending September 30 | Governmental Activities, Special Revenue | |
|---|---|---|
| | Principal | Interest |
| 2016 | $ 1,975 | $ 9,491 |
| 2017 | 3,110 | 9,393 |
| 2018 | 13,235 | 9,237 |
| 2019 | 13,815 | 8,618 |
| 2020 | 14,455 | 7,971 |
| 2021-2025 | 85,430 | 27,771 |
| 2026-2030 | 51,495 | 4,886 |
| | $ 183,515 | $ 77,367 |

The City has pledged revenues consisting of one-half cent sales tax, two percent hotel occupancy tax, five percent car rental tax, stadium base rental revenue of $2 million per year and five percent of any naming rights up to a maximum of $500,000 annually to repay the Dallas Cowboys Stadium Bonds. Annual principal and interest payments are expected to require 100 percent of these revenues. Series 2005A are subject to mandatory sinking fund redemption to the extent that there are moneys on deposit available for such purpose. In 2015, the City redeemed $2,705,000 of the 2005A Term Bonds maturing August 15, 2031, $6,555,000 of the 2005A Term Bonds maturing August 15, 2016 and $5,460,000 of the 2005A Term Bonds maturing August 15, 2017. The 2005A bonds have now been completely redeemed. The total principal and interest remaining to be paid on the Dallas Cowboys Stadium Bonds is $260,882,000. Principal and interest payments and total pledged revenues for the year ended September 30, 2015 were $18,595,000 and $23,201,000, respectively, exclusive of the redemption.

Revenue Bonds

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

In fiscal year 2015, the City issued $235,000 related to the 2008 debt issue held by the Texas Water Development Board (TWDB) as part of the TWDB Clean and Drinking Water Programs. The City also drew down $128,347 related to previously issued 2014 TWDB Clean Water Debt. Funds from the 2014 debt are held in escrow until the City requests a drawdown of funds for a specific purpose. This brings the total outstanding TWDB balance to $38,185,000. These bonds will mature June 2016 to June 2034 at interest rates from 0.0 to 3.25 percent.

In May 2015, the City issued $18,240,000 in Water and Wastewater System Revenue Bonds, Series 2015A. Proceeds from the sale of these bonds will be used to provide funds to improve and extend the System and to pay cost of issuance associated with the Bonds. These bonds mature June 1 over a period from 2016 to 2035. Interest, at a rate of 2.00 to 5.00 percent, is $6,783,543 in the aggregate.

In May 2015 the City issued $11,910,000 in Water and Wastewater System Revenue Refunding Bonds, Series 2015B for the purpose to provide funds to refund certain outstanding obligations and to pay costs of issuance associated with the sale of the bonds. The bonds mature on June 1 over a period from 2018 to 2027. Interest is payable June 1 and December 1 of each year, commencing December 1, 2015. Total interest requirements for these bonds at a rate from 2.00 to 5.00 percent is $3,408,150 in the aggregate. The refunding was undertaken to achieve a present value savings on debt service payments of $596,170. The difference between the reacquisition price and the carrying amount of the debt resulted in a loss of $894,914 which has been recorded in the Proprietary Funds financial statements.

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

| | Business Activities | | | | | |
|---|---|---|---|---|---|---|
| | | | Water/Wastewater | | | |
| Year Ending | Water/Wastewater | | TWDB | | Storm Water Utility | |
| September 30 | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | $ 9,100 | $ 3,541 | $ 2,770 | $ 811 | $ 1,280 | $ 874 |
| 2017 | 8,455 | 3,273 | 2,770 | 781 | 1,280 | 822 |
| 2018 | 8,430 | 2,970 | 2,770 | 737 | 1,280 | 771 |
| 2019 | 8,000 | 2,666 | 2,770 | 690 | 1,280 | 720 |
| 2020 | 8,045 | 2,378 | 2,770 | 639 | 1,280 | 656 |
| 2021-2025 | 29,125 | 8,021 | 13,825 | 2,296 | 6,400 | 2,473 |
| 2026-2030 | 19,030 | 3,654 | 9,830 | 623 | 6,400 | 1,098 |
| 2031-2035 | 10,205 | 929 | 680 | 33 | 1,280 | 58 |
| | $ 100,390 | $ 27,432 | $ 38,185 | $ 6,610 | $ 20,480 | $ 7,472 |

Net revenues of the City's water operations have been pledged for repayment of the City's revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for these bonds, which were all originally issued to provide funding for construction of the water and wastewater systems. The pledge continues for the life of the bonds. For the year ended September 30, 2015, net pledged revenues for the water enterprise fund were $44,235,000 and debt service on the revenue bonds was $12,681,000. The same pledge for repayment applies to the City's Storm Water Utility revenue of $9,192,000 for the bonds issued in fiscal year 2015.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2015 (amounts expressed in thousands):

| | 10/1/2014 | Increases | Reductions | 9/30/2015 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| General obligation debt | $ 244,975 | $ 68,849 | $ (57,760) | $ 256,064 | $ 26,245 |
| Certificates of obligation | 80,340 | - | (12,815) | 67,525 | 5,740 |
| Special tax revenue debt | 206,305 | - | (22,790) | 183,515 | 1,975 |
| Premium on general bonds | 7,222 | 4,467 | (2,320) | 9,369 | - |
| Premium on special bonds | 4,071 | - | (274) | 3,797 | - |
| Discount on special bonds | (2,549) | - | 286 | (2,263) | - |
| Net governmental bonds payable | 540,364 | 73,316 | (95,673) | 518,007 | 33,960 |
| Compensated absences | 27,513 | 2,089 | (1,374) | 28,228 | 1,445 |
| Claims | 8,479 | 5,065 | (4,499) | 9,045 | 4,309 |
| Landfill Closure | 7,208 | 495 | - | 7,703 | - |
| Net other post-employ benefit oblg. | 33,633 | 2,987 | - | 36,620 | - |
| Net pension liability* | 101,017 | - | (3,662) | 97,355 | - |
| Capital lease | - | 10,814 | (954) | 9,860 | 996 |
| Total governmental long-term liabilities | $ 718,214 | $ 94,766 | $ (106,162) | $ 706,818 | $ 40,710 |
| Business-type activities: | | | | | |
| Water and sewer bonds | $ 131,730 | $ 30,385 | $ (23,540) | $ 138,575 | $ 10,263 |
| Premium on water and sewer bonds | 1,576 | 1,790 | (530) | 2,836 | - |
| Storm water utility bonds | 21,760 | - | (1,280) | 20,480 | 1,280 |
| Premium on storm water utility bonds | 842 | - | (94) | 748 | - |
| Net water and sewer bonds payable | 155,908 | 32,175 | (25,444) | 162,639 | 11,543 |
| Compensated Absences | 2,001 | 196 | (139) | 2,058 | 152 |
| Net pension liability* | 7,522 | - | (273) | 7,249 | - |
| Total business-type long term liabilities | $ 165,431 | $ 32,371 | $ (25,856) | $ 171,946 | $ 11,695 |

*as restated

## 9. PRIOR YEAR BOND REFUNDINGS

In FY15 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, 2015, previously defeased debt still outstanding amounted to $27,865,000.

Following are the schedules of refunded obligations (amounts in thousands):

| Bonds | Original Maturity Date | Interest Rate | Amount Refunded |
|---|---|---|---|
| Water & Wastewater System Revenue Bonds, Series 2007 | 6/1/2018 | 4.250 | $ 1,200 |
| | 6/1/2019 | 4.250 | 1,200 |
| | 6/1/2020 | 4.250 | 1,200 |
| | 6/1/2021 | 4.375 | 1,200 |
| | 6/1/2022 | 4.500 | 1,200 |
| | 6/1/2023 | 4.500 | 1,200 |
| | 6/1/2024 | 4.500 | 1,200 |
| | 6/1/2025 | 4.500 | 1,200 |
| | 6/1/2026 | 4.500 | 1,200 |
| | 6/1/2027 | 4.500 | 1,200 |
| | | | $12,000 |
| | Total Refunded Obligations | | $12,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2006 | 8/15/2017 | 4.200 | $ 410 |
| | 8/15/2018 | 4.300 | 410 |
| | 8/15/2019 | 4.375 | 410 |
| | 8/15/2020 | 4.375 | 410 |
| | 8/15/2021 | 4.500 | 410 |
| | 8/15/2022 | 4.500 | 410 |
| | 8/15/2023 | 4.625 | 410 |
| | 8/15/2024 | 4.625 | 410 |
| | 8/15/2025 | 4.625 | 410 |
| | 8/15/2026 | 4.625 | 410 |
| | | | $ 4,100 |
| Permanent Improvement Bonds, Series 2007 | 8/15/2018 | 4.000 | $ 905 |
| | 8/15/2019 | 4.125 | 905 |
| | 8/15/2120 | 4.125 | 905 |
| | 8/15/2021 | 4.250 | 905 |
| | 8/15/2022 | 4.250 | 905 |
| | 8/15/2023 | 4.375 | 905 |
| | 8/15/2024 | 4.375 | 905 |
| | 8/15/2025 | 4.500 | 905 |
| | 8/15/2026 | 4.500 | 905 |
| | 8/15/2027 | 4.500 | 890 |
| | | | $ 9,035 |
| Combination Tax and Revenue Certificates of Obligation Series 2007 | 8/15/2018 | 4.000 | $ 275 |
| | 8/15/2019 | 4.000 | 275 |
| | 8/15/2020 | 4.100 | 275 |
| | 8/15/2021 | 4.200 | 275 |
| | 8/15/2022 | 4.250 | 275 |
| | 8/15/2023 | 4.300 | 275 |
| | 8/15/2024 | 4.375 | 275 |
| | 8/15/2025 | 4.400 | 275 |
| | 8/15/2026 | 4.500 | 275 |
| | 8/15/2027 | 4.500 | 255 |
| | | | $ 2,730 |
| | Total Refunded Obligations | | $27,865 |

## 10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2015, is as follows (amounts in thousands):

| Fund | Interfund Receivables | Interfund Payables |
|---|---|---|
| General Fund | $4,537 | $ - |
| Nonmajor Funds | - | 4,537 |
| | $4,537 | $4,537 |

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2016.
Transfers between funds during the year were as follows (amounts in thousands):

| | Transfers Out | Transfers In |
|---|---|---|
| Major Governmental Funds: | | |
| General Fund | $ 10,590 | $ 19,639 |
| Debt Service Fund | - | 5,171 |
| Total Major Governmental Funds | 10,590 | 24,810 |
| Major Enterprise Fund-Water and Sewer | 14,732 | - |
| Major Enterprise Fund-Storm Water Utility | 1,803 | - |
| Other Funds: | | |
| Nonmajor Governmental Funds | 17,860 | 18,431 |
| Internal Service Funds | - | 1,744 |
| Total All Funds | $44,985 | $44,985 |

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred $4,509,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred $10,205,000 to Street Maintenance Fund, Special Transportation (Handitran), Parks Performance Fund, Arlington Property Finance Authority to cover budgeted operating expenses.

The Enterprise Funds transferred $9,701,000 to cover their budgeted operating costs.

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

The Debt Service Fund received transfers of $1,430,000 from the Convention and Event Services and Water and Sewer Funds to cover debt service repayments.

## 11. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE 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 reports a portion of the closure and post-closure care costs as a liability on the Statement of Net position in each period based on landfill capacity used as of each balance sheet date. This liability is offset by an asset recorded for a trust account established for the purpose of paying the closure and post-closure costs as more fully described below. In 2014 the City received a permit for vertical expansion and to open an additional 80 acres, which increased the capacity and the life of the landfill. The $7,703,000 reported as a landfill closure and post-closure accrued liability at September 30, 2015, represents the cumulative amount reported to date based on the use of approximately 35 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $4,116,000 as the remaining capacity is filled. These amounts

are based on what it would cost to perform all closure and post-closure care in 2015. The City expects to close the landfill in 2065. Actual costs may change due to inflation, changes in technology, or changes in regulations.

On March 18, 2005, the City entered into a contract with Republic Waste Services of Texas, Ltd. (Republic) for a 20 year renewable operating lease of the landfill. The City received an initial payment of $15 million; the remaining balance of deferred revenue of $4,344,000 will be amortized over the life of the lease. Republic is responsible for the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements and at September 30, 2015, investments are held for these purposes.

## 12. COMMITMENTS AND CONTINGENCIES

Trinity River Authority

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

Grant Audits

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

Construction Commitments

The City has various active construction projects as of September 30, 2015. The projects include construction in streets, parks, traffic, and water and sewer facilities. At year-end the City's significant commitments with contractors are as follows (amounts in thousands):

| Project | Spent-to-Date | Remaining Commitment |
|---|---|---|
| Street Construction | $ 60,483 | $ 24,926 |
| Park Construction | 11,807 | 1,332 |
| Traffic Construction | 7,109 | 311 |
| Storm Water Utility Construction | 22,136 | 7,104 |
| Water and Sewer Construction | 99,803 | 20,423 |
| | $ 201,338 | $ 54,096 |

The street, police 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, 2015, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at $250,000.

The City is currently involved in an employment lawsuit in which the plaintiff alleges that the City's termination of an Arlington police officer was a violation of the City's personnel policies. The plaintiff elected to appeal his termination to an arbitrator. The arbitrator ruled that the officer be reinstated with back pay. The City appealed the arbitrator's decision. The Court ordered the City to reinstate the officer provided he passes certain requirements, which he has done. In June 2014, the court ruled to award the officer $164,471 in back pay, but the City has appealed the ruling. In August 2015, the Fort Worth Court of Appeals issued an opinion requiring the trial court to set aside the judgment in accordance with the Court of Appeals' decision. Thus, the case is returning to the trial court for further proceedings. It is uncertain whether "set aside" requires the trial judge to uphold the termination or order another arbitration. Liability with regard to the

officer's back wages is probable. To the extent owed, back pay continues to accrue and a $277,000 accrual has been recorded at September 30, 2015.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA 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.

Arlington Property Finance Authority (APFA)

The APFA 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.

Annual transfers from the General Fund and the Water Fund based on actuarial projections of Ultimate Losses, are made to support the program. Under the Program Ordinance, the annual surplus on deposit in the APFA Fund may be withdrawn upon order of the City's APFA Claims Board and used for any lawful purpose. The payments out of the APFA Fund for all purposes cannot exceed $1,000,000 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 APFA claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of $500,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. No settlements have utilized this commercial insurance coverage for the past three years. 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 2015 and 2014 were as follows (amounts in thousands):

| | Workers Compensation | | Health | | APFA | | Other | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Unpaid claims, Oct 1 | $ 3,953 | $ 4,792 | $ 2,135 | $ 1,481 | $ 2,201 | $ 1,917 | $ - | $ - |
| Incurred Claims (including IBNRs and changes in estimates) | 2,599 | 411 | 24,489 | 24,452 | 950 | 1,666 | 277 | 190 |
| Claim payments | (2,088) | (1,250) | (24,670) | (23,798) | (801) | (1,382) | - | - |
| Unpaid claims, Sept 30 | $ 4,464 | $ 3,953 | $ 1,954 | $ 2,135 | $ 2,350 | $ 2,201 | $ 277 | $ 190 |

## 14. LEASES

As Lessee

As lessee, the City is committed under a lease for fire radio equipment. This lease is considered for accounting purposes to be a capital lease. The liability for future capital lease payments totals approximately $9,860,000 and is reported as capital lease obligations current liabilities (approximately $996,000) and capital lease obligations non-current liabilities (approximately $8,864,000) in the General Fund.

Future minimum lease payments for capital lease including interest and principal are as follows (amounts in thousands):

| Year Ending September 30 | |
|---|---|
| 2016 | $ 1,228 |
| 2017 | 1,228 |
| 2018 | 1,228 |
| 2019 | 1,228 |
| 2020 | 1,228 |
| 2021-2024 | 4,912 |
| | 11,052 |
| Less Interest | 1,192 |
| Minimum future lease rentals | $9,860 |

The City's investment in equipment under the capital lease arrangement as of September 30, 2015 is $10,814,000.

As Lessor

Effective October 1, 1983, the City entered into a contract to lease a tract of land for the purpose of constructing and developing a hotel. The term of the lease is for an initial period of fifty years with renewal options for two additional terms of fifteen years each. The rental payments are based upon a percentage (ranging from 1.0 percent - 1.75 percent) of gross revenues (as defined in the agreement) through December 31, 2006. After December 31, 2006, the lessee shall pay the total annual rent of $250,000. For each year thereafter the lessee shall pay an annual rent amount equal to the previous year's rent plus an increase not to exceed the effective percentage change in the Consumer Price Index (Specifically CPI-U for Dallas-Fort Worth region) for the previous 12 month period. Total rental payments received in 2015 were approximately $286,400.

## 15. SETTLEMENT AGREEMENT

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

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

| Year | Amount |
|---|---|
| 2015 | $ 1,000,000 |
| 2016 | 1,000,000 |
| 2017 | 1,000,000 |
| 2018 | 1,000,000 |
| 2019 | 1,000,000 |
| 2020 to 2024 | 5,000,000 |
| | 10,000,000 |
| Less Discount | 2,286,000 |
| | $7,714,000. |

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

**16. CAPITAL LEASE**

A lease agreement was executed on June 23, 1992 between the Texas Rangers, Ltd. (the Rangers) and the City for the Ballpark Complex Development (the Facility). The lease is a triple net lease to the Rangers, with the Rangers retaining all concession and signage rights. The Rangers agreed to pay a base rent of $2,000,000 per year for the 30-year term of the lease. At the end of the lease, the Rangers have the option to purchase the Facility, excluding the linear park, at a cost of $60,000,000, with full credit given for all base and additional rents paid, as well as up to $1,500,000 annual credit for maintenance costs paid on the Facility by the Rangers. If the purchase option is exercised, the Rangers are committed to play baseball in the City for ten additional years.

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

Minimum future rentals are as follows:

| September 30 | |
|---|---|
| 2016 | $ 2,000,000 |
| 2017 | 2,000,000 |
| 2018 | 2,000,000 |
| 2019 | 2,000,000 |
| 2020 | 2,000,000 |
| 2021-2024 | 7,055,556 |
| | 17,055,556 |
| Less Discount | 4,688,694 |
| Minimum future lease rentals | $12,366,862 |

**17. CONDENSED COMPONENT UNIT INFORMATION**

The City includes seven discretely presented component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2015, 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 | $105,996 | $3,997 | $1,342 | $ 111,335 |
| Capital assets | - | 271 | 177 | 448 |
| Total assets | 105,996 | 4,268 | 1,519 | 111,783 |
| Other liabilities | 1,254 | 619 | 501 | 2,374 |
| Total liabilities | 1,254 | 619 | 501 | 2,374 |
| Net position: | | | | |
| Net investment in capital assets | - | 271 | 177 | 448 |
| Restricted | 104,742 | 7 | - | 104,749 |
| Unrestricted | - | 3,371 | 841 | 4,212 |
| Total net position | $104,742 | $3,649 | $1,018 | $109,409 |

Condensed Schedule of Activities

| | Arlington Tomorrow Foundation | Housing Authority | Other Discretely Presented Component Units | Total Discretely Presented Component Units |
|---|---|---|---|---|
| Expenses | $7,290 | $26,906 | $9,932 | $44,128 |
| Program Revenues: | | | | |
| Charges for services | - | - | 5,354 | 5,354 |
| Operating grants and contributions | - | 26,820 | 4 | 26,824 |
| Capital grants and Contributions | - | - | 4,565 | 4,565 |
| Net Program (Expense) Revenue | (7,290) | (86) | (9) | (7,385) |
| Interest Revenues | 2,602 | 6 | 2 | 2,610 |
| Other NonTax General Revenues | (4,707) | 182 | - | (4,525) |
| Change in Net position | (9,395) | 102 | (7) | (9,300) |
| Net position, October 1, | 114,137 | 3,547 | 1,025 | 118,709 |
| Net position, September 30 | $104,742 | $ 3,649 | $ 1,018 | $109,409 |

**APPENDIX C**

**FORMS OF BOND COUNSEL OPINION**

[Form of Bond Counsel Opinion]

[Date]

$_____
CITY OF ARLINGTON, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
TAXABLE SERIES 2016C

WE HAVE represented the City of Arlington, Texas (the "Issuer"), as its bond counsel in connection with an issue of certificates of obligation (the "Certificates") described as follows:

> CITY OF ARLINGTON, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2016C, dated June 1, 2016, in the principal amount of $_____.
>
> The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance").

WE HAVE represented the Issuer as its bond counsel for the purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates 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 Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates 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 Certificates, 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 Certificates. We have also examined executed Certificate No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Issuer; and

(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 Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Certificates, does not exceed any constitutional, statutory or other limitations. In addition, the Certificates are further secured by a limited pledge of the surplus net revenues of the Issuer's water and wastewater system as provided in the Ordinance.

THE RIGHTS OF THE OWNERS of the Certificates 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 observe that the Issuer has taken no action to cause any interest on the Certificates to be excludable from gross income for the purposes of federal income taxation, and therefore it is assumed that income derived from a Certificate by an Owner is subject to U.S. federal income taxation. We express no opinion as to this or any other federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Certificates.

The opinions set forth above are based on existing law which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

#5209236.1

**Financial Advisory Services**
**Provided By**

ESTRADA • HINOJOSA
INVESTMENT BANKERS

ORDINANCE NO. 16-_____

relating to

$_____
CITY OF ARLINGTON, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE BONDS
SERIES 2016A

Dated: June 1, 2016

Adopted: June 7, 2016

#5207958.1

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AN ORDINANCE PROVIDING FOR THE ISSUANCE OF $_____ CITY OF ARLINGTON, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2016A; AWARDING THE SALE OF THE BONDS; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT; APPROVING THE OFFICIAL STATEMENT; AND ENACTING PROVISIONS INCIDENT AND RELATING TO THE SUBJECT AND PURPOSES OF THIS ORDINANCE

WHEREAS, in accordance with the Constitution and laws of the State of Texas, specifically Chapter 1502, Texas Government Code, as amended ("Chapter 1502"), the City of Arlington, Texas (the "City"), has previously issued its waterworks and sewer system revenue bonds (the "Outstanding Bonds") payable from a lien on and pledge of the net revenues of the City's combined water and wastewater system (the "System"), formerly known as the waterworks and sewer system; and

WHEREAS, in the ordinances authorizing the issuance of the Outstanding Bonds the City has reserved the right to issue, under certain conditions, additional bonds on a parity as to lien and right with the Outstanding Bonds; and

WHEREAS, the City Council has found and determined and does hereby find and determine that additional improvements and extensions to the City's System should be made; and

WHEREAS, the conditions precedent to the issuance of additional bonds under the ordinances authorizing the issuance of the Outstanding Bonds have occurred and are existing, and the City intends to issue pursuant to this Ordinance its revenue bonds as additional bonds on a parity with the Outstanding Bonds; and

WHEREAS, the revenue bonds hereinafter authorized are to be issued and delivered pursuant to Chapter and 1502, Texas Government Code, as amended, and in accordance with the general laws of the State of Texas; and

WHEREAS, the City Council has determined to issue its City of Arlington, Texas Water and Wastewater System Revenue Bonds, Series 2016A, in the aggregate principal amount of $_____ payable from and secured by a lien on and pledge of the net revenues of the System; and

WHEREAS, the City Council has found and determined that it is necessary and in the best interest of the City and its citizens that it authorize by this Ordinance the issuance and delivery of its bonds in a single series at this time; and

WHEREAS, the meeting at which this Ordinance is considered is open to the public as required by law and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ARLINGTON, TEXAS, THAT:

## ARTICLE I

## DEFINITIONS, FINDINGS AND INTERPRETATION

Section 1.01. Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have the meanings specified below:

"Additional Bonds" means the additional parity bonds permitted to be issued by Section 9.01 of this Ordinance.

"Bond Date" means the date designated as the initial date of the Bonds by Section 3.02(a) of this Ordinance.

"Bondholder" or "Holder" or "Owner" means the person who is the registered owner of a Bond or Bonds.

"Bonds" means the bonds authorized to be issued by Section 3.01 of this Ordinance.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the State of Texas are generally authorized or obligated by law or executive order to close.

"Closing Date" means the date of the initial delivery of and payment for the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, including the regulations and published rulings thereunder.

"Credit Facility" means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a rating agency having an outstanding rating on such obligations would rate such obligations which are fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a rating agency having an outstanding rating on the Bonds would rate the Bonds in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds and the interest thereon.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its office in Dallas, Texas, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

"DTC" shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"EMMA" means the Electronic Municipal Market Access System.

"Funds" means any of the funds and accounts established or confirmed in this Ordinance or the ordinances authorizing the issuance of the Outstanding Bonds.

"Initial Bond" means the initial Bond specified in Section 3.04(d) hereof.

"Interest and Sinking Fund" means the City of Arlington, Texas, Water and Wastewater System Revenue Bonds Interest and Sinking Fund.

"Interest Payment Date" means the date or dates on which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being June 1 and December 1 of each year, commencing December 1, 2015.

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

"Ordinance" means this Ordinance pursuant to which the Bonds are authorized.

"Outstanding Bonds" means the bonds of the following issues of the City to be outstanding upon the issuance of the Bonds herein authorized:

(a) Water and Wastewater System Revenue Refunding Bonds, Series 2003, authorized by ordinance duly passed and adopted February 25, 2003;

(b) Water and Wastewater System Revenue Bonds, Series 2004, authorized by ordinance duly passed and adopted February 24, 2004;

(c) Water and Wastewater System Revenue Bonds, Series 2005, authorized by ordinance duly passed and adopted on March 8, 2005;

(d) Water and Wastewater System Revenue Bonds, Series 2007, authorized by ordinance duly passed and adopted on July 24, 2007;

(e) Water and Wastewater System Revenue Bonds, Series 2008, authorized by ordinance duly passed and adopted on June 17, 2008;

(f) Water and Wastewater System Revenue Refunding Bonds, Series 2009, authorized by ordinance duly passed and adopted on April 7, 2009;

(g) Water and Wastewater System Revenue Refunding Bonds, Series 2010, authorized by ordinance duly passed and adopted on June 22, 2010; and

(h) Water and Wastewater System Revenue Bonds, Series 2010, authorized by ordinance duly passed and adopted on November 19, 2010.

(i) Water and Wastewater System Revenue Bonds, Series 2012, authorized by ordinance duly passed and adopted on June 5, 2012.

(j) Water and Wastewater System Revenue Bonds, Series 2013A, authorized by ordinance duly passed and adopted on June 18, 2013.

(k) Water and Wastewater System Revenue Refunding Bonds, Series 2013B, authorized by ordinance duly passed and adopted on June 18, 2013.

(l) Water and Wastewater System Revenue Bonds, Series 2014, authorized by ordinance duly passed and adopted on February 25, 2014.

(m) Water and Wastewater System Revenue Bonds, Series 2014A, authorized by ordinance duly passed and adopted on June 10, 2014.

(n) Water and Wastewater System Revenue Refunding Bonds, Series 2014B, authorized by ordinance duly passed and adopted on June 10, 2014.

(o) Water and Wastewater System Revenue Bonds, Series 2015A, authorized by ordinance duly passed and adopted on May 26, 2015.

(p) Water and Wastewater System Revenue Bonds, Series 2016A, authorized by ordinance duly passed and adopted on May 10, 2016.

"Paying Agent/Registrar" means initially The Bank of New York Mellon Trust Company, N.A., or any successor thereto as provided in this Ordinance.

"Rating Agency" means any nationally recognized securities rating agency which has assigned a rating to the Bonds.

"Record Date" means the close of business on the last Business Day of the month next preceding the interest payment date.

"Register" means the Register specified in Section 3.06(a) of this Ordinance.

"Reserve Fund" means the City of Arlington, Texas, Water and Wastewater System Revenue Bonds Reserve Fund.

"Reserve Fund Obligations" means cash or investment securities of any of the type or types permitted under Section 7.05 of this Ordinance.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

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

"Unclaimed Payments" means money deposited with the Paying Agent/Registrar for the payment of principal of or interest on the Bonds as the same come due and payable and remaining unclaimed by the Owners of such Bonds after the applicable payment or redemption date.

Section 1.02. Findings.

The declarations, determinations and findings declared, made and found in the preamble to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.03. Table of Contents, Titles and Headings.

The table of contents, titles and headings of the Articles and Sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Ordinance or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.04. Interpretation.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

Any action required to be taken on a date which is not a Business Day shall be done on the next succeeding Business Day and have the same effect as if done on the date so required.

This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Ordinance.

## ARTICLE II

## SECURITY FOR THE BONDS

Section 2.01. Security for the Bonds.

The Bonds, the Outstanding Bonds and any Additional Bonds are and shall be equally and ratably secured by and payable from an irrevocable lien on and pledge of the Net Revenues of the System.

Section 2.02. Limited Obligations.

The Bonds, together with the Outstanding Bonds and any Additional Bonds, are special obligations of the City, payable solely from the Net Revenues, and do not constitute a prohibited indebtedness of the City. Neither the Bonds, nor any Additional Bonds shall ever be payable out of funds raised or to be raised by taxation.

Section 2.03. Security Interest.

The City represents that, under Chapter 1208.002, Texas Government Code, a security interest in property, other than real property, that is created by the City is valid and effective according to the terms of the security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. The City covenants that, if Chapter 1208.002 is amended at any time while the Bonds are outstanding and unpaid, the City shall take all actions required in order to preserve for the Owners of the Bonds a perfected security interest in the property in which such security interest is granted pursuant to Section 2.1 hereof.

## ARTICLE III

## AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01. Authorization.

The City's revenue bonds to be designated the "City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2016A" are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas including particularly Chapter 1502, Texas Government Code, as amended, and Article XIII, Section 1 of the Charter of the City. The Bonds shall be issued in one series in the aggregate principal amount of $_____ for the purpose of (i) improving and extending the System, and (ii) paying the costs of issuing the Bonds.

Section 3.02. Date, Denomination, Maturities, Numbers and Interest.

(a) The Bonds shall be dated June 1, 2016. The Bonds shall be in fully registered form, without coupons, in the denomination of $5,000 or any integral multiple thereof and shall be numbered separately from one upward, except the Initial Bond, which shall be numbered T-1.

(b) The Bonds shall mature on June 1 in the years and in the principal amounts set forth in the following schedule:

Serial Bonds

| Year | Principal Amount | Interest Rate | Year | Principal Amount | Interest Rate |
|---|---|---|---|---|---|
| 2016 | | | 2026 | | |
| 2017 | | | 2027 | | |
| 2018 | | | 2028 | | |
| 2019 | | | 2029 | | |
| 2020 | | | 2030 | | |
| 2021 | | | 2031 | | |
| 2022 | | | 2032 | | |
| 2023 | | | 2033 | | |
| 2024 | | | 2034 | | |
| 2025 | | | 2035 | | |

Term Bonds

| Year | Principal Amount | Interest Rate |
|---|---|---|

(c) Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption from the later of the date of their delivery to the Purchaser (the "Delivery Date") or the most recent Interest Payment Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2016, computed on the basis of a 360-day year of twelve 30-day months.

Section 3.03. Medium, Method, Place of Payment and Unclaimed Payments.

(a) The principal of and interest on the Bonds shall be paid in lawful money of the United States of America, as provided in this Section.

(b) Interest on the Bonds shall be payable to the Owners thereof as shown in the Register at the close of business on the Record Date. However, in the event that interest on the Bonds is not paid on a scheduled Interest Payment Date and remains unpaid for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") shall be

established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be at least 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 Register at the close of business on the last business day next preceding the date of mailing of such notice.

(c) Interest shall be paid by check, dated as of the Interest Payment Date, and sent, first class United States mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each as such appears in the Register or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, the Owner shall bear all risk and expense of such other banking arrangement.

(d) The principal of each Bond shall be paid to the Owner of such Bond on the due date thereof, whether at the maturity date or the date of prior redemption thereof, upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

(e) 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 Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in Section 3.2 of this Ordinance.

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which such unclaimed payments pertain. Subject to any escheat, abandoned property or similar law of the State of Texas, any such payments remaining unclaimed by the Owners entitled thereto for three (3) years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all outstanding Bonds, shall be paid to the City to be used for any lawful purpose. Thereafter, none of the City, the Paying Agent/Registrar or any other person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law of the State of Texas.

Section 3.04. Control, Execution and Initial Registration of Bonds.

(a) The Bonds shall be executed on behalf of the City by the Mayor and the City Secretary, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said

officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the City whose facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same officer of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Bonds initially delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent which Certificate shall be evidence that the bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the Purchasers, or its designee, executed with the manual or facsimile signatures of the Mayor and the City Secretary, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to DTC on behalf of the Purchasers definitive Bonds, registered in the name of Cede & Co., as nominee of DTC. To the extent the Paying Agent/Registrar is eligible to participate in DTC's FAST System, as evidenced by agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Bonds in safekeeping for DTC.

Section 3.05. Ownership.

(a) The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (except interest shall be paid to the person in whose name such Bond is registered on the Record Date), and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the person deemed to be the owner of any Bond in accordance with this Section shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.06. Registration, Transfer and Exchange.

(a) So long as any Bond remains outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Ordinance.

(b) A Bond shall be transferable only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

(f) 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 forty-five (45) days prior to the date fixed for redemption; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

Section 3.07. Cancellation and Authentication.

All Bonds paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Ordinance, shall be cancelled, and proper records shall be made regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar shall dispose of cancelled Bonds in accordance with requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations published thereunder.

Section 3.08. Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the City may execute and, upon the City's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Ordinance.

(c) The City, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09. Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Holder of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the City, to save each of them harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

(c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/ Registrar, in its discretion, without the necessity of issuing a replacement Bond, may pay such Bond on the date on which such Bond becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.10. Book Entry Only System.

The Bonds shall initially be issued in book-entry-only form and shall be deposited with DTC, which is hereby appointed to act as the securities depository therefor, in accordance with the letter of representations from the City to DTC. On the Closing Date the definitive Bonds shall be issued in the form of a single typewritten certificate for each maturity thereof registered in the name of Cede & Co., as nominee for DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds (except interest shall be paid to the person in whose name a Bond is registered on the Record Date), for the purpose of all matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective owners,

as shown in the Register as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

Section 3.11. Successor Securities Depository; Transfer Outside Book Entry Only System.

In the event that the City or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the City or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 3.12. Payments to Cede & Co.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

## ARTICLE IV

## REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Limitation on Redemption.

The Bonds shall be subject to redemption before their scheduled maturity only as provided in this Article.

Section 4.02. Optional Redemption.

(a) The City reserves the option to redeem Bonds maturing on and after June 1, 2027 in whole or any part, before their respective scheduled maturity dates, on June 1, 2026, or on any date thereafter, at a price equal to the principal amount of the Bonds called for redemption plus accrued interest to the date fixed for redemption.

(b) The City, at least 45 days before the redemption date (unless a shorter period shall be satisfactory to the Paying Agent/Registrar), shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

Section 4.03. Mandatory Sinking Fund Redemption.

(a) The Bonds maturing on June 1, 20__ (the "Term Bonds") are subject to scheduled mandatory redemption and will be redeemed by the City, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth below.

$ Term Bonds Maturing June 1, 20

| Redemption Date | Redemption Amount |
|---|---|
| June 1, 20__ | |
| June 1, 20__* | |

*maturity

(b) At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.5.

(c) The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.3 shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.04. Partial Redemption.

(a) If less than all of the Bonds are to be optionally redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed. If less than all of the Bonds of a maturity or maturities are to be redeemed, the City will direct the Paying

Agent/Registrar to call such Bonds within such maturity or maturities by lot, or by such other method that results in a random selection.

(b) A portion of a single Bond of a denomination greater than $5,000 may be redeemed, but only in a principal amount equal to $5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, the Paying Agent/ Registrar shall treat each $5,000 portion of a Bond as though it were a single bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.06 of this Ordinance, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge, notwithstanding any provision of Section 3.06 to the contrary.

(d) The Paying Agent/Registrar shall promptly notify the City in writing of the principal amount to be redeemed of any Bond as to which only a portion thereof is to be redeemed.

Section 4.05. Notice of Redemption to Owners.

(a) The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Holder of each Bond (or portion thereof) to be redeemed, at the address shown in the Register.

(b) The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

Section 4.06. Payment Upon Redemption.

(a) Before or on each redemption date, the City shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying Agent/Registrar shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise received by the Paying Agent/Registrar from the City and shall use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office of the Paying Agent/Registrar, on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, premium, if any, and accrued interest on such Bond to the date of redemption from the moneys set aside for such purpose.

Section 4.07. Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.05 of this Ordinance, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the City defaults in the payment of the principal thereof or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If the City shall fail to make provision for payment of all sums due on a redemption date, then any Bond or portion thereof shall continue to bear interest at the rate stated on the Bond until due provision is made for the payment of same.

Section 4.08. Conditional Notice of Redemption.

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

Section 4.09. Lapse of Payment.

Money set aside for the redemption of the Bonds and remaining unclaimed by Owners thereof shall be subject to the provisions of Section 3.03(f) hereof.

## ARTICLE V

## PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar.

The Bank of New York Mellon Trust Company, N.A., or its successor, is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

Section 5.02. Qualifications.

Each Paying Agent/Registrar shall be a commercial bank, 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.

Section 5.03. Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Ordinance. The Mayor is hereby authorized and directed to execute, and the City Secretary to attest, an agreement (the "Paying Agent/Registrar Agreement"), in the form presented at this meeting, with the Paying Agent/Registrar specifying the duties of the City and the Paying Agent/Registrar.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement.

Section 5.04. Termination.

The City, upon not less than 60 days' notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination.

Section 5.05. Notice of Change to Owners.

Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06. Agreement to Perform Duties and Functions.

By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.07. Delivery of Records to Successor.

If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

## ARTICLE VI

## FORM OF THE BONDS

Section 6.01. Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to accompany the initially delivered Bonds, the Certificate of the Paying Agent/Registrar and the Assignment to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Article with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds shall be typewritten, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten or photocopied or otherwise reproduced.

Section 6.02. Form of the Bonds.

The form of the Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to accompany the initially delivered Bonds, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds shall be substantially as follows:

(a) Form of Bond.

REGISTERED
No. _____

REGISTERED
$_____

United States of America
State of Texas
COUNTY OF TARRANT
CITY OF ARLINGTON, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE BOND
SERIES 2016A

| INTEREST RATE: | MATURITY DATE: | DELIVERY DATE: | CUSIP NUMBER: |
|---|---|---|---|
| _____% | June 1, ____ | June 28, 2015 | _____ ___ |

The City of Arlington (the "City"), in the County of Tarrant, State of Texas, for value received, hereby promises to pay to

_____

or registered assigns, but solely from the sources and in the manner hereinafter provided, on the Maturity Date specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the Delivery Date specified above or the most recent interest payment date to which interest has been paid or provided for until payment of such principal amount has been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on June 1 and December 1 of each year, commencing December 1, 2016.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate office in Dallas, Texas (the "Designated Payment/Transfer Office), of The Bank of New York Mellon Trust Company, N.A., the initial Paying Agent/Registrar, or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, such person shall bear all risk and expense of such other banking arrangement. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the close of business on the last Business Day of the month next preceding the interest payment date.

If the date for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

This Bond is dated June 1, 2016, and is one of a series of fully registered bonds specified in the title hereof issued in the aggregate principal amount of $_____ (herein referred to as the "Bonds"), issued pursuant to the authority provided by Chapter 1502, Texas Government Code, as amended, and a certain ordinance of the City (the "Ordinance"), for the purpose of improving and extending the City's water and wastewater system, and paying the costs of issuing the Bonds.

The Bonds, together with certain outstanding parity lien revenue bonds of the City, are secured by and payable solely from a lien on and pledge of the net revenues of the System, as provided or incorporated by reference in the Ordinance. The Bonds constitute special obligations of the City payable solely from the sources and in the manner set forth herein and in the Ordinance and not from any other revenues, funds or assets of the City.

The City has reserved the right, subject to the restrictions stated or incorporated by reference in the Ordinance, to issue additional parity revenue bonds that may be secured in the same manner and on a parity with the Bonds and the previously issued parity revenue bonds.

The City has reserved the option to redeem the Bonds maturing on or after June 1, 2027, before their respective scheduled maturities in whole or in part on June 1, 2026, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portion thereof, within such maturity and in such principal amounts, for redemption.

The Bonds maturing June 1, 20__ (the "Term Bonds") are subject to scheduled mandatory redemption and will be redeemed by the City, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth below.

$_____ Term Bonds Maturing June 1, 20__

| Redemption Date | Redemption Amount |
|---|---|
| June 1, 20__ | |
| June 1, 20__* | |

*maturity

At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that

results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in the Ordinance.

In lieu of calling the Term Bonds described above, for mandatory redemption, the City reserves the right to purchase such Term Bonds at a price not exceeding the principal amount thereof, plus accrued interest, with (a) moneys on deposit in the Interest and Sinking Fund which are available for the mandatory redemption of such Term Bonds or (b) other lawfully available funds.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

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

As provided in the Ordinance and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date) and for all other purposes, whether or not this Bond be overdue, and neither the City nor the Paying Agent/Registrar, nor any such agent shall be affected by notice to the contrary.

The registered owners hereof shall never have the right to demand payment of this Bond out of any funds raised or to be raised by taxation.

IT IS HEREBY CERTIFIED AND RECITED that this Bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance and delivery of this Bond have been performed, existed, and been done in accordance with law.

IN WITNESS WHEREOF, the City has caused this Bond to be executed in its name by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Secretary, and the official seal of the City has been duly impressed or placed in facsimile on this Bond.

| | |
|---|---|
| _____ | _____ |
| City Secretary, City of Arlington, Texas | Mayor, City of Arlington, Texas |

[SEAL]

(b) Form of Comptroller's Registration Certificate

The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such Certificate on the initial Bond is fully executed.

| | | |
|---|---|---|
| OFFICE OF THE COMPTROLLER | § | |
| OF PUBLIC ACCOUNTS | § | REGISTER NO. _____ |
| OF THE STATE OF TEXAS | § | |

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding special obligation of the City of Arlington, Texas, payable from the revenues pledged to its payment by and in the ordinance authorizing same and that said bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, _____.

_____
Comptroller of Public Accounts
of the State of Texas

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar

The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

It is hereby certified that this Bond has been issued under the provisions of the Ordinance described on this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or portion of a bond or bonds of an issue which was originally approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas as shown in the records kept by the undersigned.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.
as Paying Agent/Registrar

Dated: _____

By:_____
Authorized Representative

(d) Form of Assignment

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): _____
_____
_____
(Social Security or other identifying number: _____) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

_____
Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

(e) The Initial Bond shall be in the form set forth in subsections (a), (b) and (d) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall be completed with the words "As shown below" and "CUSIP NUMBER" deleted;

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" shall be deleted and the following will be inserted: "on June 1 in each of the years, in the principal installments and bearing interest at the per annum rates in accordance with the following schedule:

| Year | Principal Installment | Interest Rate |
|---|---|---|

(Information to be inserted from Section 3.02(b) hereof)

(iii) the Initial Bond shall be numbered T-1.

Section 6.03. CUSIP Registration.

The City may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.04. Legal Opinion.

The approving legal opinion of Bracewell LLP may be printed on the back of or attached to each Bond over the certification of the City Secretary of the City which may be executed in facsimile.

Section 6.05. Bond Insurance.

Information pertaining to bond insurance, if any, may be printed on or attached to each Bond.

## ARTICLE VII

## FUNDS AND ACCOUNTS

Section 7.01. Funds.

The City covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the following special Funds heretofore established are hereby reaffirmed and shall be maintained in an official depository bank of the City so long as any of the Bonds, the Outstanding Bonds and any Additional Bonds are outstanding and unpaid, to wit:

(a) "City of Arlington, Texas, Water and Wastewater System Revenue Fund" (herein called the "Revenue Fund"), formerly known as the Waterworks and Sewer System Revenue Fund;

(b) "City of Arlington, Texas, Water and Wastewater System Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund"), formerly known as the Waterworks and Sewer Revenue Bonds Interest and Sinking Fund; and

(c) "City of Arlington, Texas, Water and Wastewater System Revenue Bonds Reserve Fund" (herein called the "Reserve Fund"), formerly known as the Waterworks and Sewer System Revenue Bonds Reserve Fund.

Section 7.02. Revenue Fund.

The City shall deposit, from day to day as collected, all revenues of every nature derived from the operation of the System into the Revenue Fund and the money from time to time on deposit therein shall be appropriated to the following uses in the following order of priority, to wit:

(a) to the payment of all necessary and reasonable expenses of operation and maintenance of the System as said expenses are defined by law;

(b) to the Interest and Sinking Fund and the Reserve Fund when and in the amounts required by this Ordinance and the ordinances authorizing the Outstanding Bonds and any Additional Bonds and for the payment of the principal and interest on the Bonds, the Outstanding Bonds and any Additional Bonds when and as due and payable and for the creation of a reserve therefor;

(c) to any other purpose of the City now or hereafter permitted by law.

Section 7.03. Interest and Sinking Fund.

In addition to all other amounts required by the ordinances authorizing the Outstanding Bonds, there shall be deposited into the Interest and Sinking Fund created for the benefit of the Outstanding Bonds, the Bonds, and all Additional Bonds, the following sums:

(a) such amounts, in equal monthly installments, commencing on the 25th day of the month immediately succeeding the month in which the Bonds are delivered, and on the 25th day of each month thereafter, as will be sufficient to pay the interest scheduled to come due on the Bonds on the next Interest Payment Date, less any amounts already on deposit therein for such purpose derived from the proceeds of the Bonds or from any other lawfully available source; and

(b) such amounts, in equal monthly installments, commencing on the 25th day of the month immediately succeeding the month in which the Bonds are delivered, and on the 25th day of each month thereafter, as will be sufficient to pay the next maturing principal of the Bonds.

(c) In addition to the foregoing requirements, the City shall make additional deposits into the Interest and Sinking Fund at the times and in the amounts specified in any ordinance authorizing the issuance of any Additional Bonds.

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

Section 7.04. Reserve Fund.

(a) The City covenants and agrees that it will continuously maintain in the Reserve Fund an amount of Reserve Fund Obligations equal to not less than the average annual principal and interest requirements on the Bonds, the Outstanding Bonds, and any Additional Bonds from time to time outstanding (the "Reserve Fund Requirement"), and that upon issuance of Additional Bonds, it will increase, if necessary and accumulate the amount to be deposited in the Reserve Fund in accordance with the requirements set forth in Section 9.01 hereof; provided that, any amounts deposited in the Reserve Fund that are attributable to gross proceeds of the Bonds, the Outstanding Bonds, and any Additional Bonds will not exceed an amount equal to the least of 10 percent of the stated principal amount of such bonds (or, if any issue has more than a deminimus amount of original issue discount or premium, the issue price of such issue will be used instead of the stated principal amount), the maximum annual principal and interest requirements on such bonds or 125 percent of the average annual principal and interest requirements on such bonds. For so long as the funds on deposit in the Reserve Fund are equal to the Reserve Fund Requirement, no additional deposit need be made therein, but should the Reserve Fund at any time contain less than the Reserve Fund Requirement, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the City shall restore such deficiency by depositing additional Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/24th of the Reserve Fund Requirement on or before the 10th day of each month following such deficiency, termination, or expiration. The money on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds, the Outstanding Bonds and any Additional Bonds at any time there are not sufficient moneys on deposit in the Interest and Sinking Fund.

(b) The City may, at its option, withdraw all surplus in the Reserve Fund over the Reserve Fund Requirement and deposit the same in the Revenue Fund; provided, however, that to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used.

(c) For the purpose of determining compliance with the requirements of subsection (a) of this Section, Reserve Fund Obligations shall be valued each year as of the last day of the City's fiscal year at their cost or market value, whichever is lower, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Fund in book-entry form shall be continuously valued at their par value or face principal amount.

(d) To the extent permitted by, and in accordance with applicable law and upon approval of the Attorney General of the State of Texas, the City may replace or substitute a Credit Facility for cash or investment securities, of any of the type or types permitted by Section 7.05 hereof, on deposit in the Reserve Fund or in substitution or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or investment securities of

any of the types permitted by Section 7.05 hereof, on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Reserve Fund Requirement may be withdrawn by the City, at its option, and transferred to the Revenue Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used. Any interest due on any reimbursement obligation under the Credit Facility shall not exceed the highest lawful rate of interest which may be paid by the City.

(e) If the City is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section, the City shall promptly notify the issuer of such Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or investment securities then on deposit in the Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency.

(f) In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Reserve Fund Requirement, then the City shall, after making required deposits to the Interest and Sinking Fund in accordance with the terms of this Ordinance, satisfy the Reserve Fund Requirement by depositing additional Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/24th of the Reserve Fund Requirement on or before the 10th day of each month following such deficiency, termination or expiration.

(g) In the event of the redemption or defeasance of any of the Outstanding Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Reserve Fund Requirement may be withdrawn and transferred, at the option of the City, to the Revenue Fund, as a result of (i) the redemption of the Outstanding Bonds, or (ii) funds for the payment of the Outstanding Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in this Ordinance, the result of such deposit being that such Outstanding Bonds no longer are deemed to be Outstanding under the terms of this Ordinance. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used.

(h) In the event there is a draw upon the Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw in accordance with the terms of any agreement pursuant to which the Credit Facility is issued from Net Revenues; however, such reimbursement from Net Revenues shall be subject to the provisions of subparagraph (f) hereof, and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Bonds.

Section 7.05. Investment of Funds.

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

Section 7.06. Deficiencies in Funds.

If at any time the City shall fail to deposit into any Fund hereinabove created or reaffirmed the full amounts required to be deposited therein, the amounts equivalent to such deficiencies shall be set apart and paid into said Fund from the first available and unallocated Net Revenues of the System, and such payments shall be in addition to the amounts otherwise required hereby to be paid into said Funds. To the extent necessary, the City shall increase the rates and charges for services of the System to make up for any such deficiencies.

Section 7.07. Security of Funds.

All Funds heretofore created or reaffirmed, to the extent not invested as herein permitted, shall be secured in the manner and to the fullest extent required by law for the security of public funds, and such Funds shall be used only for the purposes and in the manner permitted or required by this Ordinance and the ordinances authorizing the issuance of the Outstanding Bonds and any Additional Bonds.

## ARTICLE VIII

## SALE AND DELIVERY OF BONDS; DEPOSIT OF PROCEEDS

Section 8.01. Sale of Bonds, Official Statement.

(a) The Bonds, having been duly advertised and offered for sale at competitive bid, are hereby officially sold and awarded to _____ (the "Purchaser") for a purchase

price equal to the principal amount thereof plus a cash premium of $_____, being the bid which produced the lowest true interest cost to the City. The Initial Bond shall be registered in the name of the Purchaser or its designee.

(b) The form and substance of the Preliminary Official Statement, and any addenda, supplement or amendment thereto, are hereby in all respects approved and adopted and is hereby deemed final as of its date within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The final Official Statement (the "Official Statement") presented to and considered at this meeting is hereby in all respects approved and adopted and the Mayor and the City Secretary of the City are hereby authorized and directed to execute the same and deliver appropriate numbers of executed copies thereof to the Purchasers. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by the Mayor of the City and the Purchaser, may be used by the Purchaser in the public offering and sale thereof. The City Secretary is hereby authorized and directed to include and maintain a copy of the Official Statement and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting. The use and distribution of the Preliminary Official Statement, as supplemented and the preliminary public offering of the Bonds by the Purchaser, is hereby ratified, approved and confirmed.

(c) All officers of the City are authorized to execute such documents, certificates and receipts as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the terms of sale therefor. Further, in connection with the submission of the record of proceedings for the Bonds to the Attorney General of the State of Texas for examination and approval of such Bonds, the appropriate officer of the City is hereby authorized and directed to issue a check of the City payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount to be the lesser of (i) 1/10th of 1% of the principal amount of the Bonds or (ii) $9,500).

(d) The obligation of the Purchaser to accept delivery of the Bonds is subject to the Purchasers being furnished with the final, approving opinion of Bracewell LLP, bond counsel for the City, which opinion shall be dated and delivered on the Closing Date.

Section 8.02. Control and Delivery of Bonds.

(a) The Mayor of the City is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State, registration by the Comptroller of Public Accounts of the State and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the Purchasers under and subject to the general supervision and direction of the Mayor, against receipt by the City of all amounts due to the City under the terms of sale.

(c) In the event the Mayor or City Secretary is absent or otherwise unable to execute any document or take any action authorized herein, the Mayor Pro Tem and the Assistant City

Secretary, respectively, shall be authorized to execute such documents and take such actions, and the performance of such duties by the Mayor Pro Tem and the Assistant City Secretary shall for the purposes of this Ordinance have the same force and effect as if such duties were performed by the Mayor and City Secretary, respectively.

Section 8.03. Deposit of Proceeds.

On the Closing Date, the City shall cause the proceeds from the sale of the Bonds in the amount of $_____ to be deposited to a special construction fund of the City as directed by an authorized officer of the City, such moneys to be dedicated and used solely for the purposes of paying costs of issuing the Bonds and the costs of the projects for which the Bonds are being issued as herein provided. Interest and income derived from the investment of the moneys deposited in such fund shall be credited to such fund until the construction of such projects is completed; thereafter, to the extent such interest and income are present, such interest and income shall be deposited to the Interest and Sinking Fund.

## ARTICLE IX

## COVENANTS

Section 9.01. Additional Bonds.

(a) In addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds, under and in accordance with this Section 9.01, for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding, in any lawful manner, any part or all of the Bonds or the Outstanding Bonds. The Additional Bonds shall be secured by and payable from a first and superior lien on and pledge of the Net Revenues in the same manner and to the same extent as the Bonds and the Outstanding Bonds; and the Bonds, any Outstanding Bonds, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued under this Section in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to-wit:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Outstanding Bonds;

(ii) Each of the special Funds created for the payment and security of the Bonds and the Outstanding Bonds contain the amount of money then required to be on deposit therein;

(iii) The City has secured from a Certified Public Accountant a certificate showing that the Net Earnings of the System for either the completed fiscal year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of all bonds which will be outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the

Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for water and sewer services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a favorable reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings of the System covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of the Outstanding Bonds after giving effect to the issuance of the Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

(iv) The ordinance authorizing the Additional Bonds (A) requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (B) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount equal to the Reserve Fund Requirement for all Bonds to be outstanding after the issuance of said Additional Bonds. Such additional amount shall be so accumulated in not more than sixty months from the date of the Additional Bonds, in equal monthly installments, commencing on the 25th day of the month immediately succeeding the Closing Date, and on the 25th day of each month thereafter until an amount equal to the Reserve Fund Requirement is on deposit; and

(v) The Additional Bonds are scheduled to mature only on June 1, and the interest thereon is scheduled to be paid on June 1 and December 1.

(b) The term "Net Earnings," as used in this Section 9.01, shall mean all income, receipts and revenues derived from the operation of the System, including interest earned on invested moneys in the special Funds created herein for the payment and security of obligations payable from the Net Revenues, after deduction of maintenance and operating expenses but not deducting depreciation, debt service payments on Bonds and other expenditures which, under standard accounting practice, should be classified as capital expenditures. Revenues and receipts resulting solely from the ownership of the System (grants, meter deposits and gifts) and interest earned on construction funds created from Bond proceeds shall not be treated or included as income, revenues or receipts from the operation of the System for purposes of determining "Net Earnings."

(c) Wherever, in this Section 9.01, the City reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations which may be made lawfully payable from and secured by the same source of revenues of the City.

(d) The City covenants that, for so long as any principal or interest pertaining to any Bonds or Outstanding Bonds remain outstanding and unpaid, it will not authorize or issue any further bonds of the City secured by a lien on and pledge of the revenues of the System superior

or senior to the pledge and lien created herein for the Bonds and the Outstanding Bonds, or secured by a lien on and pledge of the revenues of the System on a parity with the Bonds and the Outstanding Bonds except in conformity with the provisions of this Section 9.01.

Section 9.02. Rates and Charges.

The City hereby covenants that, for the benefit of the Purchasers and any and all subsequent holders of the Bonds, the Outstanding Bonds and any Additional Bonds, or any part thereof, and in addition to all other provisions and covenants contained in this Ordinance, it is expressly agreed that the City shall, at all times while any of the Bonds, the Outstanding Bonds or any Additional Bonds are outstanding and unpaid, fix and maintain rates and collect charges for the facilities and services afforded by the System, which will provide revenues annually at least equal to the amount required to:

(a) pay for all operation, maintenance, depreciation, replacement and betterment charges of the System;

(b) establish and maintain the Interest and Sinking Fund and Reserve Fund requirements contained in this Ordinance and in the ordinances authorizing the Outstanding Bonds and any Additional Bonds; and

(c) produce Net Revenues each year in an amount not less than 1.25 times the average annual principal and interest requirements of the Bonds, the Outstanding Bonds and any Additional Bonds from time to time outstanding.

Section 9.03. Maintenance and Operation; Insurance.

(a) The City hereby covenants and agrees that the System shall be operated on a fiscal year basis and shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds or the Outstanding Bonds are outstanding, the City agrees to maintain insurance on the System of a kind and in an amount customarily carried by municipal corporations in the State of Texas. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

(b) The City further covenants and agrees with the holder or holders of the Bonds from time to time, that it will maintain and operate the System with all possible efficiency while any of the Bonds remain outstanding and unpaid, and that it will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Texas, including the making and collecting of reasonable and sufficient rates for water and wastewater services supplied by the System, and segregation and application of the revenues of the System as required by the provisions of this Ordinance.

Section 9.04. Records, Accounts, Accounting Reports.

That the City hereby covenants and agrees that so long as any of the Bonds or Outstanding Bonds or any interest thereon remain outstanding and unpaid, it will keep and

maintain a proper and complete system of records and accounts pertaining to the operation of the System and its component parts separate and apart from all other records and accounts of the City in accordance with accepted accounting practices prescribed for municipal corporations, and complete and correct entries shall be made of all transactions relating to the System, as provided by Chapter 1502, Texas Government Code, as amended. The holder or holders of any Bonds or any duly authorized agent or agents of such holders, shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the System and all properties comprising same. The City further agrees that as soon as possible following the close of each fiscal year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the components of the System for such fiscal year;

(b) A balance sheet as of the end of such fiscal year;

(c) A detailed statement of the source and disposition of all funds of the System during such fiscal year;

(d) The Accountant's comments regarding the manner in which the City has complied with the covenants and requirements of this Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System;

(e) A list of the securities which have been on deposit as security for the money in the Interest and Sinking Fund and Reserve Fund throughout the fiscal year, a list of the investments, if any, credited to the Reserve Fund for the payment and security of the Bonds, and a statement of the manner in which money in the Revenue Fund has been secured in such fiscal year; and

(f) The number of customers served by the components of the System.

Expenses incurred in making the audits above referred to are to be treated as maintenance and operating expenses of the System and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon written request, to the original purchasers and any subsequent holder of the Bonds.

Section 9.05. Further Covenants.

The City hereby further covenants and agrees as follows, to-wit:

(a) That it has the lawful power to pledge the Net Revenues to the payment of the Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas; that the Outstanding Bonds, the Bonds and the Additional Bonds, when issued, shall be ratably secured under said pledge in such manner that one bond shall have no preference over any other bond of said issues as hereinbefore provided.

(b) That, other than for the payment of the Outstanding Bonds and the Bonds, the Net Revenues of the System are not in any manner now pledged to the payment of any debt or obligation of the City or of the System.

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

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

(e) That it will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

(f) That it will not grant any franchise or permit the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities, and, to the extent that it legally may, the City will prohibit any such competing facilities.

Section 9.06. Amendments.

The City, may, without the consent of or notice to any Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners, to cure any ambiguity, inconsistency, or formal defect or omission herein and to provide additional security for the payment of the Bonds. In addition, the City may, with the written consent from the owners holding a majority in aggregate principal amount of the Bonds then Outstanding (excluding Bonds acquired by or held for the account of the City) affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the written consent of all Owners of Bonds then Outstanding, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held for consent to any such amendment, addition, or rescission.

Section 9.07. Provisions Concerning Federal Income Tax Exclusion.

(a) General. The City intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable

regulations promulgated thereunder (the "Regulations"). The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in the gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the City covenants and agrees to comply with each requirement of this Section 9.07; provided, however, that the City shall not be required to comply with any particular requirement of this Section 9.07 if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in Section 9.07 will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section 9.07.

(b) No Private Use or Payment and No Private Loan Financing. The City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations. The City covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations.

(c) No Federal Guaranty. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations, except as permitted by section 149(b)(3) of the Code and the Regulations.

(d) Bonds are not Hedge Bonds. The City covenants and agrees not to take any action, or knowingly omit to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the Regulations.

(e) No-Arbitrage Covenant. The City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the City will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations.

(f) Arbitrage Rebate. If the City does not qualify for an exception to the requirements of Section 148(f) of the Code, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issue of the City or moneys which do not represent gross proceeds of any bonds of the City, (ii) calculate at such times as are required by the Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under the Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(g) Information Reporting. The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the Regulations.

(h) Record Retention. The City will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Bonds until six years after the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the City to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

(i) Registration. The Bonds will be issued in registered form.

(j) Continuing Obligation. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Section 9.07 shall survive the defeasance and discharge of the Bonds.

## ARTICLE X

## CONTINUING DISCLOSURE UNDERTAKING

Section 10.01. Annual Reports.

(a) 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 1-5 in the Official Statement, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles prescribed by the Generally Accepted Accounting Principles 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.

(b) If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific referenced to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

Section 10.02. Disclosure Event Notices.

(a) 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:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) 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;

(vii) Modifications to rights of holders of the Bonds, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City;[1]

(xiii) 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; and

(xiv) Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

The City shall 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 in accordance with Sections 10.01 and 10.02. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Section 10.03. Limitations, Disclaimers and Amendments.

The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give

[1] For the purposes of the event identified in (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person 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 obligated person, 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 obligated person.

notice of any redemption calls and any defeasances that cause the City to be no longer an "obligated person."

The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Article shall constitute a breach of or default under the Ordinance for purposes of any other provisions of this Ordinance.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Article may be amended by the City 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, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds 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 (or any greater amount required by any other provisions of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (B) an entity or individual person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.1 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of financial information or operating data so provided.

## ARTICLE XI

## MISCELLANEOUS

Section 11.01. Changes to Ordinance.

The Mayor and Director of Finance, in consultation with Bond Counsel, is hereby authorized to make changes to the terms of this Ordinance if necessary or desirable to carry out the purposes hereof or in connection with the approval of the issuance of the Bonds by the Attorney General of Texas.

Section 11.02. Partial Invalidity.

If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of the Ordinance.

Section 11.03. No Personal Liability.

No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Ordinance, against any official or employee of the City or any person executing any Bonds.

## ARTICLE XII

## REMEDIES

Section 12.01. Remedies in Event of Default.

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

## ARTICLE XIII

## DISCHARGE OF BONDS

Section 13.01. Discharge of Bonds.

The Bonds may be discharged, defeased or refunded in any manner permitted by then applicable law.

PRESENTED, FINALLY PASSED AND APPROVED, AND EFFECTIVE on the 7th day of June, 2016, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

_____
W. JEFF WILLIAMS, Mayor

ATTEST:

_____
MARY SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

By: _____

*Signature Page for Ordinance Authorizing*
*Series 2016A Water and Wastewater System Revenue Bonds*

*#5207958.1*

**NEW ISSUE-Book-Entry Only**

**RATINGS: Fitch Ratings "AAA"**
**Moody's "Aa2"**
**Standard & Poor's "AAA"**
**See "OTHER INFORMATION – Ratings"**

*In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not private activity bonds. See "Tax Matters" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.*

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

**$39,825,000***
**CITY OF ARLINGTON, TEXAS**
**(Tarrant County, Texas)**
**Water and Wastewater System Revenue Bonds, Series 2016A**

**Dated: June 1, 2016** **Due: June 1, as shown on inside of cover page**
**Interest to accrue from date of delivery.**

**PAYMENT TERMS…**Interest on the $39,825,000* City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2016A (the "Bonds") will accrue from the date of their delivery to the Initial Purchaser (the "Delivery Date") and will be payable on June 1 and December 1 of each year commencing December 1, 2016 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Bank of New York Mellon Trust Company N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE…**The Bonds are issued as special obligations of the City of Arlington, Texas (the "City"), issued on parity with the currently Outstanding Bonds (as hereinafter defined). The Bonds are being issued pursuant to the general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, Article XIII of the City's Home Rule Charter and an ordinance passed by the City Council (the "Ordinance"). The Bonds are special obligations of the City, and together with the Outstanding Bonds and any Additional Bonds, are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues (as defined in the Ordinance) of the City's Water and Wastewater System (the "System"). The Bonds shall not be a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create any lien or mortgage on the System and any judgment against the City may not be enforced by the levy and execution against the property owned by the City.

**PURPOSE…**The proceeds from the sale of the Bonds are being used to provide funds to (i) improve and extend the System; and (ii) to pay costs of issuance associated with the sale of the Bonds.

**SEPARATE ISSUES…**The Bonds are being offered by the City concurrently with the "City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016C" (the "Certificates"). The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently pursuant to separate official statements and should be reviewed and analyzed independently, including the type of obligation being offered, their terms for payment, the security for its payment, the rights of the holders, and other features.

**OPTIONAL REDEMPTION…**The City reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

**LEGALITY…**The Bonds are offered for delivery when, as and if issued and received by the Initial Purchasers and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

**DELIVERY…**It is expected that the Bonds will be available for delivery through DTC on June 28, 2016.

## BIDS DUE TUESDAY, JUNE 7, 2016 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.

**Maturity Schedule ***

| (June 1) Maturity | Principal Amount | Interest Rate | Initial Yield | CUSIP [1] | (June 1) Maturity | Principal Amount | Interest Rate | Initial Yield | CUSIP [1] |
|---|---|---|---|---|---|---|---|---|---|
| 2017 | $ 1,990,000 | | | | 2027 | 1,990,000 | | | |
| 2018 | 1,995,000 | | | | 2028 | 1,990,000 | | | |
| 2019 | 1,995,000 | | | | 2029 | 1,990,000 | | | |
| 2020 | 1,995,000 | | | | 2030 | 1,990,000 | | | |
| 2021 | 1,995,000 | | | | 2031 | 1,990,000 | | | |
| 2022 | 1,995,000 | | | | 2032 | 1,990,000 | | | |
| 2023 | 1,990,000 | | | | 2033 | 1,990,000 | | | |
| 2024 | 1,990,000 | | | | 2034 | 1,990,000 | | | |
| 2025 | 1,990,000 | | | | 2035 | 1,990,000 | | | |
| 2026 | 1,990,000 | | | | 2036 | 1,990,000 | | | |

**(Interest to accrue from date of initial delivery)**

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

*[Remainder of page intentionally left blank]*

* Preliminary, subject to change.

*For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, 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 Rule 15c2-12.*

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

*No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Purchasers. This Official Statement, including the appendices and cover page thereto, does not constitute an offer to sell the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.*

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

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

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

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

*[Remainder of page intentionally left blank]*

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## OFFICIAL STATEMENT SUMMARY

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

| | |
|---|---|
| **THE CITY**..... | The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.5 square miles operates under a Council/Manager form of government (see "INTRODUCTION – Description of the City"). |
| **THE BONDS**..... | The $39,825,000* City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2016A, dated June 1, 2016, are issued as serial and/or term bonds maturing on June 1 in each of the years 2017 through 2036. (see "THE BONDS - Description of the Bonds"). Should term bonds be issued, they will be subject to mandatory sinking fund redemption (see "THE BONDS - General"). |
| **PAYMENT OF INTEREST** ..... | Interest on the Bonds accrues from the delivery date and will be paid on December 1, 2016, and on each June 1 and December 1 thereafter until the earlier of maturity or prior redemption. (See "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption"). |
| **AUTHORITY FOR ISSUANCE**..... | The Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas, including particularly Chapter 1502, Texas Government Code, as amended, Article XIII of the City's Home Rule Charter and an ordinance passed by the City Council authorizing the issuance of Bonds (the "Ordinance") |
| **SECURITY FOR THE BONDS** ..... | The Bonds, together with certain outstanding previously issued bonds (the "Outstanding Bonds") and any additional parity bonds which may be issued in the future (the "Additional Bonds"), constitute special obligations of the City payable as to principal and interest solely from and secured by a pledge of and a lien on the Net Revenues of the City's Water and Wastewater System (the "System") (see "SELECTED PROVISIONS OF THE ORDINANCE – Definitions"). **The Bonds are not general obligations of the City, Tarrant County or the State of Texas. Neither the full faith and credit nor the taxing power of the City, Tarrant County or the State of Texas is pledged to the payment of the Bonds.** |
| **OPTIONAL REDEMPTION** ..... | The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after June 1, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). |
| **TAX EXEMPTION**..... | In the opinion of Bond Counsel, under existing law, the interest on the Bonds will be excludable from gross income for federal income tax purposes and the Bonds are not private activity bonds. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences on corporations. |
| **USE OF PROCEEDS**..... | The proceeds from the sale of the Bonds are being used to provide funds to (i) improve and extend the System; and (ii) to pay costs of issuance associated with the sale of the Bonds. |
| **RATINGS** ..... | The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's), "AAA" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, ("S&P") and "AAA" by Fitch Ratings ("Fitch"). The City's presently outstanding System revenue supported debt has underlying ratings of "Aa2" by Moody's, "AAA" by S&P and "AAA" by Fitch. (see "OTHER INFORMATION – Ratings"). |

*Preliminary, subject to change.

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

**PAYMENT RECORD** ..... The City has never defaulted on its revenue obligations 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.

**SELECTED FINANCIAL INFORMATION**

| Fiscal Year Ended 30-Sep | Estimated Population [1] | Average Daily Pumpage [2] | Maximum Daily Water Pumpage [2] | Total Water Pumped [3] | Net Revenue Available For Debt Service | Annual Debt Service Requirements | Calculated Coverage of Debt Service |
|---|---|---|---|---|---|---|---|
| 2011 | 365,530 | 64.25 | 114.69 | 23,451 | $ 45,242,000 | $ 14,804,000 | 3.06X |
| 2012 | 365,860 | 57.99 | 106.45 | 21,166 | 37,471,000 | 14,250,000 | 2.63X |
| 2013 | 365,930 | 55.20 | 95.76 | 20,148 | 41,788,000 | 14,777,000 | 2.83X |
| 2014 | 369,508 | 53.04 | 88.82 | 19,473 | 37,967,000 | 14,683,000 | 2.59X |
| 2015 | 369,592 | 52.48 | 104.26 | 19,155 | 44,279,000 | 15,602,000 | 2.84X |

[1] Estimated by City staff.
[2] Listed in millions of gallons per day.
[3] Listed in millions of gallons.

*[Remainder of page intentionally left blank]*

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

| City Council | Length of Service | Term Expires | Occupation |
|---|---|---|---|
| Jeff Williams<br>Mayor | 1 year | May, 2017 | Engineer |
| Charlie Parker<br>Council Member | 4 years | May, 2018 | Community Volunteer |
| Sheri Capehart<br>Council Member | 16 years [(1)] | May, 2018 | Computer Security Analyst, Retired |
| Robert Rivera<br>Council Member | 11 years | May, 2017 | Banker/Vice President |
| Kathryn Wilemon<br>Mayor Pro Tem | 13 years | May, 2017 | Community Volunteer |
| Lana Wolff<br>Council Member | 13 years | May, 2017 | Community Volunteer |
| Robert Shepard<br>Council Member | 8 years | May, 2018 | Attorney |
| Victoria Farrar – Myers<br>Council Member | Newly Elected | May, 2018 | Professor at UTA |
| Michael Glaspie<br>Council Member | 4 years | May, 2017 | Church Minister |

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

### SELECTED ADMINISTRATIVE STAFF

| Name | Position | Years of Employment with City |
|---|---|---|
| Trey Yelverton | City Manager | 23 |
| Gilbert Perales | Deputy City Manager | 9 |
| Theron Bowman | Deputy City Manager | 33 |
| Jim Parajon | Deputy City Manager | 10 |
| Mike Finley | Director of Finance | 20 |
| Teris Solis | City Attorney | 25 |
| Mary Supino | City Secretary | 6 |

### CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

| | |
|---|---|
| Independent Auditors | Grant Thronton L.L.P., Dallas, Texas |
| Bond Counsel | Bracewell L.L.P., Dallas Texas |
| Financial Advisor | Estrada Hinojosa & Company, Inc., Dallas, Texas |

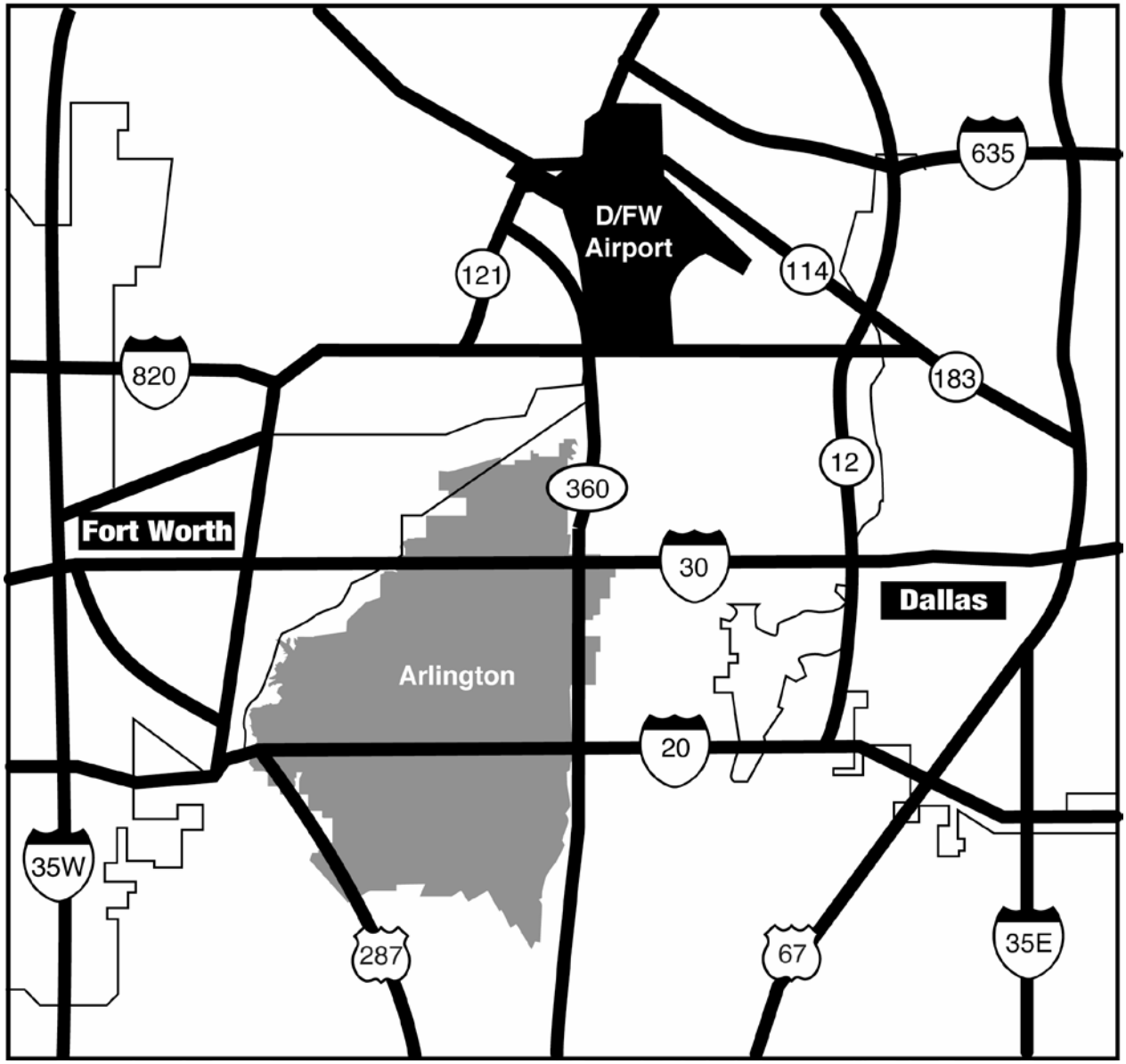
For additional information regarding the City, please contact:


Mr. Mike Finley
City of Arlington
101 W. Abram Street, 3rd Floor
Arlington, Texas
(817) 459-6100

or

Mr. Dave Gordon
Estrada Hinojosa & Company, Inc.
1717 Main Street, Suite 4700
Dallas, Texas 75201
(214) 658-1670

# Dallas/Fort Worth/Arlington Metropolitan Area



**PRELIMINARY OFFICIAL STATEMENT**

**RELATING TO**

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

**$39,825,000***
**Water and Wastewater System Revenue Bonds, Series 2016A**

## INTRODUCTION

This Official Statement, which includes the Schedules and Appendices hereto, provides certain information regarding the issuance of $39,825,000* City of Arlington, Texas Water and Wastewater System Revenue Bonds, Series 2016A (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined) authorizing the issuance of the Bonds, except as otherwise indicated herein. Reference is made to "Selected Provisions of the Ordinance" which contains defined terms and selected provisions of the Ordinance that are summarized under "The Bonds."

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

**DESCRIPTION OF THE CITY…**The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.5 square miles, had a 2010 census population of 365,438. The City's Community Development and Planning Department estimates the current population of the City to be 379,370 residents. 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 wastewater utilities, and general administrative services. The City operates its water and wastewater system and its sanitary landfill operation as self supporting enterprise funds.

**DESCRIPTION OF THE SYSTEM…**The City's Water and Wastewater System (the "System") serves a 99.7 square mile area which is relatively coterminous with the corporate boundaries of the City. Administered and managed by the Arlington Water Utilities Department, the System serves approximately 147,685 water utility units.

The City owns and has water rights in Lake Arlington and contracts for additional water supply with the Tarrant Regional Water District ("TRWD"). TRWD provides the City water from the Cedar Creek, Richland Chambers and Benbrook Reservoirs.

Approximately 1,294 miles of sanitary sewer mains ranging in size from six to seventy-two inches comprise the wastewater collection system that services all developed areas within the City limits. Although the City owns and maintains an extensive wastewater collection system, it does not treat its own sewage. The wastewater produced in the City is treated by the Trinity River Authority's Central Regional Wastewater Treatment Plant. (See "The System" herein for a detailed description of the System.)

## THE BONDS

**DESCRIPTION OF THE BONDS…** The Bonds are dated June 1, 2016 (the "Dated Date"), and mature on June 1 in each of the years and in the amounts shown on page ii hereof. Interest will accrue from the Delivery Date and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1, commencing December 1, 2016 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds – Book-Entry-Only System" herein.

**PURPOSE…** The proceeds from the sale of the Bonds are being used to provide funds to (i) improve and extend the System; and (ii) to pay costs of issuance associated with the sale of the Bonds.

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* Preliminary, subject to change

**AUTHORITY FOR ISSUANCE OF THE BONDS…**The Bonds are issued as special obligations of the City, and are being issued pursuant to the general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, Article XIII, Section 1 of the City's Home Rule Charter and an ordinance (the "Ordinance") passed by the City Council, and are special obligations of the City of Arlington, Texas (the "City"), payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the Water and Wastewater System (the "System").

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

| | |
|---|---|
| Sources: | |
| Par amount of the Bonds | |
| Net Premium | |
| Total Sources of Funds | $ - |
| Uses: | |
| Deposit to Construction Fund | |
| Costs of Issuance | |
| Total Uses of Funds | $ - |

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

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

As of June 28, 2016, the City will have Outstanding Bonds secured by and payable from Net Revenues on parity with the Bonds as follows:

| Issue | Dated Date | Outstanding Principal Amount |
|---|---|---|
| Water & Wastewater System Revenue Bonds, Series 2007 | 7/15/2007 | $ 1,200,000 |
| Water & Wastewater System Revenue Bonds, Series 2008 | 6/15/2008 | 22,800,000 |
| Water & Wastewater System Revenue Refunding Bonds, Series 2009 | 4/15/2009 | 3,670,000 |
| Water & Wastewater System Revenue and Refunding Bonds, Series 2010 | 6/15/2010 | 11,820,000 |
| Water & Wastewater System Revenue Bonds, Series 2010 | 11/19/2010 | 9,720,000 |
| Water & Wastewater System Revenue Bonds, Series 2012 | 6/1/2012 | 13,305,000 |
| Water & Wastewater System Revenue Bonds, Series 2013A | 6/1/2013 | 7,585,000 |
| Water & Wastewater System Revenue Refunding Bonds, Series 2013B | 6/1/2013 | 5,475,000 |
| Water & Wastewater System Revenue Bonds, Series 2014 | 3/15/2014 | 3,080,000 |
| Water & Wastewater System Revenue Bonds, Series 2014A | 6/1/2014 | 11,990,000 |
| Water & Wastewater System Revenue Refunding Bonds, Series 2014B | 6/1/2014 | 7,010,000 |
| Water & Wastewater System Revenue Bonds, Series 2015A | 5/15/2015 | 17,325,000 |
| Water & Wastewater System Revenue Refunding Bonds, Series 2015B | 5/15/2015 | 11,910,000 |
| Water & Wastewater System Revenue Bonds, Series 2016 | 5/1/2016 | 2,080,000 |
| | | $ 128,970,000 |

**DEBT SERVICE RESERVE FUND…**The City has covenanted that it will maintain in the Reserve Fund an amount equal to not less than the average annual principal and interest requirements on the Outstanding Bonds, the Bonds and any Additional Bonds from time to time outstanding (the "Reserve Fund Requirement"), and that upon the issuance of Additional Bonds, it will increase, if necessary, and accumulate such Reserve Fund Requirement in not more than 60 months from the date of such Additional Bonds. As of September 30, 2015, the Debt Service Reserve Fund balance was $14,143,405. Following delivery of the Bonds, the City will accumulate additional funds into the Reserve Fund, if necessary, to meet the Reserve Fund Requirement for the Bonds and the Outstanding Bonds. (See "SELECTED PROVISIONS OF THE ORDINANCE - Various Funds.")

**OPTIONAL REDEMPTION…**The City has reserved the right at its option to redeem the Bonds scheduled to mature on and after June 1, 2027 prior to their scheduled maturities, in whole or in part, on June 1, 2026, or on any date thereafter, at par plus accrued interest to the date fixed for redemption in principal amounts of $5,000 or any integral multiple thereof. If less than all of the Bonds are to be redeemed the City reserves the right to determine the maturity or maturities and the amounts thereof to be redeemed and if less than a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot or other method that results in random selection, which of the Bonds of such maturities, or portions thereof, shall be redeemed. If any Bond (or portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bonds (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

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

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

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

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

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

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC,the National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its registered securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**HOLDERS' REMEDIES**. . . The Ordinance establishes as "events of default" (i) the failure to make payments, and defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinance; or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance. The Ordinance provides that the bondholders are entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the Ordinance. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner of Bonds could presumably obtain a judgment against the City if a default occurred in the payment of 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 to seek to enforce the covenants of the City through an action for specific performance or mandamus. 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.

On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. Because it is not clear that the Texas Legislature has effectively waived the City's immunity from suit for money damages, any Bondholder may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.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 in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by Cities for providing goods or services to cities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any

effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders 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 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the pledged Net Revenues, and also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

## THE SYSTEM

**WATER TREATMENT FACILITIES**. . . Arlington currently operates two water treatment plants that treat raw water and purify it to meet or exceed state and federal drinking water standards. Treated water is then pumped to the distribution system for customer use.

The Pierce-Burch Water Treatment Plant (PBWTP) is located in west Arlington and treats raw water from Lake Arlington that is pumped to the water treatment plant. The south PBWTP was constructed in 1957 and with subsequent expansions has a treatment capacity of 75 million gallons per day (MGD). The plant uses a sedimentation, ozonation, and filtration treatment process. The north PBWTP was constructed in 1954, but has been decommissioned and is no longer in service. There are no plans to expand the PBWTP, but land is available at the site for future expansion if needed.

The John F. Kubala Water Treatment Plant (JKWTP) is located in southwest Arlington and receives its raw water directly from the Tarrant Regional Water District's (TRWD) Richland Chambers and Cedar Creek pipelines. The JKWTP was constructed in 1989 and with subsequent expansions currently has a treatment capacity of 97.5 MGD. The plant uses a sedimentation, ozonation, and filtration treatment process. Population growth and development in the southern part of the City necessitated the construction of JKWTP. The plant began serving Arlington's citizens in May 1989. Beginning in August 1998, TRWD also began delivering water from Lake Benbrook, a U.S. Army Corps of Engineers-owned reservoir. There are no plans to expand the JKWTP. The plant was designed for ultimate build out capacity of 130 MGD.

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

The City's water distribution system is fully metered and consists of 1,425 miles of pipe. The City has 108,071 water meters of which 34.3% are automated. The System includes concrete cylinder, cast iron, polyvinyl chloride (PVC), ductile iron pipes, and high density polyethylene (HDPE). The entire System meets the minimum standards prescribed by the Texas Fire Insurance Commission, the United States Environmental Protection Agency and the Texas Commission on Environmental Quality (TCEQ).

*[Remainder of page intentionally left blank]*

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

| Fiscal Year | Average Daily Pumpage | Maximum Daily Pumpage (MGD) |
|---|---|---|
| 2006 | 67.26 | 116.72 |
| 2007 | 51.52 | 86.04 |
| 2008 | 58.51 | 109.49 |
| 2009 | 59.54 | 115.20 |
| 2010 | 55.44 | 102.24 |
| 2011 | 64.25 | 114.69 |
| 2012 | 57.99 | 106.45 |
| 2013 | 55.20 | 95.76 |
| 2014 | 53.04 | 88.82 |
| 2015 | 52.48 | 104.26 |

Source: City Water Utilities Department

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

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

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

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

In March 2002, TRWD issued $331,430,000 in Water Revenue Refunding and Improvement Bonds (Series 2002) to refund the Series 1993 Bonds and to fund the acquisition and expansion of the Wetland Water Treatment System for Richland Chambers, for design/engineering of the pipeline connection to Eagle Mountain Lake and other construction, improvements and repairs to TRWD's Water System. Construction of the Richland Chambers Dam and Reservoir Project was funded with proceeds derived from the sale of Water Revenue Bonds, which were originally issued in 1979 (Series 1979-A) and have since been refunded with the Series 2002 Bonds.

In 2006, TRWD issued $182,905,000 in Water Revenue Bonds for:

- acquisition and expansion of the Wetland Water Treatment system for Richland Chambers Reservoir;
- initial cost for a Wetland Water Treatment system for the Cedar Creek Reservoir;
- expansion and improvements to TRWD's water supply transmission system to Eagle Mountain Lake;
- acquisition and installation of control equipment for the Eagle Mountain Pipeline connection and Richland Chambers Wetland projects;
- engineering, acquisition and construction of a new communication system;
- engineering and studies for expansion of discharge facilities at Lake Arlington;
- acquisition and improvements to TRWD's existing water supply security system;
- acquisition of right-of-way and permanent and perpetual flowage easements for the System together with all other design, construction, improvements and repairs and studies and plans for TRWD's Water System;
- to fund a debt service reserve fund; and

- to pay the costs associated with the issuance of the Bonds.

Two bond issues were made in 2008, Series 2008A-RC Water Revenue Bond ($3,135,000) and 2008B-CC Water Revenue Bond ($6,755,000). The 2008A-RC Bonds were issued to support pre-construction efforts to complete the Richland-Chambers Reservoir Wetland Project. The 2008B-CC Bonds were issued to support pre-construction efforts for the Cedar Creek Wetlands Project. These bonds were issued as a part of the Texas Water Development Board (TWDB) Water Infrastructure Fund established to finance implementation of projects identified in the 2007 State Water Plan.

In March 2009, TRWD issued $69,535,000 in bonds to refund $16,895,000 of the Series 1999 Water and Revenue Refunding and Improvement Bonds and to pay for construction of a parallel pipeline segment; the design of additional pipeline and pumping facilities; the construction of a balancing reservoir on the Eagle Mountain pipeline; major repairs, replacements and additions of valves, vaults, pumps, variable frequency drives, switchgear, aeration facilities, and tank recoating related to the water transmission system; expansion and rehabilitation of chemical and dechlorination facilities related to the District's water transmission system; dam stability analysis and remediation, water transportation improvements, including log jam removal; design of hydro generation facilities at Lake Arlington; development of new water resources, including costs related to the acquisition of out of state water, and associated legal, engineering and consultation costs; other design, construction, improvements and repairs and studies and plans for the District's Water System.

In 2010, TRWD had three bond issues, 2010, 2010A and 2010B. The 2010 issue for $89,250,000 was issued for engineering and initial right of way costs related to additional pipeline and pumping facilities; engineering and construction of the build-out phase of the Richland-Chambers wetlands facilities; land and right-of-way for construction of the Cedar Creek wetlands; construction of hydro generation facilities at Lake Arlington; development of new water resources, including costs related to the acquisition of out of state water, and associated legal, engineering, and consulting costs; other design, construction, improvements and repairs and studies and plans for the District's Water System. The 2010A, ($17,835,000) and 2010B, ($83,785,000) series were issued to support development costs related to the Integrated Pipeline Project (IPL) and were issued as a part of the Texas Water Development Board (TWDB) Water Infrastructure Fund established to finance implementation of projects identified in the 2007 State Water Plan. The IPL Project is an integrated water delivery transmission system that will deliver water supply from Lake Palestine, Cedar Creek and Richland-Chambers Reservoirs integrated with TRWD's existing pipelines and provide flexibility in water sources and delivery as well as quick response to fluctuating customer demands. The IPL Project consists of 150 miles of pipeline, three new lake pump stations, and three new booster pump stations. The City of Dallas is funding a portion of the cost to design, construct and operate the IPL in proportion to delivery of Dallas water supply from Lake Palestine.

In January 2012, the TRWD board approved a resolution authorizing the issuance, sale, and delivery of the Tarrant Regional Water District, Water Transmission Facilities Contract Revenue Bbonds (City of Dallas Project) $131,935,000 to pay for the design, acquisition, and construction of the "Dallas Project Component" of the integrated pipeline project. The board also approved revenue refunding and improvement bonds for TRWD, $150,375,000 to refund a portion of the outstanding Series 2002 Bonds, pay for the design, construction and right of way costs related to the District's Water System, including additional water transmission facilities and pumping facilities, development of new water resources, including costs related to the acquisition of out of state water and associated legal, engineering, and consulting costs, additions to the Kennedale balancing reservoirs, construction of hydro generation facilities at Lake Arlington, and other construction, improvements, and repairs to the District's Water System, fund a debt service reserve fund and pay costs of issuance of the bonds.

In October 2012, the TRWD board approved a resolution authorizing the issuance, sale, and delivery of the Tarrant Regional Water District, a water control and improvement district Water Revenue Refunding Bonds Series 2012A to refund a portion of the District's debt for debt service savings and to pay costs of issuance of the bonds.

In January 2014, the TRWD board approved a resolution authorizing the issuance, sale, and delivery of the Tarrant Regional Water District, Water Transmission Facilities Contract Revenue Bonds, Series 2014 (City of Dallas Project), $226,930,000, to pay for the design, acquisition, and construction of the "Dallas Project Component" of the integrated pipeline project, and Tarrant Regional Water District, Water Transmission Facilities Revenue Bonds Series 2014, $335,425,000, to pay for the planning, design, construction, and right of way costs related to the District's Water System, including additional water transmission and pumping facilities; development of new water resources, including costs related to the acquisition of out of state water and associated legal, engineering, and consulting costs; Cedar Creek Dam stabilization, pump station pump room cooling, rebuilding Benbrook Dechlor Facilities, access bridges, monitoring equipment, generators, switches, instrumentation and other electrical equipment and improvements, and other construction improvements, and repairs to the District's Water System, to fund a debt service reserve fund and to pay costs of issuance of the Bonds.

In January 2015 the TRWD sold water revenue refunding bonds to refund a portion of the District's debt for debt service savings and to pay issuance costs of the Bonds.

Tarrant Regional Water District estimates that the existing and permitted water supply system has adequate water to meet its customers' projected water requirements through the year 2030. TRWD continues to participate in statewide and regional water supply planning authorized by the 1997 passage of Senate Bill 1. The regional plan for the Dallas-Fort Worth region includes plans for TRWD to develop an additional 622 MGD through the year 2060 at an estimated cost of $4.7 billion. These projects include water conservation, reuse, reservoir, and pipeline construction.

Under the terms of the Amendatory Contract, the City pays TRWD an amount equal to the City's proportionate share of TRWD's "Annual Requirement." Said annual requirement includes the costs of operation and maintenance of TRWD's raw water supply facilities, debt service on TRWD's bonds and any future bonds it might issue, including deposits to any special or reserve fund established in TRWD's bond resolutions. Based upon the projected usage of the City for the 2015-2016 fiscal year, the budgeted monthly purchase price to be paid by the City under the revised water contract is $1,903,558, which results in a rate of approximately $1.19 per one thousand gallons. Such amount is subject to adjustment as provided in the Amendatory Contract. The City is obligated to pay TRWD for all water used by it, and under the Amendatory Contract, the minimum amount of water the City shall be deemed to have used shall be calculated at an amount equal to the greater of 30 MGD or the average MGD actually used by the City during the period of the immediately preceding five consecutive annual periods.

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

**DROUGHT CONTINGENCY PLAN**. . . The City continues to work closely with TRWD to plan for and execute drought contingency measures.

TRWD updated its Water Conservation and Drought Contingency Plans in May 2014, in accordance with the Texas Commission of Environmental Quality (TCEQ) directives. Regular meetings were held to discuss evolving approaches to water conservation and extending supplies during drought or emergency situations. TRWD's customers had extensive input defining drought conditions and prescribing conservation measures related to each drought stage. All major customers agreed to specific, staged measures related to emergency conditions brought on by drought-induced water supply depletion or failure of components in TRWD's supply system.

Arlington Water Utilities also updated its Water Conservation and Drought Contingency Plan in 2014. The drought plan is based on a statistical analysis of 43-year weather patterns in North Texas and their potential effects on water supplies to establish drought triggers. The responses for each drought stage are triggered by two sets of conditions – water supply levels or excessive demand and emergency situations. Drought stages are triggered when the total combined raw water supply within the TRWD reservoir system drops below 75, 60 and 45 percent of conservation storage. Other conditions that would activate a drought response would include situations where:

- Water demand exceeds the amount that can be delivered to customers.
- Water demand for all or part of the TRWD delivery system exceeds delivery capacity because delivery capacity is inadequate.
- One or more of TRWD's water supply sources has become limited in availability.
- Water demand is projected to approach the limit of permitted supply.
- Supply source becomes contaminated.
- Water supply system is unable to deliver water due to the failure or damage of major water system components.
- The General Manager, with concurrence of the TRWD Board of Directors, finds that conditions warrant the declaration of a drought stage.

The summer of 2013 began with Stage 1 drought restrictions due to lack of rainfall during the winter and spring months. Per the Drought Contingency Plan, when TRWD reservoirs dropped to 75% capacity on June 3, 2013, Stage 1 drought restrictions were implemented. The same Stage 1 drought restrictions were implemented for all of 2014 and included a mandatory maximum two-day a week watering schedule to reduce water consumption by 5%. Water consumption goals were met locally in Arlington and regionally with TRWD. Stage 1 drought restrictions worked as intended and the City did not have any irreparable system supply problems during the restrictions. Stage 1 drought restrictions have been lifted, as all reservoirs are currently at 100% capacity.

The City coordinated with TRWD , its customer cities and other North Texas water suppliers to take a regional approach in updating its Drought Contingency Plan in the spring of 2014. The Drought Contingency Plan, per TCEQ requirements, was adopted in May 2014. The Water Conservation Plan was also updated and adopted by the Arlington City Council in May 2014. Because of this proactive approach to addressing drought conditions and managing emergency demand, combined with planning and system development initiatives, the City does not anticipate, and did not recently experience with implementation of the Drought Contingency Plan, any system supply problems. However, steps will be taken in the event of a prolonged drought to ensure that the financial condition of the System remains strong.

**CONSUMER ANALYSIS DATA**. . . The following data provides information as to the average daily water consumption, excluding sales to municipalities, by user category for the fiscal years ended September 30, 2011 through September 30, 2015.

| | Average Daily Consumption (MGD) | | | | |
|---|---|---|---|---|---|
| **Category** | **2015** | **2014** | **2013** | **2012** | **2011** |
| Residential | 24.50 | 24.90 | 26.50 | 33.70 | 30.57 |
| Commercial | 8.88 | 8.72 | 9.10 | 12.00 | 10.60 |
| Fire lines, Sprinkers | 4.25 | 4.43 | 5.00 | 6.40 | 6.41 |
| Apartment Units | 7.61 | 7.62 | 7.80 | 9.60 | 8.10 |
| Mobile Homes, Condominiums, Townhouses | 0.64 | 0.65 | 0.65 | 0.80 | 0.63 |
| Total | 45.88 | 46.32 | 49.05 | 62.50 | 56.31 |

The following table shows the number of units served; excluding sales to municipalities, by user category for the fiscal years ended September 30, 2011 through September 30, 2015.

| | Number of Units Served | | | | |
|---|---|---|---|---|---|
| **Category** | **2015** | **2014** | **2013** | **2012** | **2011** |
| Residential | 94,435 | 93,764 | 93,589 | 92,945 | 92,594 |
| Commercial | 4,808 | 4,821 | 4,800 | 4,857 | 4,922 |
| Fire lines, Sprinkers | 1,061 | 1,066 | 1,076 | 969 | 966 |
| Apartment Units | 45,876 | 45,950 | 46,682 | 46,844 | 46,917 |
| Mobile Homes, Condominiums, Townhouses | 2,087 | 2,084 | 2,079 | 2,089 | 2,089 |
| Total | 148,267 | 147,685 | 148,226 | 147,704 | 147,488 |

The following is a listing of the top ten water customers of the City, ranked by consumption during the fiscal year ended September 30, 2015. Billing will vary based on the number of meters, increased minimum charges for larger meters, and higher commodity charges for sprinkler usage. During this period, the top ten customers' total annual water billings, which represented 8.75 percent of the System's water sales, were as follows:

| | **Consumption in 1,000 Gallons** | **Billing** |
|---|---|---|
| EUSB/General Motors | 327,321 | $902,604 |
| University of Texas at Arlington | 272,728 | 981,135 |
| Arlington Independent School District | 207,861 | 1,017,061 |
| City of Arlington | 196,905 | 1,128,638 |
| Hurricane Harbor | 104,921 | 286,979 |
| Vantage Fort Worth Energy, LLC | 89,291 | 627,623 |
| Six Flags Over Texas | 74,102 | 244,469 |
| AT&T Stadium | 70,924 | 299,354 |
| Mansfield Independent School District | 69,702 | 384,768 |
| Arlington Memorial Hospital | 55,983 | 182,824 |
| **Total** | $1,469,738 | $6,055,455 |

*[Remainder of page intentionally left blank]*

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

| Historical Water Consumption Data (Inside City Limits) | | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year Ended (9/30) | Total Accounts in Service | Total Water Pumped MG | Average Water Pumped MGD | Maximum Day Pumpage MGD | GDP Per Account | Ratio Maximum Day to Average Day |
| 2011 | 106,021 | 23,451 | 64.25 | 114.69 | 606 | 1.79 |
| 2012 | 106,081 | 21,166 | 57.99 | 106.45 | 547 | 1.84 |
| 2013 | 106,848 | 20,148 | 55.20 | 95.76 | 517 | 1.72 |
| 2014 | 107,408 | 19,473 | 53.35 | 88.82 | 515 | 1.60 |
| 2015 | 107,926 | 19,155 | 52.48 | 104.26 | 487 | 1.99 |

Source: City of Arlington's Water Utilities Department

**WASTEWATER FACILITIES. . .** The wastewater collection system that serves all developed areas within the City limits is comprised of approximately 1,306 miles of sanitary sewer mains ranging in size from six to seventy-two inches. Although the City owns and maintains an extensive wastewater collection system, it does not treat its own wastewater. Wastewater produced in the City is treated under contract by the Trinity River Authority's (TRA) Central Regional Wastewater System (CRWS). The City's annual volume of contributing flow amounts to approximately 28.2 percent of the total wastewater flow into the CRWS Plant. As the city with the largest population in the CRWS service area, Arlington contributes the highest daily flow of all TRA regional plant customers. The CRWS Plant meets the effluent permit conditions to treat 162 MGD as set by the TCEQ and Environmental Protection Agency (EPA).

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

| | Wastewater Treated (Millions of Gallons) | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| TRA CRWS Plant | 13,417 | 12,408 | 12,510 | 13,510 | 13,329 |

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

In 1989, TRA sold $134.75 million in System Revenue Bonds to fund an expansion of the System's treatment plant from 100 to 135 MGD, which was placed into operation in early 1994. Subsequently in 1992, an additional $33.0 million in System Revenue Bonds were issued to fund improvements required primarily in the System's 200 mile network of large diameter pipelines over the first half of a five-year planning period. These improvements increased the capacity of numerous segments of the pipelines, rehabilitated pipelines and initiated several engineering evaluations to define required improvements to the plant and pipelines in the future. In 1995, TRA issued $43.515 million in System Revenue bonds to fund the remaining portions of the 1992-1996 capital plans. A five-year plan for 1997-2001 resulted in relief and rehabilitation of interceptors and plant improvements. Initial funds of $49 million were obtained from the 1998A bond issue. Also in 1998, $67 million in bonds were refunded through TRA's issuance of the 1998B Revenue Refunding Bonds. In 2001, TRA issued an additional $88.2 million in System Revenue Bonds through the Texas Water Development Board for plant improvements and relief pipeline construction as identified in the 2001 Capital Improvement Plan update. In early fiscal year 2003, TRA issued $136 million in refunding bonds to pay off the Series 1993 bonds. This results in a decrease water treatment expense to the City.

TRA's five-year capital improvement plan for 2004-2009 included treatment process improvements and interceptor rehabilitation. Initial funds of $106 million were obtained from a 2004 bond issue. Additional bonds in the amount of $9.5 million were issued in 2005 for land acquisition and other related wastewater system improvements. In April 2007, a new update of the five-year capital improvement plan was issued outlining plans for expanding plant capacity from 162 MGD to 189 MGD, as well as badly needed relief (parallel) pipeline system construction. Estimated cost for these projects totals $300 million, and funding was obtained from the Texas Water Development Board at below-market rates. The current plan includes a $120 million bond issuance which took place in June 2007, and two additional issuances of $90 million in February 2008 and March 2009 to complete the objectives of the updated capital improvement plan. An additional Texas Water Development Board bond of $127.005 million was issued in 2010, and in June 2011, the Authority issued $69.280 million in Revenue Refunding Bonds, Series 2011, for refunding the Series 2001 Bonds, producing a total debt service savings of $5,046,248 through the life of the bonds. In October 2011, the Authority issued Series 2011A Texas Water Development Bonds in the amount of $108.395 million and in August 2012, the Authority issued Series 2012 Texas Water Development Bonds in the amount of $74,270,000. These funds were needed to continue various plant and pipeline improvements. In 2013, TRA issued $26,740,000 in System Revenue Bonds to fund collection system and treatment plant improvements. Additional bond issues are scheduled in outlying years to continue process and collection system improvements. The timing and amounts of these bonds will be determined at a later date.

The 162 MGD CRWS Plant is situated on a 500 acre site in Grand Prairie. The CRWS Plant uses a conventional activated sludge process enhanced for nitrification followed by filtration. Effluent quality discharged to the West Fork of the Trinity River has been excellent, meeting all regulatory requirements. The plant was selected by the state and federal regulatory agencies as the best large treatment plant in EPA's Region 6 five-state area during 1996 and has received the National Association of Clean Water Agencies Platinum Award for the second time in 2006, each award signifying five continuous years of Gold Awards (100% permit compliance). The CRWS Plant received the Platinum Award for fiscal year 2007, 2008, 2009, 2010 and 2011 under the Agencies' revised rules. A portion of the treated effluent is delivered for beneficial reuse to lakes in the Las Colinas area of Irving, where it is used for irrigation and lake and canal level control. Revenue from this sale is credited to the parties of the System.

Plant solids removed by this treatment-plant are now being beneficially reused by a land application program, which exports all biosolids from the plant site. An onsite sludge monofill exists with a 20-year remaining life, as a backup to the land application program and to provide an alternative disposal method in the event contractor failure or other unanticipated failure occurs.

For TRA's fiscal year beginning December 1, 2015, the volume of contributing flow by the City is estimated to average 34.439 MGD, which amounts to approximately 27.08 percent of the total volume of wastewater flow into the CRWS plant. This percentage of wastewater flow is used to determine the City's annual requirements under this contract. Arlington has the largest service area population and contributes the highest average daily flow of all TRA CRWS Plant customers. The City's cost of wastewater treatment budgeted for 2016 is $30,002,217.

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**TABLE 1 - PRO FORMA DEBT SERVICE REQUIREMENTS**

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

| Fiscal Year Ended 9/30 | Existing Debt Service | | | Water & Wastewater Revenue Bonds, Series 2016A[1] | | | Total Debt Service Requirements | % of Principal Retired |
|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total | | |
| 2016 | $ 11,870,000 | $ 4,368,087 | $ 16,238,087 | $ - | $ - | $ - | $ 16,238,087 | |
| 2017 | 11,225,000 | 4,059,218 | 15,284,218 | 1,990,000 | 1,049,829 | 3,039,829 | 18,324,047 | |
| 2018 | 11,200,000 | 3,712,968 | 14,912,968 | 1,995,000 | 1,095,150 | 3,090,150 | 18,003,118 | |
| 2019 | 10,770,000 | 3,362,178 | 14,132,178 | 1,995,000 | 1,055,250 | 3,050,250 | 17,182,428 | |
| 2020 | 10,815,000 | 3,023,473 | 13,838,473 | 1,995,000 | 1,015,350 | 3,010,350 | 16,848,823 | 35.76% |
| 2021 | 9,720,000 | 2,660,906 | 12,380,906 | 1,995,000 | 955,500 | 2,950,500 | 15,331,406 | |
| 2022 | 8,925,000 | 2,316,648 | 11,241,648 | 1,995,000 | 895,650 | 2,890,650 | 14,132,298 | |
| 2023 | 8,900,000 | 2,056,859 | 10,956,859 | 1,990,000 | 835,800 | 2,825,800 | 13,782,659 | |
| 2024 | 8,120,000 | 1,789,400 | 9,909,400 | 1,990,000 | 776,100 | 2,766,100 | 12,675,500 | |
| 2025 | 7,285,000 | 1,522,928 | 8,807,928 | 1,990,000 | 716,400 | 2,706,400 | 11,514,328 | 65.38% |
| 2026 | 7,275,000 | 1,279,686 | 8,554,686 | 1,990,000 | 656,700 | 2,646,700 | 11,201,386 | |
| 2027 | 7,270,000 | 1,041,598 | 8,311,598 | 1,990,000 | 597,000 | 2,587,000 | 10,898,598 | |
| 2028 | 6,105,000 | 824,006 | 6,929,006 | 1,990,000 | 537,300 | 2,527,300 | 9,456,306 | |
| 2029 | 4,200,000 | 639,096 | 4,839,096 | 1,990,000 | 477,600 | 2,467,600 | 7,306,696 | |
| 2030 | 4,195,000 | 510,512 | 4,705,512 | 1,990,000 | 417,900 | 2,407,900 | 7,113,412 | 87.22% |
| 2031 | 3,020,000 | 379,976 | 3,399,976 | 1,990,000 | 358,200 | 2,348,200 | 5,748,176 | |
| 2032 | 3,020,000 | 277,792 | 3,297,792 | 1,990,000 | 298,500 | 2,288,500 | 5,586,292 | |
| 2033 | 2,190,000 | 175,472 | 2,365,472 | 1,990,000 | 238,800 | 2,228,800 | 4,594,272 | |
| 2034 | 1,745,000 | 95,941 | 1,840,941 | 1,990,000 | 179,100 | 2,169,100 | 4,010,041 | |
| 2035 | 910,000 | 32,988 | 942,988 | 1,990,000 | 119,400 | 2,109,400 | 3,052,388 | 98.89% |
| 2036 | - | - | - | 1,990,000 | 59,700 | 2,049,700 | 2,049,700 | 100.00% |
| | $ 138,760,000 | $ 34,129,731 | $ 172,889,731 | $ 39,825,000 | $ 12,335,229 | $ 52,160,229 | $225,049,960 | |

[1] Calculated at an assumed rate of 2.42% for purposes of illustration. Preliminary, subject to change.

**WATER AND WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM…**The City's Water Utilities Department maintains a program of annually updating its estimate of foreseeable System capital improvements. This is accomplished through the joint efforts of the Operations, Treatment and Business Services Divisions of the Water Utilities Department and independent consulting engineers. The Water Utilities Department annually reviews its proposed Capital Improvement Program with the City Council.

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

**PROPOSED CAPITAL IMPROVEMENT PROGRAM**

PROPOSED CAPITAL IMPROVEMENT PROGRAM

| Fiscal Year | Planned Capital Expenditures | Texas Water Development Board | Planned Bond Sale | Other Capital Financial Sources [1] |
|---|---|---|---|---|
| 2016 | $ 41,535,000 | $ 2,439,700 | $ 41,535,000 | $ - |
| 2017 | 68,873,000 | - | 51,203,000 | 17,670,000 |
| 2018 | 77,734,000 | - | 62,554,000 | 15,180,000 |

[1] Includes annual budgeted amounts for the water and wastewater main replacement program, cash contributions from the operating fund to the capital fund and remaining bond proceeds.

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

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

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

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**CITY OF ARLINGTON WATER UTILITIES**
**FIXED MONTHLY FEE**
**Effective January 1, 2016**

CITY OF ARLINGTON WATER UTILITIES
FIXED MONTHLY FEE

| Meter Size | Water | Wastewater |
|---|---|---|
| 5/8" (<2,000 gal) | $ 6.40 | $ 5.10 |
| 5/8" (>2,000 gal) | 9.00 | 9.30 |
| 1" | 15.00 | 16.00 |
| 1 1/2" | 34.30 | 36.50 |
| 2" | 60.00 | 59.10 |
| 3" | 141.00 | 131.00 |
| 4" | 225.00 | 210.00 |
| 6" | 524.00 | 526.00 |
| 8" | 820.00 | 751.00 |
| 10" | 1,232.00 | 1,110.00 |

**CITY OF ARLINGTON WATER UTILITIES**
**CONSERVATION RATES BLOCK STRUCTURE**
**Effective January 1, 2016**

**RESIDENTIAL**

| Usage (1,000 gal) | Water | Wastewater |
|---|---|---|
| 0-2 | $ 2.02 | $ 3.71 |
| 3-10 | 2.79 | 3.71 |
| 11-15 | 4.02 | 3.71 |
| 16-29 | 4.79 | 3.71 |
| ≥ 30 | 5.94 | 3.71 |

**COMMERCIAL**

| Usage (1,000 gal) | Water | Wastewater |
|---|---|---|
| 0-15 | $ 2.70 | $ 3.71 |
| ≥ 16 | 2.84 | 3.71 |

**IRRIGATION**

| Usage (1,000 gal) | Rate |
|---|---|
| 0-29 | $ 4.29 |
| ≥ 30 | 5.94 |

**CONSTRUCTION**

| Usage (1,000 gal) | Rate |
|---|---|
| 0-99 | $ 5.52 |
| ≥ 100 | 6.96 |

**HISTORICAL RATE ADJUSTMENTS…** Changes in revenue requirements during the past twenty years have resulted in the following changes in rates for the average residential customer. An average residential customer uses 8,000 gallons of water. Since March 1990, wastewater flows have been based on average winter water consumption. Each residential customer's average winter wastewater flows are calculated according to their water use during the billing periods of December through March. The overall system winter average for a residential customer is approximately 5,000 gallons.

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

| Fiscal Year | Water | Wastewater | Total |
|---|---|---|---|
| 2006 | 0.0 | 4.1 | 1.9 |
| 2007 | (1.1) | 10.2 | 4.2 |
| 2008 | 6.6 | 3.1 | 4.8 |
| 2009 | 10.2 | 9.5 | 9.9 |
| 2010 | 0.6 | 2.7 | 1.6 |
| 2011 | 2.8 | 3.5 | 3.2 |
| 2012 | 0.1 | 1.8 | 0.9 |
| 2013 | 0.0 | 2.4 | 1.2 |
| 2014 | 9.7 | 8.0 | 8.8 |
| 2015 | 6.6 | 2.8 | 4.7 |

Source: City Water Utilities Department.

**OPERATING RESERVE…** The current policy, authorized by the City Council, requires the operating reserve to equal a minimum of 60 days of the proposed operating and maintenance expense budget, excluding debt service (Resolution No. 11-363). Additionally, the reserve can be increased to a 60 day level using excess unbudgeted revenues, if available. The reserve fund balance as of September 30, 2015 was $15,696,745, which equals 60 days of operating and maintenance expenses.

**RATE STABILITY FUND...** The Water Utilities Department maintains a rate stabilization fund to assist in offsetting temporary increases to the budget and increases from mid-year settle-ups from Trinity River Authority (TRA) and Tarrant Regional Water District (TRWD). Use of the funds requires authorization from the City Council. Additionally, the fund shall not exceed 3% of the total Water Utilities expenditure budget, less interfund transfers. The rate stabilization fund balance as of September 30, 2015 was $2,958,204.

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

**TABLE 2- WATER AND WASTEWATER SYSTEM SCHEDULE OF NET ASSETS**

| | Fiscal Years Ended 9/30, (000's) | | | | |
|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2012** | **2011** |
| Assets | | | | | |
| Cash and cash equivalents | $ 19,053 | $ 13,674 | $ 15,564 | $ 12,650 | $ 13,033 |
| Receivable (net allowances for uncollectibles) | 22,044 | 14,673 | 14,946 | 15,063 | 17,997 |
| Inventory of Supplies, at cost | 1,230 | 643 | 460 | 412 | 461 |
| Restricted assets | | | | | |
| Bond Contingency | 14,096 | 13,435 | 12,658 | 13,440 | 12,198 |
| Capital/Bond contruction | 60,875 | 70,728 | 63,876 | 163,239 | 68,690 |
| Meter deposits | 5,351 | 5,211 | 5,107 | 4,973 | 4,904 |
| Property, plant and equipment less accumulated depreciation | 632,577 | 616,977 | 603,111 | 492,142 | 558,815 |
| Total Assets | $ 755,226 | $ 735,341 | $ 715,722 | $ 701,919 | $ 676,098 |
| Deferred Outflows of Resources: | | | | | |
| Deferred Loss on Debt Refunding | 3,975 | 1,479 | - | - | - |
| Total Assets & Deferred Outflows of Resources | $ 759,201 | $ 736,820 | $ 715,722 | $ 701,919 | $ 676,098 |
| Liabilities and Net Assets | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued liabilities | $ 3,321 | $ 4,028 | $ 3,711 | $ 3,402 | $ 3,311 |
| Payable from restricted assets | 20,504 | 21,654 | 21,483 | 15,031 | 11,650 |
| Accrued compensated absences | | | | | |
| Current | 141 | 130 | 151 | 133 | 147 |
| Non Current/Long Term | 1,660 | 1,645 | 1,599 | 1,534 | 1,311 |
| Revenue bonds, net of discount, payable from unrestricted assets | 131,148 | 122,374 | 111,551 | 119,057 | 113,287 |
| Net Pension Liability | 7,249 | - | - | - | - |
| Total Liabilities | $ 164,023 | $ 149,831 | $ 138,495 | $ 139,157 | $ 129,706 |
| Net Assets/Equity | | | | | |
| Deferred Inflows of Resources: | | | | | |
| Deferred Inflow - Actuarial Assumption GASB 6 | $ 599 | $ - | $ - | $ - | $ - |
| Invested in Capital Assets | $ 548,811 | $ 550,595 | $ 539,251 | $ 522,753 | $ 501,255 |
| Restricted | 14,947 | 16,169 | 14,299 | 18,655 | 19,706 |
| Unrestricted | 30,821 | 20,226 | 23,677 | 21,354 | 25,431 |
| Total Assets/Equity | $ 594,579 | $ 586,990 | $ 577,227 | $ 562,762 | $ 546,392 |
| Total Liabilities and Net Assets/Equity | $ 759,201 | $ 736,820 | $ 715,722 | $ 701,919 | $ 676,098 |

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**TABLE 3 - HISTORICAL NET REVENUES AVAILABLE FOR DEBT SERVICE**

| | Fiscal Years Ended 9/30, (000's) | | | | |
|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2012** | **2011** |
| Revenues | | | | | |
| Water Sales | $64,606 | $59,327 | $59,007 | $61,937 | $70,339 |
| Wastewater Service | 53,874 | 52,096 | 50,162 | 47,999 | 48,076 |
| Interest Income | 413 | 329 | 170 | 375 | 565 |
| Other Income | 5,390 | 4,722 | 5,065 | 4,783 | 5,027 |
| Total Revenues | $124,283 | $116,474 | $114,404 | $115,094 | $124,007 |
| Expenses | | | | | |
| Labor Costs | $14,398 | $14,688 | $14,413 | $13,955 | $13,039 |
| Supplies | 1,860 | 3,476 | 3,456 | 3,448 | 3,264 |
| Maintenance | 4,798 | 4,235 | 3,831 | 3,508 | 3,487 |
| Water Supply (The District) | 22,335 | 21,191 | 18,821 | 17,931 | 16,531 |
| Wastewater Treatment Contracts | 29,373 | 28,151 | 25,274 | 23,979 | 23,987 |
| Utilities | 2,956 | 2,806 | 2,831 | 3,183 | 3,088 |
| Other Expenses | 4,213 | 4,125 | 4,315 | 4,296 | 4,528 |
| Total Operating Expenses Before Depreciation | $79,933 | $78,672 | $72,941 | $70,300 | $67,924 |
| Net Revenues of the System | $44,350 | $37,802 | $41,463 | $44,794 | $56,083 |
| Interest During Construction Included Above | (71) | (64) | (67) | (71) | (129) |
| Net Revenues Available for Debt Service | $44,279 | $37,738 | $41,396 | $44,723 | $55,954 |
| Debt Service Paid [(1)] | $15,602 | $14,683 | $14,777 | $14,262 | $14,696 |
| Debt Service Coverage (times) | 2.84 x | 2.57 x | 2.80 x | 3.14 x | 3.81 x |

(1) Excludes TRA Revenue Bonds.

*[Remainder of page intentionally left blank]*

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

| | Fiscal Years Ended 9/30, | | | | |
|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2012** | **2011** |
| Gross Operating Revenues | $123,870 | $116,145 | $114,234 | $114,719 | $123,442 |
| Contruction) | 342 | 265 | 103 | 304 | 436 |
| Operating Expenses Before Depreciation | (79,933) | (78,672) | (72,941) | (70,300) | (67,924) |
| Net Revenues Available for Debt Service | $ 44,279 | $ 37,738 | $ 41,396 | $ 44,723 | $ 55,954 |
| Average Annual Debt Service | 8,644 | 8,208 | 7,684 | 7,769 | 7,663 |
| Average Annual Debt Service Coverage (times) | 5.12 x | 4.60 x | 5.39 x | 5.76 x | 7.30 x |
| Accounts Receivable to Gross Operating Revenues (%) | 18% | 13% | 13% | 13% | 15% |
| Unrestricted Cash to Unrestricted Current Liabilities (times) | 2.84 x | 2.57 x | 2.81 x | 3.14 x | 3.81 x |
| Unrestricted Current Assets to Unrestricted Current Liabilities (times) | 12.23 x | 6.97 x | 8.02 x | 7.96 x | 9.11 x |
| Long-term debt to Net Plant (%) | 21% | 20% | 18% | 19% | 19% |

*[Remainder of page intentionally left blank]*

## 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) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State of Texas, 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 Bonds 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, (8) 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, (9) 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, (10) 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, (11) 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, (12) no-loan 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 (13) 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 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.

**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.

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

As of March 31, 2016, the following percentages of the City's operating funds were invested in the following categories of investments:

**TABLE 5 - CURRENT INVESTMENTS [(1)]**

| Type of Investment | % Invested |
|---|---|
| Federal Agencies | 74.77% |
| Statewide Local Government Investment Pools [(2)] | 9.56% |
| Municipals | 9.24% |
| Cash | 6.43% |
| Totals | 100.00% |

[(1)] Reflects current investments for all City funds.
[(2)] Currently invested in TexStar, TexPool, and Texas Daily.

As of March 31, 2016, the weighted average maturity of the City's operating portfolio was 404 days and the market value of the operating portfolio was 100 percent of its book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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## SELECTED PROVISIONS OF THE ORDINANCE

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

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

**DEFINITIONS**

(a) The term "Additional Bonds" means the additional parity bonds which the City reserves the right to issue under the Ordinance.

(b) The term "Bonds" means the City's Water and Wastewater System Revenue Bonds, Series 2016A.

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

(d) The term "Outstanding Bonds" means the City's outstanding: Water and Wastewater System Revenue Bonds, Series 2005, authorized by an Ordinance of the City Council passed on March 8, 2005; Water and Wastewater System Revenue Bonds, Series 2007, authorized by an Ordinance of the City Council passed on July 17, 2007; Water and Wastewater System Revenue Bonds, Series 2008, authorized by an Ordinance of the City Council passed on June 15, 2008; Water and Wastewater System Revenue Refunding Bonds, Series 2009, authorized by an Ordinance of the City Council passed April 7, 2009; Water and Wastewater System Revenue Refunding Bonds, Series 2010 authorized by an Ordinance of the City Council passed June 22, 2010 Water and Wastewater System Revenue Bonds, Series 2010, authorized by an Ordinance of the City Council passed October 19, 2010; Water and Wastewater System Revenue Bonds, Series 2012 authorized by an Ordinance of the City Council passed June 5, 2012; Water and Wastewater System Revenue Bonds, Series 2013A authorized by an Ordinance of the City Council passed June 18, 2013; Water and Wastewater System Revenue Refunding Bonds, Series 2013B authorized by an Ordinance of the City Council passed June 18, 2013; Water and Wastewater System Revenue Bonds, Series 2014A and Water and Wastewater System Revenue Refunding Bonds, Series 2014B authorized by an Ordinance of the City Council passed June, 10, 2014; Water and Wastewater System Revenue Bonds, Series 2015A and Water and Wastewater System Revenue Refunding Bonds, Series 2015B authorized by an Ordinance of the City Council passed May, 26, 2015; and Water and Wastewater System Revenue Bonds, Series 2016 authorized by an Ordinance of the City Council passed May 10, 2016.

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

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

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

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

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

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

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

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

*[Remainder of page intentionally left blank]*

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

(a) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Bonds or the Outstanding Bonds:

(b) Each of the special Funds created for the payment and security of the Bonds and the Outstanding Bonds contain the amount of money then required to be on deposit therein;

(c) The City has secured from a Certified Public Accountant a certificate showing that the Net Earnings (definition under, paragraph (f) below) of the System for either the completed fiscal year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of all bonds, which will be outstanding after the issuance of the proposed Additional Bonds. However, should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and a change in the rates and charges for water and wastewater afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and an independent engineer or engineering firm having a favorable reputation with respect to such matters will certify, that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings of the System covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of the Outstanding Bonds after giving effect to the issuance of the Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

(d) The ordinance authorizing the Additional Bonds requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount equal to the Reserve Fund Requirement for all Bonds to be outstanding after the issuance of said Additional Bonds. Such additional amount shall be so accumulated in not more than sixty months from the date of the Additional Bonds;

(e) The Additional Bonds are scheduled to mature only on June 1, and the interest thereon is scheduled to be paid on June 1 and December 1; and

(f) The term "Net Earnings" shall mean all income, receipts and revenues derived from the operation of the System, including interest earned on invested monies in the special Funds created for the payment and security of obligations payable from the Net Revenues, after deduction of maintenance and operating expenses but not deducting depreciation, debt service payments on the Bonds, the Outstanding Bonds and any Additional Bonds and other expenditures which, under standard accounting practice, should be classified as capital expenditures. Revenues and receipts resulting solely from the ownership of the System (grants, meter deposits and gifts) and interest earned on construction funds created from bond proceeds shall not be treated or included as income, revenues or receipts from the operation of the System for purposes of determining "Net Earnings."

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

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

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

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

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

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

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

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

## TAX MATTERS

**TAX EXEMPTION…** In the opinion of Bracewell LLP, Bond Counsel, under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the bonds are not "private activity bonds" under the Internal Revenue Code of 1986 as amended (the "Code") and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

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 the 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 exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor, and the Initial Purchasers with respect to matters solely within the knowledge of the City, the City's Financial Advisor, and the Initial Purchasers which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations should be 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.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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

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

**ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS**

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

**TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM BONDS…**The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds ") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such 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 BONDS…**The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds "). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount 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 Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the captions “Tax Exemption” and "Collateral Tax Consequences" generally applies, 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 Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Purchaser has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount 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 Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued 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 Original Issue Discount 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 Original Issue Discount 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 Original Issue Discount 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 Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

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

## CONTINUING DISCLOSURE OF INFORMATION

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

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

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

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

**DISCLOSURE EVENT NOTICES…** The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City[(1)]; (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; and (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. The City shall also file, in a timely manner, notice of a failure by the City to provide required annual financial information and notices of material events in accordance with its continuing disclosure agreement.

[(1)] 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.

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

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

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

**COMPLIANCE WITH PRIOR UNDERTAKINGS…** During the last five years, the City had outstanding water and wastewater revenue bonds, special-tax revenue bonds, and ad valorem tax revenue obligations (the "Insured Obligations"), insured by various municipal bond insurance companies. The City did not timely file certain material events notices with respect to insurer rating changes (downgrades and upgrades) from 2009 to the 2014. However, under the City's Continuing Disclosure Agreements in effect for Insured Obligations issued from 2004 through 2010, the City's requirement to provide timely notice of certain events was subject to the qualifier "if such event is material to a decision to purchase or sell Bonds." During such insurer downgrades, the City's underlying, unenhanced credit rating with respect to the Insured Obligations remained higher than the credit rating of the insurers and as such, the City does not believe such Insurer downgrades were material. Also, in 2009, 2010 and 2013, the City did not timely file notice of the upgrading of its underlying, unenhanced credit rating with respect to its water and wastewater system revenue bonds, ad valorem tax revenue bonds, and special-tax revenue bonds by S&P, Fitch and Moody's. The City has now filed an events notice with respect to its rating upgrades in 2009, 2010 and 2013, and procedures have been implemented by the City to ensure that all event notices are timely filed in the future. Also, in 2013, the City filed its required quantitative financial information and operating data with the Municipal Advisory Council of Texas (the "MAC") by the required date but due to an administrative error the information was not timely filed with EMMA. The City filed an events notice with respect to the oversight and filed the required information with EMMA in 2014 after noticing the error and has since established procedures to avoid an error in the future.

## OTHER INFORMATION

**RATINGS…** The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's), "AAA" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, ("S&P") and "AAA" Fitch Ratings ("Fitch"). The unenhanced outstanding water and wastewater revenue debt of the City is rated "Aa2" by Moody's, "AAA" by S&P and "AAA" by Fitch. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

**LITIGATION…** The City is currently involved in several lawsuits in which some liability is probable. The potential liability as of September 30, 2015, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at $250,000.

The City is currently involved in an employment lawsuit in which the plaintiff alleges that the City's termination of an Arlington police officer was a violation of the City's personnel policies. The plaintiff elected to appeal his termination to an arbitrator. The arbitrator ruled that the officer be reinstated with back pay. The City appealed the arbitrator's decision. The Court ordered the City to reinstate the officer provided he passes certain requirements, which he has done. In June 2014, the court ruled to award the officer $164,471 in back pay, but the City has appealed the ruling. In August 2015, the Fort Worth Court of Appeals issued an opinion requiring the trial court to set aside the judgment in accordance with the Court of Appeals' decision. Thus, the case is returning to the trial court for further proceedings. It is uncertain whether "set aside" requires the trial judge to uphold the termination or order another arbitration. Liability with regard to the officer's back wages is probable. To the extent owed, back pay continues to accrue and a $277,000 accrual has been recorded at September 30, 2015.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA limitations (see Note 13 of the City's audited basic financial statements) of insurance coverage, if any, on all claims will not have a materially adverse effect on the City's financial position as a whole.

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

**LEGAL MATTERS…** The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds, subject to the matters described under "TAX MATTERS" herein, including alternative minimum tax consequences for corporations. 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 said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry- Only System.

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

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

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

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

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

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

**CERTIFICATION OF THE OFFICIAL STATEMENT…**At the time of payment for and delivery of the Bonds, the 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, 2015, the date of the last audited financial statements of the City appearing in the Official Statement.

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

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

/s/
Mayor
City of Arlington, Texas

ATTEST:
/s/
City Secretary
City of Arlington, Texas

# 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 boundary is approximately 99.5 square miles.

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

### General

The City operates under the Council-Manager form of government as established by its Charter. There is a nine member City Council (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats. The Council elects a Mayor Pro Tem and a Deputy Mayor Pro Tem from among its members.

### Mayor and City Council

Policy-making and supervisory functions are the responsibility of and are vested in the Council under provisions of the City Charter. Ordinances, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station and webcast. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council, but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

### Administration

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

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

*[Remainder of page intentionally left blank]*

## ECONOMIC AND DEMOGRAPHIC FACTORS

**Population**

The 2015 estimated population for the City of Arlington is 379,370. The following table presents population figures for selected years.

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

| Year | Arlington | Annual Rate of Change | United States | Annual Rate of Change |
|---|---|---|---|---|
| 1960 (1) | 44,775 | 19.30% | 178,464,236 | 1.71% |
| 1970 (1) | 90,229 | 7.30% | 203,211,926 | 1.31% |
| 1980 (1) | 160,113 | 5.90% | 226,545,805 | 1.09% |
| 1990 (1) | 261,721 | 5.00% | 248,765,170 | 0.94% |
| 2000 (1) | 332,969 | 2.40% | 281,421,906 | 1.40% |
| 2010 (1) | 365,438 | 0.93% | 308,745,538 | 0.93% |
| 2011 (2) | 365,530 | 0.03% | 312,759,230 | 1.30% |
| 2012 (2) | 365,860 | 0.09% | 314,395,013 | 1.30% |
| 2013 (2) | 365,930 | 0.02% | 316,128,839 | 0.55% |
| 2014 (2) | 369,508 | 0.98% | 318,857,056 | 0.86% |
| 2015 (2) | 369,592 | 0.02% | 321,418,820 | 0.80% |

Source: U.S. Dept. of Commerce, U.S. Census, and the Community Development and Planning Department Estimates.
(1) Actual Census population.
(2) Estimated by City staff.

**Employment**

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

**Unemployment Rate**
**Annual Average Rates**
**2012 to 2016**

| | February 2016 | February 2015 | February 2014 | February 2013 | February 2012 |
|---|---|---|---|---|---|
| Arlington | 3.7% | 4.2% | 5.6% | 6.3% | 7.0% |
| Texas | 4.3% | 4.4% | 5.7% | 6.5% | 7.1% |
| United States | 5.2% | 5.8% | 7.0% | 8.1% | 8.7% |

Source: Texas Workforce Commission

**Arlington Major Employers** [1]

| Employer | Type of Business | Number of employees |
|---|---|---|
| Arlington ISD | Public Education | 8,200 |
| University of Texas at Arlington | Higher Education | 5,300 |
| General Motors Co. | Automobile Assembly | 4,484 |
| Texas Health Resources | Healthcare | 4,063 |
| Six Flags Over Texas | Amusement Park | 3,800 |
| The Parks Mall | Retail | 3,500 |
| GM Financial | Financial Services | 2,965 |
| City of Arlington | Municipality | 2,509 |
| J.P. Morgan Chase | Banking Services | 1,965 |
| Texas Rangers | Major League Baseball | 1,881 |
| **Total** | | **38,667** |

[1] Arlington Chamber of Commerce. Includes part-time and peak seasonal employees.

**Building Permits**

During the FY 2015 the City issued 5,384 building permits with a total value of $360,951,443. Presented below is a table covering building permit activity for the last three years:

| | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Permits | Value (000's) | Permits | Value (000's) | Permits | Value (000's) |
| New Single Family | 470 | $ 103,651 | 328 | $ 135,154 | 580 | $ 128,593 |
| New Multifamily | 13 | 34,033 | - | - | - | - |
| New Commercial | 150 | 150,416 | 143 | 150,605 | 125 | 94,840 |
| Other (Additions, etc.) | 4,751 | 72,852 | 4,683 | 108,306 | 3,890 | 93,257 |
| Grand Total | 5,384 | $ 360,951 | 5,154 | $ 394,066 | 4,595 | $ 316,690 |

Source: City of Arlington Building Inspections Division

**APPENDIX B**

# AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF ARLINGTON YEAR ENDED SEPTEMBER 30, 2015

Grant Thornton

# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Grant Thornton LLP**
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The Honorable Mayor, City Council and City Manager
The City of Arlington, Texas

## Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Housing Authority or the Arlington Convention and Visitors Bureau, Inc. (the "component units"), discretely presented component units, which statements reflect 5%, 4%, and 93% of assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Arlington Convention and Visitors Bureau, Inc. were not audited in accordance with *Government Auditing Standards.*

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

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

**Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas as of September 30, 2015, 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.

**Emphasis of matter**

As disclosed in Note 1.Q to the financial statements, the City adopted new accounting guidance in fiscal year 2015 related to the accounting for pensions. Our opinion is not modified with respect to this matter.

**Other matters**

*Required supplementary information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 20, the Budgetary Comparison Schedule – General Fund, the Schedule of Changes in the City's Net Pension Liability – TMRS, the Schedule of Contributions – TMRS, the Schedule of Changes in the City's Net Pension Liability– Part-Time Deferred Income Trust Plan, the Schedule of Contributions – Part-Time Deferred Income Trust Plan, the Schedule of Funding Progress – Disability Income Plan, and the Schedule of Funding Progress – Postemployment Healthcare Plan on pages 77 through 83, be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

Grant Thornton

*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 combining financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other information*

The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 29, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

GRANT THORNTON LLP

Dallas, Texas
February 29, 2016

ARLINGTON℠

THE AMERICAN DREAM CITY

## CITY OF ARLINGTON, TEXAS

### Management's Discussion and Analysis
### For the Year Ended September 30, 2015 (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the City of Arlington's (City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities and financial position of the City of the fiscal year ended September 30, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal (p. vii - xi of report) and statistical section (p. 125 - 154 of report), as well as information found on the City's website at www.arlington-tx.gov including City Council's Priorities, the annual budget and business plan, and other community information. It should be noted that the Independent Auditors' Report describes the auditors' association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through 71.

## FINANCIAL HIGHLIGHTS

The City implemented GASB statements relating to pension reporting during FY15. Implementation required the City to restate beginning net position for the current year and to begin recording the net pension liability on the government-wide financial statements. Beginning net position was restated as follows:

| Activity Type | Net Position 9/30/14 | Restated Net Position | Difference |
|---|---|---|---|
| Governmental | 1,273,819 | 1,206,486 | (67,333) |
| Business-type | 670,363 | 664,043 | (6,320) |

Additional information regarding GASB 68 and 71 is included in Footnote 6 and in the Required Supplementary Information section. The net position of governmental activities **increased** by $18M during FY15. Net investment in capital assets and restricted net position remained the same as reported last year.

- The City's **increase** in total net position of $37.4M for the year was $43.5M higher than the $6.1M decrease reported last year. The increase is primarily related to increased revenues in property and sales tax, capital grants and contributions, and charges for services increase in the proprietary funds. The Water and Sewer Utility's net position increased by $19M in fiscal year 2015 compared to $14.3M in fiscal year 2014.

- The City's governmental funds reported combined ending fund balances of $286.8M, an i**ncrease** of $6.3M over last year. This increase is due to a combination of:

    - An **increase** of $11M of fund balance restricted and committed for capital projects and an **increase** of $1.1M assigned to encumbrances.
    - A **decrease** of prepaids totaling $5.4M of nonspendable fund balance.
    - A **decrease** in unassigned General Fund balance of $.4M.

- The 2015 General Fund assigned fund balance was $56.3M with $.5M unassigned, an overall **increase** in the aggregate from prior year. In 2014, the comparable balances were $54.4M and $.9M. Fund balance assignment changes in the General Fund include decreases information technology and park performance of $.01M, and $.3M respectively. Increases to encumbrances, working capital, subsequent years'

expenses, compensated absences and dispatch of $1.2M, .6M, .2M, .07M and .2M respectively were also noted.

- Total debt of $666.2M **decreased** $19M during the year. Debt issues in 2015 include $32.0M in Permanent Improvement Bonds and $36.8M in Permanent Improvement Refunding bonds, $11.9M in Water and Wastewater System Refunding bonds, $18.2M in Water and Wastewater System Revenue Bonds, Series 2015A and $.24M bonds related to the 2008 Texas Water Development Board (TWDB) Clean and Drinking Water Programs. Bond principal payments for 2015 total $107M on existing obligations with an additional $11.9M in principal refunded. Exclusive of Cowboy's Stadium debt, City of Arlington debt is allocated 65% for general government, with the remaining 35% to water, wastewater and storm water activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements**

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

The Statement of Net Position presents information on all of the assets, liabilities, deferred inflows and deferred 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 Net Position combines governmental funds' current financial resources (short-term spendable resources) with additional accruals, capital assets and long-term obligations. Other non-financial factors should also be taken into consideration to assess the overall health or financial condition of the City, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the 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 the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

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

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

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

- Component Units – The City includes one blended component unit with financial activity in 2015 in its report – Arlington Property Finance Authority, Inc. For fiscal year 2015, the City includes six discretely presented component units in its report – Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation (new, no activity) and the Arlington Convention Center Development Corporation (ACCDC). Although legally separate, these component units are important because the City is financially accountable for them.

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

A fund is a self-balancing set of 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. The fund financial statements provide detailed information about the most significant funds – not the City as a whole.

**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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The majority of the City's basic services are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are defined in a reconciliation following the fund financial statements.

The City maintains twenty-one individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and the Streets Capital Projects Fund, all of which are considered to be major funds. Data from the other eighteen 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 this report.

**Proprietary Funds**

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

statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in the Comprehensive Annual Financial Report.

**THE CITY AS TRUSTEE**

**Reporting the City's Fiduciary Responsibilities**

The City is the trustee, or fiduciary, for several funds, including the Part-Time Deferred Income Trust, Thrift Savings Plan, and Disability Income Plan, as well as certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. While individual funds are provided in the report, the assets and activities of these funds are excluded from the City's government-wide financial statements, because the City cannot use these assets to finance its operations.

**NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and postemployment healthcare to the employees.

**THE CITY AS A WHOLE – Government-wide Financial Analysis**

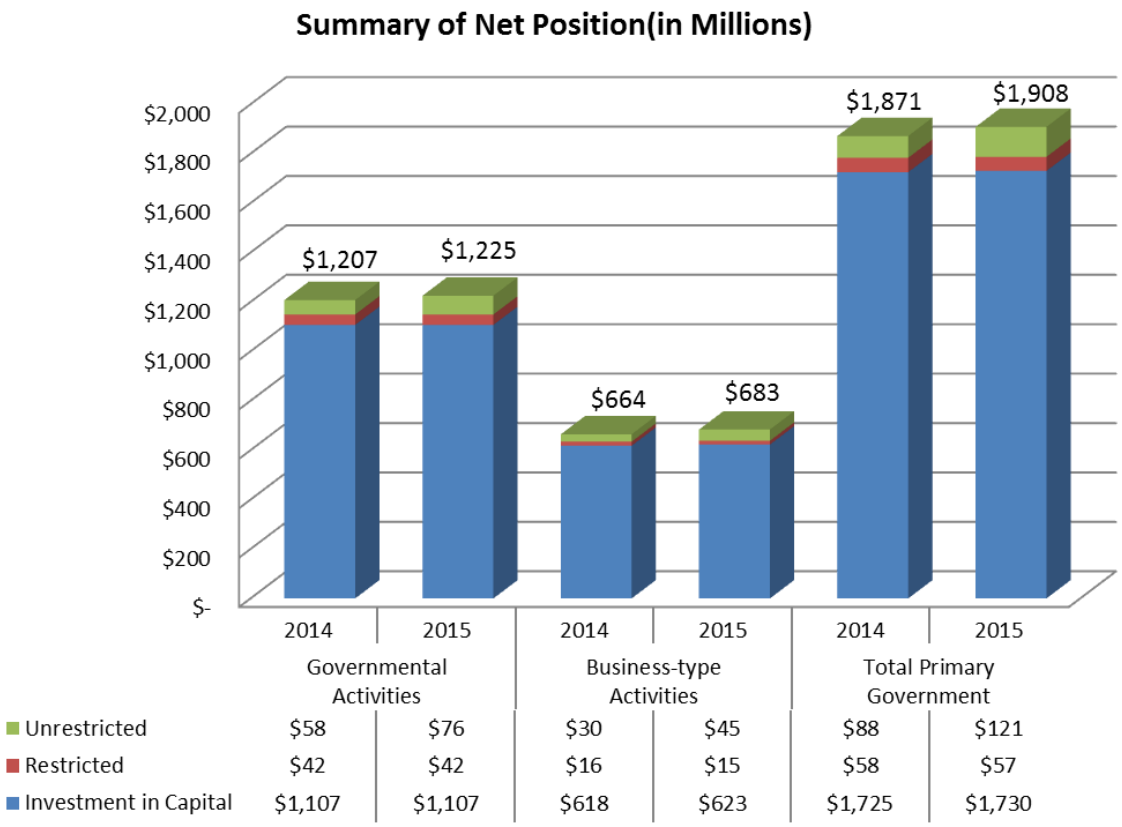
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position was $1.9B as of September 30, 2015. The largest portion of the City's net position $1.7B (91%) reflects its investments in capital assets (e.g. land, building, 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; consequently these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future.

**Table 1**
**Summary of Net Position**
**(Amounts Expressed in Millions)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Current and other assets | $357 | $370 | $135 | $138 | $492 | $508 |
| Capital assets | 1,573 | 1,571 | 708 | 728 | 2,281 | 2,299 |
| Deferred outflows of resources | 6 | 32 | 1 | 4 | 7 | 36 |
| Total assets and deferred outflows of resources | 1,936 | 1,973 | 844 | 870 | 2,780 | 2,843 |
| Long-term liabilities | 656 | 666 | 152 | 160 | 808 | 826 |
| Other liabilities | 69 | 71 | 28 | 27 | 97 | 98 |
| Deferred inflows of resources | 4 | 11 | - | - | 4 | 12 |
| Total liabilities and deferred inflows of resources | 729 | 748 | 180 | 187 | 909 | 935 |
| Net position: | | | | | | |
| Net investment in capital assets | 1,107 | 1,107 | 618 | 623 | 1,725 | 1,730 |
| Restricted | 42 | 42 | 16 | 15 | 58 | 57 |
| Unrestricted | 58 | 76 | 30 | 45 | 88 | 121 |
| Total net position | $1,207 | $1,225 | $664 | $683 | $1,871 | $1,908 |

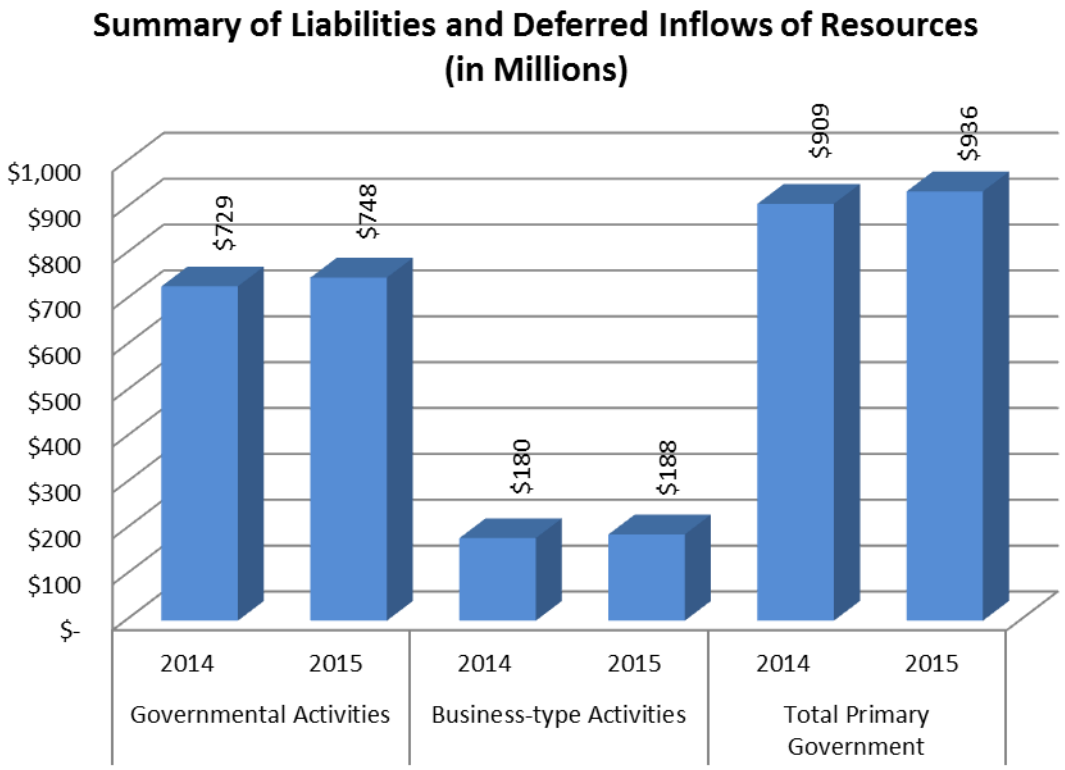
Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68.

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




Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68.

An additional portion of the City's net position of $57M (3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of $121M (6%) may be used to meet the government's ongoing obligations to citizens and creditors.




Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68.

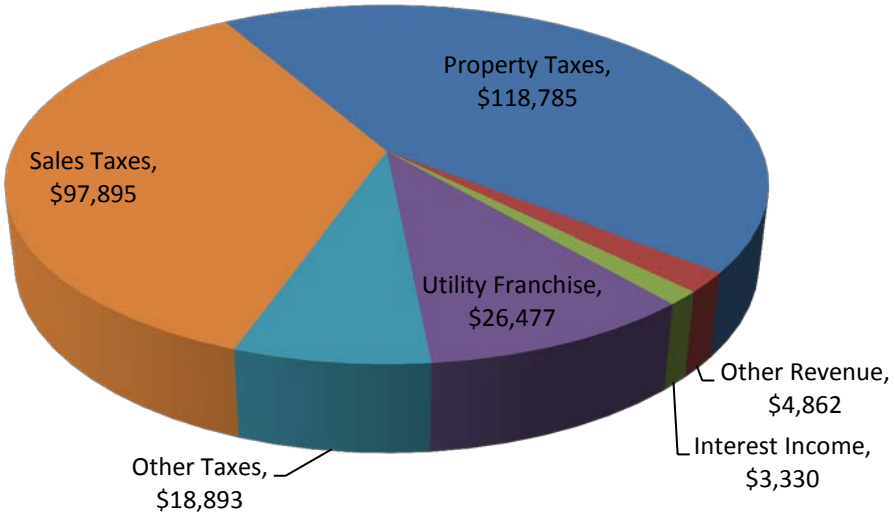
Liabilities and deferred inflows of resources increased from $836M to $935M for the total government, an increase of 11.8%. The increase, of which the majority is primarily shown in the governmental activities, results from the new GASB 68 requirement, in which the City is required to record the net pension liability of the City on the Statement of Net Position. Additional information on GASB 68 is discussed elsewhere in the notes to the financial statements

**Governmental Activities**

The City's general revenues increased compared to the prior year, increasing overall by 4.99%. Sales and property tax revenue accounted for the majority of the increase this year compared to last.

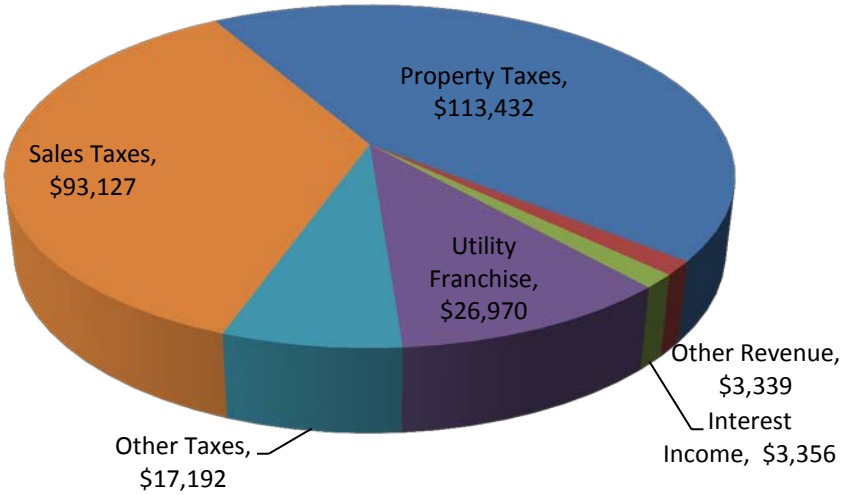
Property tax collections were up from the prior year by about $5.3M. The residential property values increased by 4.8%, while commercial property values increased by 2.3%. The City anticipates property values to increase with continued state of economic conditions. The property tax rate for 2015 was set at $0.6480 per $100 assessed valuation; remaining unchanged for the twelfth consecutive year.

## 2015 General Revenue
## (in thousands)




Sales tax revenue increased by $4.8M, up 5.12% from the prior year. Consumer confidence continued to strengthen during the year and the dramatic drop in gasoline prices created more disposable income for the average consumer. The City also benefited from major events at AT&T Stadium and the Texas Rangers playoff berth. Taking these factors into consideration, strong sales tax collections in 2015 indicate the economy in Arlington is continuing to improve. Utility franchise fee collections decreased 1.8% in 2015, primarily due to decreased revenue for electrical and gas utilities.

## 2014 General Revenue
## (in thousands)



Governmental activities increased the City's net position by $18.1M, and business-type activities increased net position by $19M, for a total increase of $37.1M. Changes from 2014 to 2015 are shown in Table 2.

**Table 2**
**Changes in Net Position**
**(amounts expressed in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| **Revenues** | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | $ 60,996 | $ 62,095 | $ 126,919 | $ 136,030 | $ 187,915 | $ 198,125 |
| Operating grants and contributions | 9,953 | 12,700 | - | - | 9,953 | 12,700 |
| Capital grants and contributions | 4,910 | 10,479 | 3,136 | 1,148 | 8,046 | 11,627 |
| General Revenues: | | | | | - | - |
| Taxes | 223,751 | 235,573 | - | - | 223,751 | 235,573 |
| Utility franchise fees | 26,970 | 26,477 | - | - | 26,970 | 26,477 |
| Interest income | 3,356 | 3,330 | 348 | 564 | 3,704 | 3,894 |
| Other | 3,339 | 4,862 | 61 | - | 3,400 | 4,862 |
| **Total revenues** | 333,275 | 355,516 | 130,464 | 137,742 | 463,739 | 493,258 |
| **Expenses** | | | | | | |
| General government | 74,183 | 69,680 | - | - | 74,183 | 69,680 |
| Public Safety | 146,899 | 142,489 | - | - | 146,899 | 142,489 |
| Public Works | 63,566 | 64,549 | - | - | 63,566 | 64,549 |
| Public Health | 2,740 | 2,849 | - | - | 2,740 | 2,849 |
| Parks and recreation | 34,075 | 33,410 | - | - | 34,075 | 33,410 |
| Public welfare | 11,558 | 10,019 | - | - | 11,558 | 10,019 |
| Convention and event services | 7,366 | 8,387 | - | - | 7,366 | 8,387 |
| Interest and fiscal charges | 28,703 | 22,299 | - | - | 28,703 | 22,299 |
| Water, sewer and storm water | - | - | 100,792 | 102,158 | 100,792 | 102,158 |
| **Total expenses** | 369,090 | 353,682 | 100,792 | 102,158 | 469,882 | 455,840 |
| **Increase (decrease) in net position before transfers** | (35,815) | 1,834 | 29,672 | 35,584 | (6,143) | 37,418 |
| Transfers and capital contributions | 15,355 | 16,535 | (15,355) | (16,535) | - | - |
| **Increase (decrease) in net position** | (20,460) | 18,369 | 14,317 | 19,049 | (6,143) | 37,418 |
| **Net Position, October 1** | 1,294,279 | 1,206,486 | 656,046 | 664,043 | 1,950,325 | 1,870,529 |
| **Impact of change in accounting principle** | (67,333) | - | (6,320) | - | (73,653) | - |
| **Net Position, September 30** | $ 1,206,486 | $ 1,224,855 | $ 664,043 | $ 683,092 | $ 1,870,529 | $ 1,907,947 |

Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68.

Tax revenues were up $11.8M from 2014, largely attributable to strong sales tax revenues and property tax collections. Operating grants and contributions increased $2.7M compared to the prior year due increased revenue in the following special revenue funds: Urban Mass Transit, Home Investment Partnership, North Texas Council of Governments, and Gas Lease funds. Capital grants and contributions increased as a result of Library bond activity.

Overall, expenditures decreased approximately $14.0M (3%) from the prior year. Increases are primarily attributed to reclassification/equity adjustments, increased staffing and salary expenses. The decreases are primarily due to position vacancies, postponement of projects, and decrease in the amount of interest and fiscal charges in the current year.

The revenue increase of $7.3M in business activities (Water and Wastewater/Storm Water Utility) is largely a result of an increase in water sales and sewer service revenues in the current year. Increases in expenses were primarily for the cost of purchasing water and sewage treatment.

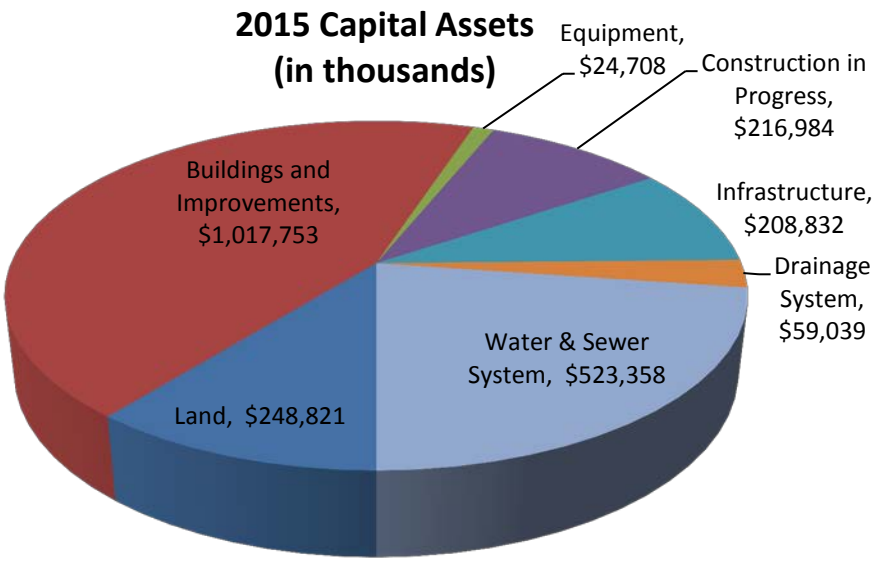
**CAPITAL ASSET AND DEBT ADMINISTRATION**

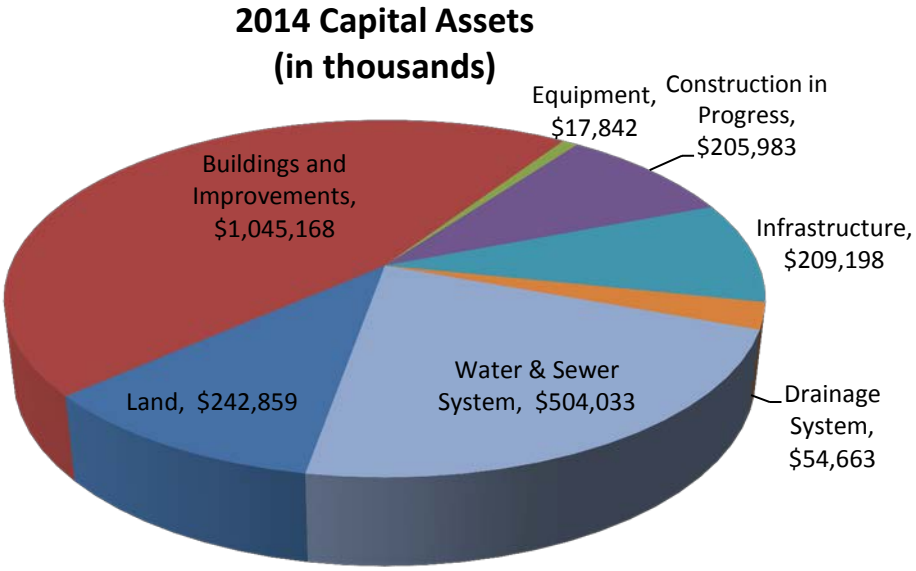
**Capital Assets**

At the end of the fiscal year 2015, the City had $2.3B invested in a broad range of capital assets. This amount is a slight increase from the prior fiscal year. Footnote 5 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

**Table 3**
**Capital Assets, net of Accumulated Depreciation**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Land | $ 221,319 | $ 226,911 | $ 21,540 | $ 21,910 | $ 242,859 | $ 248,821 |
| Buildings and improvements | 1,043,746 | 1,016,389 | 1,422 | 1,364 | 1,045,168 | 1,017,753 |
| Equipment | 17,007 | 24,124 | 835 | 584 | 17,842 | 24,708 |
| Construction in progress | 80,814 | 95,045 | 125,169 | 121,939 | 205,983 | 216,984 |
| Infrastructure | 209,198 | 208,832 | - | - | 209,198 | 208,832 |
| Drainage system | - | - | 54,663 | 59,039 | 54,663 | 59,039 |
| Water and sewer system | - | - | 504,033 | 523,358 | 504,033 | 523,358 |
| Totals | $1,572,084 | $1,571,301 | $707,662 | $728,194 | $2,279,746 | $2,299,495 |

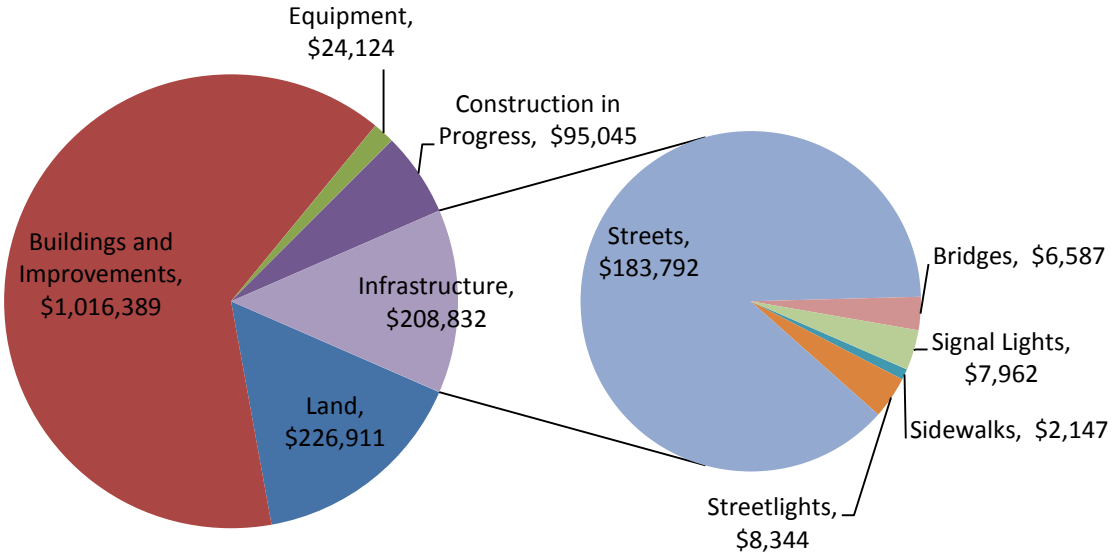



The City's governmental activities infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

| Asset | Book Value | Accumulated Depreciation | Net Value |
|---|---|---|---|
| Sidewalks | $ 65,802 | $ (63,655) | $ 2,147 |
| Streetlights | 19,202 | (10,858) | 8,344 |
| Streets | 724,575 | (540,783) | 183,792 |
| Bridges | 32,097 | (25,510) | 6,587 |
| Signal Lights | 17,032 | (9,070) | 7,962 |
| | $ 858,708 | $ (649,876) | $ 208,832 |

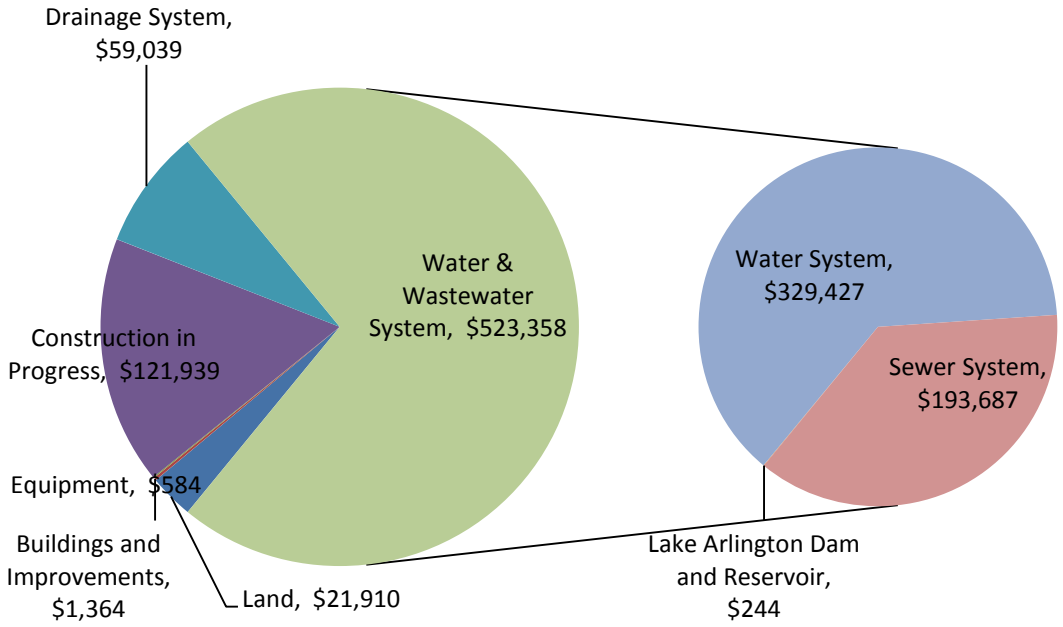
## 2015 Capital Assets – Governmental Infrastructure Detail (in thousands)




The City's water and sewer enterprise infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

| Asset | Book Value | Accumulated Depreciation | Net Value |
|---|---|---|---|
| Lake Arlington | $ 2,619 | $ (2,375) | $ 244 |
| Water System | 510,377 | (180,950) | 329,427 |
| Sewer System | 290,792 | (97,105) | 193,687 |
| | $ 803,788 | $ (280,430) | $ 523,358 |

## 2015 Capital Assets – Enterprise Infrastructure Detail (in thousands)



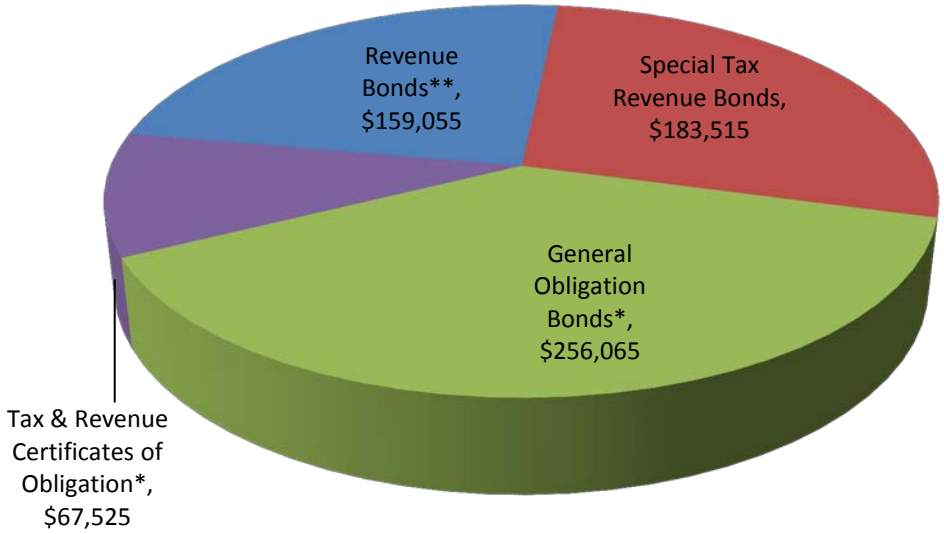

Major capital asset additions during the fiscal year include the following:

- Private developer capital contributions of $1.1M 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 $27.4M
- Storm drainage system capital improvements and expansion of $26.5M
- Street construction projects capital outlay totaling $26.8M
- Improvements to parks and recreation facilities of $4.4M

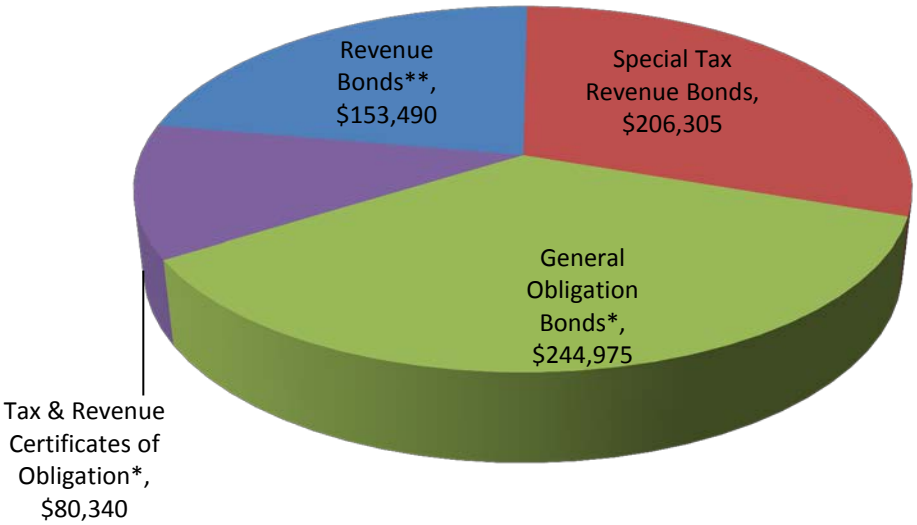
**Debt**

At year-end, the City had $666.1M in debt, a decrease of $18.9M from 2014. The City refunded $11.9M in water and wastewater system revenue bonds.

## 2015 Outstanding Debt (in thousands)




## 2014 Outstanding Debt (in thousands)




**Secured by City Tax Base*

***Secured by Water and Sewer or Drainage Revenue*

**Table 4**
**Outstanding Debt**
**(Amounts Expressed in Thousands)**

| | Governmental Activities | | Business-type Activities | | Total Activities | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| General obligation bonds (backed by the City) | $ 244,975 | $ 256,065 | $ - | $ - | $ 244,975 | $ 256,065 |
| Combination tax and revenue certificates of obligation (backed by the City) | 80,340 | 67,525 | - | - | 80,340 | 67,525 |
| Special tax revenue bonds | 206,305 | 183,515 | - | - | 206,305 | 183,515 |
| Revenue bonds (backed by fee revenues) | - | - | 153,490 | 159,055 | 153,490 | 159,055 |
| | $ 531,620 | $ 507,105 | $ 153,490 | $ 159,055 | $ 685,110 | $ 666,160 |

During the current fiscal year, the City issued $68.9M in Permanent Improvement and Refunding bonds to make various capital improvements, and to pay costs related to the issuance of the bonds. In 2015, the City issued $18.2M in Water and Sewer Revenue Bonds for the purpose of improving and expanding existing water and wastewater infrastructure. In 2015, the City issued $11.9M in Water and Wastewater System Revenue Refunding Bonds to refund outstanding obligations and pay costs associated with the sale of the bonds. Additionally, the City issued $.235M related to the 2008 debt issues held by the Texas Water Development Board (TWDB) as part of the TWDB Clean and Drinking Water Programs. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2015, the City's debt ratings were as follows by type and agency:

| Type | Fitch | S&P | Moodys |
|---|---|---|---|
| City GO/CO - Tax Supported | AAA | AAA | Aa1 |
| Water & Wastewater Revenue | AAA | AAA | Aa2 |
| Storm Water Revenue | | AAA | Aa2 |
| Cowboys Complex Special Obligations | A+ | A+ | A1 |

General bonded debt per capita decreased from $892 in 2014 to $871 in 2015.

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 1.75%.

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 $500,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors which can vary considerably from year to year. Total estimated claims liability at September 30, 2015 was $9.05M.

**THE CITY'S FUNDS**

The governmental funds of the City reported a combined fund balance of $286.8M. The General Fund balance was $58M, an increase of $1.8M from prior year. The Debt Service fund balance increased $.1M, ending the year with $34.5M. The increase was a result of general obligation debt issuance and the refunding and retirement of principal on existing debt. Other changes in fund balances should be noted:

- Street Capital Projects fund spending increased in fiscal year 2015, up from $22M to $26.7M. The $26.7M in capital outlay was offset by capital contributions of $5M and a debt issuance of $25.6M, resulting in a $3.9M increase in fund balance.

- The City's water and sewer fund net position of $595M increased by $13.8M in the current year. The increase in net position is primarily due to increased operating revenues exceeding expenses by $28M.

- The Storm Water Utility fund, created in 2009 to address the City's need to manage issues associated with storm water runoff, saw an increase of $5.5M to net position in 2015; storm water fee revenues exceeded fund expenses by $7.1M, increasing net position to $91.3M at the end of the fiscal year.

**GENERAL FUND BUDGET HIGHLIGHTS**

During fiscal year 2015, there were no budget amendments in the General Fund.

Actual expenditures on a budgetary basis of $212.9M were slightly less than budgeted expenditures of $222.8M. Position vacancies resulted in significant salary and benefit savings in the fund.

Revenues on a budgetary basis were higher than the budgeted amount of $224.2M by $.9M. Taxes, licenses and permits, leases, rents, and concessions, and service charges were higher than expected by $.8M, $1.3M, $1.7M and $1.1M respectively. Utility franchise fees were down due to decreased electrical and gas utility revenues. In addition, decreased red light camera violations revenue resulted in lower than budgeted revenues in fines and forfeitures. Building permit and gas well fees accounted for most of the licenses and permit fees decreases.

**ECONOMIC FACTORS AND FISCAL YEAR 2016**

Each year, the City Council and appointed officials consider many factors when setting the fiscal year's budget, tax rates, and fees that will be charged for the business-type activities. The City of Arlington continues to see the need for services and programs outpacing economic growth. While the City has experienced some growth over the past several years, the City must constantly innovate, improve processes, and search for prudent opportunities for investment. General Fund property tax revenues increased to $118.8M and sales taxes were strong in 2015. Nevertheless, City Council and management remain committed to prudent, conservative fiscal planning. Key budget priorities in 2016 are:

- Invest in our economy
- Enhance regional mobility
- Put technology to work
- Champion great neighborhoods
- Support quality education

The City's total General Fund revenues and transfers for 2016 are budgeted at $223.5M, and total General Fund expenditures are expected to be $221.9M, an net decrease of $.9M over 2015.

The General Fund's largest single revenue source is property taxes. This revenue represents 37% of the General Fund budget. The property tax rate for 2016 is $0.6480 per $100 valuation, unchanged since 2004. The tax rate is broken into two pieces, operations and maintenance, $0.4460 per $100 valuation, to the General Fund, and interest and sinking, $0.2020 per $100 valuation, for debt service. The General Fund property tax revenue for 2016 is estimated to be $83.5M, up $4.9M (6.28%) from last year's estimate.

The City's portion of the local 8 cent sales tax rate is one and three-quarter cents. The General Fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, and one-half cent provides for debt service for the AT&T Stadium debt. Sales tax revenue for the General Fund for fiscal year 2016 is estimated at $58.8M, an increase from 2015 collections.

The City's Water and Sewer Fund accounts for nearly 30% 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 $67.8M and $55.1M respectively for FY 2016. 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 2016 Operating Budget can be accessed on the City's website: www.arlingtontx.gov.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's fiscal accountability. If you have questions about this report or need additional information, contact Amy Trevino, Controller (amy.trevino@arlingtontx.gov), in the Finance Department, at the City of Arlington, 101 S. Mesquite St., Suite 800, Arlington, TX 76010. The City is also an active member of MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington CAFR on file. Additionally, the CAFR can be found on the City's website at www.arlingtontx.gov.

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF NET POSITION**
**AS OF SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **ASSETS** | | | | |
| Cash and cash-like investments | $ 282,705 | $ 35,441 | $ 318,146 | $ 9,895 |
| Investments | - | - | - | 100,732 |
| Land Held for Resale | 7,654 | - | 7,654 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes | 5,670 | - | 5,670 | - |
| Sales taxes | 17,323 | - | 17,323 | - |
| Trade accounts | 3 | 10,210 | 10,213 | - |
| Franchise fees | 6,754 | - | 6,754 | - |
| Unbilled trade accounts | - | 7,755 | 7,755 | - |
| Loan receivable | - | 1,833 | 1,833 | - |
| Special assessments | 137 | - | 137 | - |
| Accrued interest | 1,166 | - | 1,166 | - |
| Ballpark lease | 12,367 | - | 12,367 | - |
| Settlement agreement | 7,714 | - | 7,714 | - |
| Other | 3,965 | 121 | 4,086 | 683 |
| Internal balances | 2,807 | (2,807) | - | - |
| Due from other governments | 5,863 | - | 5,863 | - |
| Inventory of supplies | 1,493 | 1,230 | 2,723 | - |
| Prepaid expenses | 5,894 | - | 5,894 | 25 |
| Net other post employment benefit asset | 459 | - | 459 | - |
| Restricted assets- | | | | |
| Bond contingency- | | | | |
| Investments | - | 14,822 | 14,822 | - |
| Capital construction- | | | | |
| Investments | - | 58,670 | 58,670 | - |
| Escrow | - | 2,205 | 2,205 | - |
| Meter deposits- | | | | |
| Investments | - | 5,351 | 5,351 | - |
| Loan receivable | - | 3,667 | 3,667 | - |
| Closure/Post-closure trust fund | | | | |
| Investments | 7,703 | - | 7,703 | - |
| Capital Assets- | | | | |
| Land | 226,911 | 21,910 | 248,821 | - |
| Buildings and improvements | 1,294,861 | 2,833 | 1,297,694 | 563 |
| Water and sewer system | - | 803,789 | 803,789 | - |
| Machinery and equipment | 105,727 | 11,909 | 117,636 | 1,270 |
| Infrastructure | 858,708 | - | 858,708 | - |
| Drainage systems | - | 96,435 | 96,435 | - |
| Construction in progress | 95,045 | 121,939 | 216,984 | - |
| Accumulated depreciation | (1,009,951) | (330,621) | (1,340,572) | (1,385) |
| **Total Assets** | 1,940,978 | 866,692 | 2,807,670 | 111,783 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred loss on debt refunding | 7,241 | 2,147 | 9,388 | - |
| Deferred outflow-Contributions Pension | 16,024 | 1,193 | 17,217 | - |
| Deferred outflow-Investment Earnings Pension | 8,524 | 635 | 9,159 | - |
| **Total Assets and Deferred Outflows of Resources** | 1,972,767 | 870,667 | 2,843,434 | 111,783 |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **LIABILITIES** | | | | |
| Accounts payable and accrued liabilities | $ 25,953 | $ 4,069 | $ 30,022 | $ 2,362 |
| Retainage payable | 1,741 | - | 1,741 | - |
| Accrued interest | 2,743 | - | 2,743 | - |
| Payable from restricted assets- | | | | |
| Accounts payable and accrued liabilities | - | 2,511 | 2,511 | - |
| Retainage payable | - | 1,445 | 1,445 | - |
| Accrued interest | - | 1,654 | 1,654 | - |
| Meter deposits | - | 5,351 | 5,351 | - |
| Non-current liabilities | | | | |
| Due within one year: | | | | |
| Estimated claims payable | 4,309 | - | 4,309 | - |
| General obligation and certificates of obligation debt | 31,985 | - | 31,985 | - |
| Special tax revenue debt | 1,975 | - | 1,975 | - |
| Accrued compensated absences | 1,445 | 152 | 1,597 | - |
| Revenue bonds | - | 11,543 | 11,543 | - |
| Capital lease obligation | 996 | - | 996 | - |
| Due in more than one year: | | | | |
| Estimated claims payable | 4,736 | - | 4,736 | - |
| Net other post-employment benefit obligation | 36,620 | - | 36,620 | - |
| General obligation and certificates of obligation debt | 300,973 | - | 300,973 | - |
| Special tax revenue debt | 183,074 | - | 183,074 | - |
| Landfill closure accrued liabilities | 7,703 | - | 7,703 | - |
| Accrued compensated absences | 26,783 | 1,906 | 28,689 | - |
| Revenue bonds | - | 151,096 | 151,096 | - |
| Net pension liability | 97,355 | 7,249 | 104,604 | - |
| Capital lease obligation | 8,864 | - | 8,864 | - |
| **Total Liabilities** | 737,255 | 186,976 | 924,231 | 2,362 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflow-actuarial assumption pension | 8,047 | 599 | 8,646 | - |
| Deferred inflow - lease & settlement agreements | 2,610 | - | 2,610 | 12 |
| **Total Liabilities and Deferred Inflows of Resources** | 747,912 | 187,575 | 935,487 | 2,374 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 1,106,327 | 622,780 | 1,729,107 | 448 |
| Restricted for debt service | 34,526 | 14,947 | 49,473 | - |
| Restricted for use of impact fees | 7,623 | - | 7,623 | - |
| Restricted for housing assistance | - | - | - | 7 |
| Restricted for endowments | - | - | - | 104,742 |
| Unrestricted | 76,379 | 45,365 | 121,744 | 4,212 |
| **Total Net Position** | $ 1,224,855 | $ 683,092 | $ 1,907,947 | $ 109,409 |

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

ARLINGTON℠

THE AMERICAN DREAM CITY

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | | Program Revenues | | |
|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| **Primary Government:** | | | | |
| **Governmental Activities:** | | | | |
| General government | $ 69,680 | $ 25,617 | $ 520 | $ 5,744 |
| Public safety | 142,489 | 17,957 | 5,489 | - |
| Public works | 64,549 | 1,585 | 183 | 4,685 |
| Public health | 2,849 | 3,508 | 148 | - |
| Parks and recreation | 33,410 | 10,356 | - | 50 |
| Public welfare | 10,019 | 220 | 6,360 | - |
| Convention and event services | 8,387 | 2,852 | - | - |
| Interest and fiscal charges | 22,299 | - | - | - |
| **Total Governmental Activities** | 353,682 | 62,095 | 12,700 | 10,479 |
| **Business-Type Activities:** | | | | |
| Water and sewer | 97,118 | 123,870 | - | 1,148 |
| Storm water utility | 5,040 | 12,160 | - | - |
| **Total Business-Type Activities** | 102,158 | 136,030 | - | 1,148 |
| **Total Primary Government** | $ 455,840 | $ 198,125 | $ 12,700 | $ 11,627 |
| **Component Units:** | | | | |
| Arlington Housing Authority | $ 26,906 | $ - | $ 26,820 | $ - |
| Arlington Convention and Visitors Bureau | 5,356 | 5,354 | - | - |
| Arlington Tomorrow Foundation | 7,290 | - | - | - |
| Arlington Housing Finance Corporation | 8 | - | 4 | - |
| Arlington Industrial Development Corporation | 3 | - | - | - |
| Arlington Convention Center Development Corp | 4,565 | - | - | 4,565 |
| Arlington Economic Development Corp | - | - | - | - |
| **Total Component Units** | $ 44,128 | $ 5,354 | $ 26,824 | $ 4,565 |

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

The notes to the financial statements are an integral part of this statement.
* Footnote I.Q. provides additional information regarding restatement of net position.

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| $ (37,799) | $ - | $ (37,799) | $ - |
| (119,043) | - | (119,043) | - |
| (58,096) | - | (58,096) | - |
| 807 | - | 807 | - |
| (23,004) | - | (23,004) | - |
| (3,439) | - | (3,439) | - |
| (5,535) | - | (5,535) | - |
| (22,299) | - | (22,299) | - |
| (268,408) | - | (268,408) | - |
| - | 27,900 | 27,900 | - |
| - | 7,120 | 7,120 | - |
| - | 35,020 | 35,020 | - |
| $ (268,408) | $ 35,020 | $ (233,388) | $ - |
| $ - | $ - | $ - | $ (86) |
| - | - | - | (2) |
| - | - | - | (7,290) |
| - | - | - | (4) |
| - | - | - | (3) |
| - | - | - | - |
| - | - | - | - |
| $ - | $ - | $ - | $ (7,385) |
| 118,785 | - | 118,785 | 2,610 |
| 97,895 | - | 97,895 | - |
| 421 | - | 421 | - |
| 1,817 | - | 1,817 | - |
| 85 | - | 85 | - |
| 6,470 | - | 6,470 | - |
| 10,100 | - | 10,100 | - |
| 26,477 | - | 26,477 | - |
| 3,330 | 465 | 3,795 | - |
| (294) | 99 | (195) | (5,124) |
| 5,156 | - | 5,156 | 599 |
| 16,535 | (16,535) | - | - |
| 286,777 | (15,971) | 270,806 | (1,915) |
| 18,369 | 19,049 | 37,418 | (9,300) |
| 1,206,486 | 664,043 | 1,870,529 | 118,709 |
| $ 1,224,855 | $ 683,092 | $ 1,907,947 | $ 109,409 |

**CITY OF ARLINGTON, TEXAS**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**AS OF SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | General | Debt Service | Street Capital Projects | Other Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash-like investments | $ 49,134 | $ 28,577 | $ 68,740 | $ 122,110 | $ 268,561 |
| Land held for resale | - | - | - | 7,654 | 7,654 |
| Closure/Post-closure restricted cash | 7,703 | - | - | - | 7,703 |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Taxes | 3,000 | 642 | - | 2,028 | 5,670 |
| Sales taxes | 9,899 | 4,949 | - | 2,475 | 17,323 |
| Franchise fees | 6,754 | - | - | - | 6,754 |
| Special assessments | - | - | 137 | - | 137 |
| Accrued interest | 808 | 358 | - | - | 1,166 |
| Lease and settlement agreements | 20,081 | - | - | - | 20,081 |
| Other | 3,156 | - | - | 731 | 3,887 |
| Due from other funds | 4,537 | - | - | - | 4,537 |
| Due from other governments | - | - | - | 5,863 | 5,863 |
| Inventory of supplies, at cost | 1,207 | - | - | 240 | 1,447 |
| Prepaid Expenditures | 71 | - | - | 5,740 | 5,811 |
| **Total Assets** | $ 106,350 | $ 34,526 | $ 68,877 | $ 146,841 | $ 356,594 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | | |
| **Liabilities:** | | | | | |
| Accounts payable and accrued liabilities | $ 11,654 | $ - | $ 2,397 | $ 11,406 | $ 25,457 |
| Retainage payable | 3 | - | 1,219 | 519 | 1,741 |
| Due to other funds | - | - | - | 4,537 | 4,537 |
| Closure/Post-closure trust fund | 7,703 | - | - | - | 7,703 |
| **Total Liabilities** | 19,360 | - | 3,616 | 16,462 | 39,438 |
| **Deferred inflows of resources:** | | | | | |
| Taxes | 2,650 | - | - | - | 2,650 |
| Landfill lease | 4,344 | - | - | - | 4,344 |
| Gas lease | - | - | - | 141 | 141 |
| Lease and settlement agreements | 20,081 | - | - | - | 20,081 |
| Unearned | 1,892 | - | 137 | 1,071 | 3,100 |
| **Total Deferred Inflows of Resources** | 28,967 | - | 137 | 1,212 | 30,316 |
| **Fund Balances:** | | | | | |
| Nonspendable: | | | | | |
| Inventory | 1,207 | - | - | 240 | 1,447 |
| Prepaids | 71 | - | - | 5,740 | 5,811 |
| Restricted for: | | | | | |
| Debt service | - | 34,526 | - | - | 34,526 |
| Capital projects | - | - | 65,124 | 43,975 | 109,099 |
| Special revenue | - | - | - | 25,573 | 25,573 |
| Committed to: | | | | | |
| Utility rate case | 500 | - | - | - | 500 |
| Capital projects | - | - | - | 27,516 | 27,516 |
| Special revenue | - | - | - | 25,534 | 25,534 |
| Assigned to: | | | | | |
| Encumbrances | 5,598 | - | - | - | 5,598 |
| Working capital | 18,162 | - | - | - | 18,162 |
| Subsequent years' expenditures | 6,538 | - | - | - | 6,538 |
| Compensated absences | 1,443 | - | - | - | 1,443 |
| Other post employment benefits | 1,718 | - | - | - | 1,718 |
| Future initiatives | 17,151 | - | - | - | 17,151 |
| Dispatch | 916 | - | - | - | 916 |
| Information technology | 119 | - | - | - | 119 |
| Business continuity | 4,062 | - | - | - | 4,062 |
| Park performance | - | - | - | 489 | 489 |
| Court security | - | - | - | 100 | 100 |
| Unassigned | 538 | - | - | - | 538 |
| **Total Fund Balances** | 58,023 | 34,526 | 65,124 | 129,167 | 286,840 |
| **Total Liabilities, Deferred Inflows of Resources and Fund Balances** | $ 106,350 | $ 34,526 | $ 68,877 | $ 146,841 | $ 356,594 |

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

**CITY OF ARLINGTON, TEXAS**
**RECONCILIATION OF THE STATEMENT OF NET POSITION**
**OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET**
**AS OF SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | | | |
|---|---|---|---|
| **Total fund balance per balance sheet** | | | $ 286,840 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding $13,125 recorded in the internal service funds). | | | 1,558,176 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | | |
| | Fund Deferred Inflows | Net Position Deferred Inflows | |
| Taxes | $ 2,650 | $ - | |
| Landfill | 4,344 | 4,344 | |
| Gas lease | 141 | 141 | |
| Grant revenue | 505 | (1,875) | |
| Ballpark lease | 12,367 | - | |
| Settlement | 7,714 | - | |
| Unearned | 2,595 | - | |
| | 30,316 | 2,610 | 27,706 |
| Internal service funds are used by management to charge the cost of fleet services, general services, APFA, technology services, 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. | | | 20,980 |
| Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds (excluding $8,810 recorded in the internal service funds). | | | |
| Bonds payable | | $(507,105) | |
| Premium general obligation debt | | (13,165) | |
| Discount on bonds | | 2,263 | |
| Deferred outflow of resources (refunding) | | 7,241 | |
| Accrued interest payable | | (2,743) | |
| Compensated absences | | (28,186) | |
| Net other post-employment benefit obligation | | (36,620) | |
| Net other post-employment asset | | 459 | |
| TMRS: | | | |
| Net pension liability | $ (97,355) | | |
| Deferred inflow-actuarial gain | (8,047) | | |
| Deferred outflow-investment loss | 8,524 | | |
| Deferred outflow-contributions 1/1-9/30/15 | 16,024 | (80,854) | |
| Estimated claims | | (277) | |
| Capital Leases | | (9,860) | |
| | | | (668,847) |
| **Net position of governmental activities** | | | $ 1,224,855 |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | General | Debt Service | Streets Capital Projects | Other Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes | $ 136,722 | $ 70,805 | $ - | $ 28,459 | $ 235,986 |
| Licenses and permits | 7,448 | - | - | - | 7,448 |
| Utility franchise fees | 26,477 | - | - | - | 26,477 |
| Fines and forfeitures | 13,847 | - | - | - | 13,847 |
| Leases, rents and concessions | 7,703 | 2,500 | - | - | 10,203 |
| Service charges | 5,359 | - | - | 14,957 | 20,316 |
| Interest revenue | 1,754 | 845 | 249 | 474 | 3,322 |
| Net increase (decrease) in fair value of investments | 71 | (596) | 88 | 136 | (301) |
| Contributions | 1,621 | - | 4,619 | 50 | 6,290 |
| Intergovernmental revenues | 520 | - | - | 12,180 | 12,700 |
| Gas lease royalty | - | - | - | 9,984 | 9,984 |
| Gas lease other | - | - | - | 303 | 303 |
| Other | 59 | 153 | 41 | 8,316 | 8,569 |
| **Total Revenues** | 201,581 | 73,707 | 4,997 | 74,859 | 355,144 |
| **EXPENDITURES** | | | | | |
| Current- | | | | | |
| General government | 37,242 | - | - | 4,682 | 41,924 |
| Public safety | 135,739 | - | - | 5,811 | 141,550 |
| Public works | 18,672 | - | - | 27,051 | 45,723 |
| Public health | 2,162 | - | - | 600 | 2,762 |
| Public welfare | - | - | - | 8,497 | 8,497 |
| Parks and recreation | 14,983 | - | - | 11,263 | 26,246 |
| Convention and event services | - | - | - | 8,037 | 8,037 |
| Capital outlay | - | - | 26,779 | 16,495 | 43,274 |
| Debt service- | | | | | |
| Principal retirement | - | 54,815 | - | - | 54,815 |
| Redemption premium | - | 13 | - | - | 13 |
| Interest and fiscal charges | - | 23,624 | - | - | 23,624 |
| **Total Expenditures** | 208,798 | 78,452 | 26,779 | 82,436 | 396,465 |
| Excess (deficiency) of revenues over (under) expenditures | (7,217) | (4,745) | (21,782) | (7,577) | (41,321) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Issuance of bonds | - | - | 24,748 | 7,256 | 32,004 |
| Issuance of refunding bonds | - | 36,845 | - | - | 36,845 |
| Issuance of certificates of obligation | - | - | - | - | - |
| Amount used to fund escrow account | - | (40,435) | - | - | (40,435) |
| Bond premium | - | 3,306 | 898 | 264 | 4,468 |
| Transfers in | 19,639 | 5,171 | - | 18,431 | 43,241 |
| Transfers out | (10,590) | - | - | (17,860) | (28,450) |
| **Total Other Financing Sources and Uses** | 9,049 | 4,887 | 25,646 | 8,091 | 47,673 |
| **Net Change in Fund Balances** | 1,832 | 142 | 3,864 | 514 | 6,352 |
| **Fund Balances, October 1,** | 56,191 | 34,384 | 61,260 | 128,653 | 280,488 |
| **Fund Balances, September 30** | $ 58,023 | $ 34,526 | $ 65,124 | $ 129,167 | $ 286,840 |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | | |
|---|---|---|
| **Net change in fund balance - total governmental funds** | | $ 6,352 |
| 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. | | 41,362 |
| 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. | | (52,459) |
| Revenues in the statement of activities that do not provide current financial recources are not reported as revenues in the funds. | | 258 |
| 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. | | |
| Interest on bond payoff | (1,322) | |
| Repayment of general obligation debt | 95,250 | |
| Proceeds from issuance of bonds | (68,850) | |
| Amortization of deferred loss on bond refunding | (648) | |
| Amortization of bond premium | (1,159) | |
| Repayment of capital lease | 954 | |
| | | 24,225 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Compensated absences | (711) | |
| Accrued interest expense | 228 | |
| Post-employment benefit obligation expense | (3,039) | |
| TMRS net pension liability | 4,015 | |
| Estimated salary expense | (277) | |
| | | 216 |
| 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. | | (1,585) |
| **Change in net position of governmental activities** | | $ 18,369 |

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

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Storm Water Utility | Total | Governmental Activities-Internal Service Funds |
| **ASSETS** | | | | |
| **Current Assets:** | | | | |
| Cash and cash-like investments | $ 19,053 | $ 16,388 | $ 35,441 | $ 14,144 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Trade accounts | 9,195 | 1,015 | 10,210 | 3 |
| Unbilled trade accounts | 7,228 | 527 | 7,755 | - |
| Loan receivable | 1,833 | - | 1,833 | - |
| Other | 121 | - | 121 | 78 |
| Prepaid Expenditures | - | - | - | 83 |
| Inventory of supplies, at cost | 1,230 | - | 1,230 | 46 |
| Subtotal | 38,660 | 17,930 | 56,590 | 14,354 |
| Restricted Assets: | | | | |
| Bond contingency-cash and cash-like investments | 11,600 | 726 | 12,326 | - |
| Capital construction-cash and cash-like investments | 29,529 | - | 29,529 | - |
| **Total Current Assets** | 79,789 | 18,656 | 98,445 | 14,354 |
| **Non-Current Assets:** | | | | |
| Restricted Assets: | | | | |
| Bond contingency- | | | | |
| Investments | 2,496 | - | 2,496 | - |
| Capital construction- | | | | |
| Investments | 29,141 | - | 29,141 | - |
| Escrow | 2,205 | - | 2,205 | - |
| Meter deposit investments | 5,351 | - | 5,351 | - |
| Loan receivable | 3,667 | - | 3,667 | - |
| Capital Assets: | | | | |
| Land | 7,486 | 14,424 | 21,910 | - |
| Buildings and improvements | 2,833 | - | 2,833 | 467 |
| Water and sewer system | 803,789 | - | 803,789 | - |
| Machinery and equipment | 11,886 | 23 | 11,909 | 42,063 |
| Drainage system | - | 96,435 | 96,435 | - |
| Construction-in-progress | 99,803 | 22,136 | 121,939 | - |
| Accumulated depreciation | (293,220) | (37,401) | (330,621) | (29,405) |
| Total Capital Assets Net of Accumulated Depreciation | 632,577 | 95,617 | 728,194 | 13,125 |
| **Total Noncurrent Assets** | 675,437 | 95,617 | 771,054 | 13,125 |
| **Total Assets** | 755,226 | 114,273 | 869,499 | 27,479 |
| **Deferred Outflows of Resources:** | | | | |
| Deferred loss on debt refunding | 2,147 | - | 2,147 | - |
| Deferred outflow - contributions GASB 68 | 1,193 | - | 1,193 | - |
| Deferred outflow - investment earnings GASB 68 | 635 | - | 635 | - |
| **Total Assets and Deferred Outflows of Resources** | $ 759,201 | $ 114,273 | $ 873,474 | $ 27,479 |

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

(continued)

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Storm Water Utility | Total | Governmental Activities-Internal Service Funds |
| **LIABILITIES** | | | | |
| **Current Liabilities:** | | | | |
| Accounts payable and accrued liabilities | $ 3,321 | $ 748 | $ 4,069 | $ 496 |
| Accrued compensated absences | 141 | 11 | 152 | - |
| Revenue bonds payable from unrestricted assets | 7,725 | 1,280 | 9,005 | - |
| **Current Liabilities Payable From Restricted Assets:** | | | | |
| Accounts payable and accrued liabilities | 2,511 | - | 2,511 | - |
| Retainage payable | 1,025 | 420 | 1,445 | - |
| Accrued interest | 1,354 | 300 | 1,654 | - |
| Estimated claims payable | - | - | - | 4,032 |
| Revenue bonds payable | 2,538 | - | 2,538 | - |
| Meter deposits | 5,351 | - | 5,351 | - |
| **Total Current Liabilities** | 23,966 | 2,759 | 26,725 | 4,528 |
| **Noncurrent Liabilities:** | | | | |
| Estimated claims payable | - | - | - | 4,736 |
| Compensated absences | 1,660 | 246 | 1,906 | 42 |
| Revenue bonds payable from unrestricted assets | 131,148 | 19,948 | 151,096 | - |
| Net pension liability | 7,249 | - | 7,249 | - |
| **Total Noncurrent Liabilities** | 140,057 | 20,194 | 160,251 | 4,778 |
| **Total Liabilities** | 164,023 | 22,953 | 186,976 | 9,306 |
| **Deferred Inflows of Resources:** | | | | |
| Deferred inflow - actuarial assumption GASB 68 | 599 | - | 599 | - |
| **Total Liabilities and Deferred Inflows of Resources** | 164,622 | 22,953 | 187,575 | 9,306 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 548,811 | 73,969 | 622,780 | 13,125 |
| Restricted for debt service | 14,947 | - | 14,947 | - |
| Unrestricted | 30,821 | 17,351 | 48,172 | 5,048 |
| **Total Net Position** | $ 594,579 | $ 91,320 | $ 685,899 | $ 18,173 |

| | |
|---|---|
| Reconciliation to government-wide statements of net position: | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | (2,807) |
| Net position of business-type activities | $ 683,092 |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | **Water and Sewer** | **Storm Water Utility** | **Total** | **Governmental Activities- Internal Service Funds** |
| **Operating Revenues:** | | | | |
| Water sales | $ 64,606 | $ - | $ 64,606 | $ - |
| Sewer service | 53,874 | - | 53,874 | - |
| Storm water fee - commercial | - | 5,589 | 5,589 | - |
| Storm water fee - residential | - | 6,571 | 6,571 | - |
| Service charges | - | - | - | 35,772 |
| Sundry | 5,390 | - | 5,390 | - |
| **Total Operating Revenues** | 123,870 | 12,160 | 136,030 | 35,772 |
| **Operating Expenses:** | | | | |
| Purchase of water | 22,335 | - | 22,335 | - |
| Purchase of sewage treatment | 29,373 | - | 29,373 | - |
| Salaries and wages | 12,861 | 1,685 | 14,546 | 447 |
| Employees' retirement | 1,537 | 247 | 1,784 | 63 |
| Supplies | 1,860 | 55 | 1,915 | 3,055 |
| Maintenance and repairs | 4,798 | 454 | 5,252 | 141 |
| Utilities | 2,956 | 16 | 2,972 | 91 |
| Claims (net of adjustments) | - | - | - | 27,559 |
| Legal and professional | 74 | - | 74 | 803 |
| Depreciation | 15,715 | 1,930 | 17,645 | 3,714 |
| Miscellaneous services | 4,139 | 653 | 4,792 | 4,251 |
| **Total Operating Expenses** | 95,648 | 5,040 | 100,688 | 40,124 |
| **Operating Income (Loss)** | 28,222 | 7,120 | 35,342 | (4,352) |
| **Nonoperating Revenues (Expenses):** | | | | |
| Interest revenue | 323 | 142 | 465 | 31 |
| Net increase in the fair value of investments | 90 | 9 | 99 | 7 |
| Gain on sale of assets | - | - | - | 656 |
| Interest expense and fiscal charges | (1,142) | - | (1,142) | - |
| **Total Nonoperating Revenues (Expenses)** | (729) | 151 | (578) | 694 |
| Income (loss) before transfers and contributions | 27,493 | 7,271 | 34,764 | (3,658) |
| Contributions in aid of construction | 1,148 | - | 1,148 | - |
| Transfers in | - | - | - | 1,744 |
| Transfers out | (14,732) | (1,803) | (16,535) | - |
| **Change in Net Position** | 13,909 | 5,468 | 19,377 | (1,914) |
| **Total Net Position, October 1 (as restated)*** | 580,670 | 85,852 | 666,522 | 20,087 |
| **Total Net Position, September 30** | $ 594,579 | $ 91,320 | $ 685,899 | $ 18,173 |

| | |
|---|---|
| Net change in net position - total proprietary funds | $ 19,377 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | (328) |
| Change in net position of business-type activities | $ 19,049 |

The notes to the financial statements are an integral part of this statement.
* Footnote I.Q. provides additional information regarding restatement of net position.

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Business-type Activities-Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Storm Water Utility | Total | Governmental Activities-Internal Service Funds |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Cash received from customers | $ 116,722 | $ 11,981 | $ 128,703 | $ 35,714 |
| Cash payments to suppliers | (67,163) | (1,126) | (68,289) | (35,445) |
| Cash payments to employees | (14,599) | (1,901) | (16,500) | (504) |
| **Net Cash Provided By (Used For) Operating Activities** | 34,960 | 8,954 | 43,914 | (235) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | | |
| Transfers in | - | - | - | 1,744 |
| Transfers out | (14,732) | (1,803) | (16,535) | - |
| **Net Cash Provided By (Used For) Noncapital Financing Activities** | (14,732) | (1,803) | (16,535) | 1,744 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Acquisition and construction of capital assets | (27,384) | (5,964) | (33,348) | (3,243) |
| Increase/Decrease in escrow balance | 1,968 | - | 1,968 | - |
| Proceeds from sales of capital assets | - | - | - | 685 |
| Proceeds from issuance of long-term debt | 32,177 | - | 32,177 | - |
| Repayment of long-term debt | (23,540) | (1,280) | (24,820) | - |
| Interest payment long-term debt | (5,583) | (1,094) | (6,677) | - |
| **Net Cash Used For Capital And Related Financing Activities** | (22,362) | (8,338) | (30,700) | (2,558) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Proceeds from interest earnings | 339 | 142 | 481 | 31 |
| Net decrease in the fair value of investments | 90 | 9 | 99 | 7 |
| Purchase of investments | (94,777) | - | (94,777) | - |
| Maturities/sales of investments | 81,405 | - | 81,405 | - |
| **Net Cash Provided By (Used For) Investing Activities** | (12,943) | 151 | (12,792) | 38 |
| **Net Decrease In Cash And Cash Equivalents** | (15,077) | (1,036) | (16,113) | (1,011) |
| **Cash and cash-like investments, October 1** | 75,259 | 17,424 | 92,683 | 15,155 |
| **Cash and cash-like investments, September 30** | $ 60,182 | $ 16,388 | $ 76,570 | $ 14,144 |
| **Reconciliation of operating income to net cash provided by operating activities:** | | | | |
| Operating income (loss) | $ 28,222 | $ 7,120 | $ 35,342 | $ (4,352) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation | 15,715 | 1,930 | 17,645 | 3,714 |
| Amortization of bond premium | 530 | 94 | 624 | - |
| Amortization of deferred loss on bond refunding | (227) | - | (227) | - |
| Provision for bad debts | 203 | 7 | 210 | - |
| (Increase) decrease in- | | | | |
| Receivables | (7,519) | (179) | (7,698) | (58) |
| Inventory of supplies | (587) | - | (587) | 7 |
| Prepaid expenses | - | - | - | 5 |
| Increase (decrease) in- | | | | |
| Accounts payable and accrued liabilities | (1,158) | 22 | (1,136) | (34) |
| Net pension liability | (300) | - | (300) | - |
| Estimated claims payable | - | - | - | 479 |
| Retainage payable | (85) | (71) | (156) | - |
| Meter deposits | 140 | - | 140 | - |
| Accrued compensated absences | 26 | 31 | 57 | 4 |
| Total adjustments | 6,738 | 1,834 | 8,572 | 4,117 |
| **Net Cash Provided By Operating Activities** | $ 34,960 | $ 8,954 | $ 43,914 | $ (235) |
| **Noncash investing, capital, and financing activities:** | | | | |
| Contributions of capital assets from developers | 1,148 | - | 1,148 | - |

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

**CITY OF ARLINGTON, TEXAS**
**STATEMENT OF FIDUCIARY NET POSITION**
**FIDUCIARY FUNDS**
**SEPTEMBER 30, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | Pension Trust Funds | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash-like investments | $ 51 | $ 7,377 |
| Investments | | |
| Investment retired city mgr 401(k) plan | 86 | - |
| Money market fund | 39,599 | - |
| Corporate bonds | 2,382 | - |
| Fixed income mutual bond funds | 14,114 | - |
| Common stock mutual bond funds | 72,875 | - |
| Balanced mutual funds | 25,252 | - |
| Participant borrowing | 5,340 | - |
| Self directed brokerage accounts | 4,452 | - |
| Total Investments | 164,100 | - |
| **Total Assets** | $ 164,151 | $ 7,377 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ - | $ 7,377 |
| Retired city mgr 401(k) plan payable | 86 | $ - |
| **Total Liabilities** | $ 86 | $ 7,377 |
| **NET POSITION** | | |
| Held in trust for pension benefits | $ 164,014 | |
| Assigned pension trust | 51 | |
| **Total Net Position** | $ 164,065 | |

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, 2015**
**(AMOUNTS EXPRESSED IN THOUSANDS)**

| | | Pension Trust Funds |
|---|---|---|
| **ADDITIONS** | | |
| Employer contributions | $ | 2,846 |
| Employee contributions | | 6,709 |
| Net appreciation in fair value of investments | | 3,651 |
| Other additions | | 26 |
| **Total Additions** | | 13,232 |
| **DEDUCTIONS** | | |
| Benefits | | 13,680 |
| Plan administration | | 198 |
| Other deductions | | 58 |
| **Total Deductions** | | 13,936 |
| **Increase in Net Position** | | (704) |
| **Net Position, October 1** | | 164,769 |
| **Net Position, September 30** | $ | 164,065 |

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

ARLINGTON℠

THE AMERICAN DREAM CITY

**CITY OF ARLINGTON, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Arlington, Texas (the "City") was incorporated April 19, 1884 and the city charter was adopted January 17, 1920, under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Council Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and sewer utilities, and general administrative services.

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

### A. Financial Statement Presentation

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

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting of the City's governmental funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34. 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. A budgetary comparison statement is presented that compares the originally adopted and final General Fund budget with actual results, and schedules of funding progress for pension and 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. 61. The Financial Reporting Entity, 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.

Arlington Property Finance Authority, Inc.

Arlington Property Finance Authority, Inc. (the "APFA") provides the City with a defined and funded self-insurance program for general and automotive liability. The financial statements of APFA, a component unit, have been "blended" with those of the City because its board of directors is appointed by the City Council, and the City management maintains significant continuing management oversight with respect to APFA's policies. Additionally, APFA provides services entirely to the City and its employees.

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 $100 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 Industrial Development Corporation

The Arlington Industrial Development Corporation (the "AIDC") promotes industrial and commercial development within the City. The AIDC's board of directors is appointed by the City Council. The AIDC's management is designated by the City, and City employees are responsible for the daily activities of the AIDC; accordingly, the City has financial accountability over AIDC's activities. Separate AIDC component unit financial statements are not prepared. The AIDC was terminated in fiscal year 2015.

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 mayor, three council members, and three citizens. There was no activity in fiscal year 2015.

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 inter-fund activity has been removed from these statements. The exception is that inter-fund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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 taxes and other revenue to be available if they are collected within 60 days of the end of the current fiscal period, while grants typically are received within 90 days. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when the liability has matured and payment is due.

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

Business-type activities and all proprietary funds, and the pension trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from 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 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 non-operating revenues and expenses.

The following major funds 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:

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

2. Enterprise 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 Utility Fund and the Storm Water Utility Fund. The Water 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.

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; 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.

E. Cash, Cash-like Investments and Investments

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

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

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.

G. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized.

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

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

H. Capitalization of Interest

The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2015, $2,782,840 of interest cost, net of $71,400 interest earned, was capitalized as capital assets in the Water and Sewer Fund as part of the costs of constructing various projects. Interest expensed (net of capitalized interest) and interest earned in fiscal 2015 for the Water and Sewer Fund amounted to approximately $1,142,000 and $323,000, respectively. In the Storm Water Utility Fund $897,663 of interest cost, net of $725 interest earned, was capitalized as capital assets as part of the costs of constructing various projects. Interest earned in fiscal 2015 for the Storm Water Utility Fund amounted to approximately $142,000 and there was no interest expensed (net of capitalized interest).

I. Arbitrage Liability

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

J. Pensions

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

Beginning in fiscal year 2015, and in accordance with GASB 68 and 71, the City's net pension liability is now recorded on the face of the financial statements. The beginning net position has been restated to record the beginning net pension liability. The City elected to allocate the net pension liability among governmental and business type activities based on measurement year contribution percentages. The City elected to absorb fund allocations of less than 1.25% of total contributions to Governmental activities. Component units' contributions total 1.03% of total contributions and are not allocated separately, due to the threshold percentage. The estimated amount of net pension liability included in governmental activities for component units is $1.08M. The City also elected not to show a deferred inflow/outflow for changes in proportion from year to year between governmental and business type activities and simply let those changes flow through expense in the year of occurrence. Detailed pension information is discussed in footnote 6.

K. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 20 days per year for 15 years of service and over. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees 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 (180 for fire fighters). 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

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution 11-361 dated September 27, 2011 adopting the fund balance policy, authorized the City Manager or his designee to assign fund balance to a specific purpose.

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

N. Minimum Fund Balance Policy

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

O. Net Position

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

P. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this

category. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension related items are reported in the government wide statement of net position.

Q. New Accounting Pronouncements

During fiscal year 2015, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The objective of this Statement is to improve financial reporting for pension plans. This statement requires recognition of a long-term obligation for pension benefits as a liability. Current financial statements reflect this change.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement amends Statement 68 to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68.

The implementation of Statement No. 68 resulted restatement of beginning net position for the elimination of the previously reported net pension asset, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below (amounts in thousands):

| | Government-wide Statement of Activities | |
|---|---|---|
| | Governmental Activities | Business-type Activities |
| Net position at September 30, 2014, as previously reported | $ 1,273,819 | $ 670,363 |
| Elimination of net pension obligation as of September 30, 2014 | 17,536 | - |
| Recording of net pension liability as of September 30, 2014 | (101,017) | (7,522) |
| Deferral for pension contributions made after the measurement date | 16,148 | 1,202 |
| Net position at September 30, 2014, as restated | $ 1,206,486 | $ 664,043 |

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

Statement No. 72, *Fair Value Measurement and Application,* which is effective for the City beginning in fiscal year 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68,* which is effective for the City beginning in fiscal year 2016. This statement clarifies the application of certain provisions of Statements 67 and 68 regarding required supplementary information and accounting and financial reporting.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans,* which is effective for the City beginning in fiscal year 2017. This statement replaces GASB Statements

43 and 57. This statement addresses enhanced note disclosures and required supplementary information to improve financial reporting.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* which is effective for the City beginning in fiscal year 2018. This statement replaces the requirements of GASB Statements 45 and 57 and establishes new accounting and financial reporting requirements for OPEB plans.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which is effective for the City beginning in fiscal year 2016. This statement supersedes Statement No. 55. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or event is not specified within a source of authoritative GAAP.

Statement No. 77, *Tax Abatement Disclosures,* which is effective for the City beginning in fiscal year 2017. This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is effective for the City beginning in fiscal year 2016. This statement amends the scope and applicability of Statement 68.

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

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as expenditures on the budgetary basis and interdepartmental expenses which are eliminated. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The schedules comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases 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 2015, there were no budget amendments.

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

The portion of ad valorem tax revenues in the General Fund from "rolled back" tax payments (taxes, up to five years back, on properties previously taxed at special use exemption values and currently changed to full values) are excluded from the budgetary basis tax revenues and from the general governmental expenditures.

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 are not estimable for all Special Revenue Funds and are not budgeted. Expenditures are limited to total revenues over the life of the funds. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in an annual Capital Improvements Program plan.

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

| General Fund | Street Capital Projects Fund | Other Nonmajor Funds | Total |
|---|---|---|---|
| $ 5,598 | $ 21,770 | $ 19,172 | $ 46,540 |

**B. Excess of expenditures over appropriations**

For the year ended September 30, 2015, 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, 2015.

**III. DETAILED NOTES ON ALL FUNDS**

**1. CASH, CASH-LIKE INVESTMENTS AND INVESTMENTS**

Deposits - At September 30, 2015, the carrying amount of the City's demand deposits was $30,939,000 (bank balance, $34,124,000). The balance in cash on hand was $32,000 at year end.

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

Cash, Cash-like investments and investments include: (amounts in thousands) Governmental Activities ($290,408), Business-type Activities ($114,284), and Agency Funds ($7,377).

As of September 30, 2015, the City had the following investments (amounts in thousands):

| Investments | Fair Value | Weighted Avg Maturity (in days) | Credit Risk |
|---|---|---|---|
| Agency | 287,589 | 482 | **AAA** |
| Local Gov't Invest Pools | 38,691 | 1 | **AAA** |
| Texas Municipal | 16,837 | 302 | **AA+** |
| Non-Texas Municipal | 30,695 | 528 | **AA+** |
| Certificates of Deposit | - | - | **AAA** |
| Money Market Fund | 7,286 | 1 | **AAA** |
| Total Fair Value | 381,098 | | |

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

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

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

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

| Security | % of Portfolio |
|---|---|
| United States Treasury | 100% of portfolio per Issuer |
| U.S. Agencies and Instrumentalities | 100% of portfolio 35% per Issuer |
| Other Obligations guaranteed by U.S. | 100% of portfolio 10% per Issuer |
| Obligations of Texas and its subdivisions | 10% of portfolio 2% per Issuer |
| Obligations of other states and its subdivisions | 10% of portfolio 2% per Issuer |
| Certificates of Deposit | 50% of portfolio 20% per Issuer |
| Repurchase Agreements | 40% of portfolio 15% per counterparty |
| Guaranteed Investment Contract | 100% of bond funds |
| Commercial Paper | 20% of portfolio 5% per Issuer |
| Money Market Mutual Fund | 100% of portfolio 15% per MMF |
| Local Government Investment Pools | 100% of portfolio 25% per pool |

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

The City's investments in local government investment pools include investments in TexPool, TexasDaily and TexStar. 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.

## 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 FY15 was $25,774,601,000 which encompasses all properties in Arlington, including real estate, personal, and mineral properties prior to any exemptions or abatements. The assessed value for the tax roll of September 1, 2014, upon which the original FY15 levy was based, was $18,905,766,000.

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

For the fiscal year ended September 30, 2015, the City had a tax rate of $0.6480 ($0.4460 for general government and $0.2020 for debt service) per $100 assessed valuation with a tax margin of $1.8520 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 $350,134,786 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $18,905,766,000.

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

## 3. COWBOYS COMPLEX DEVELOPMENT PROJECT/AT&T STADIUM

In 2004, the voters authorized the City to provide the planning, acquisition, construction and financing for the Cowboys Complex Development Project (the "Complex"), approving an increase in the City's sales tax of one-half cent, a two percent increase in the hotel occupancy tax and a five percent short-term motor vehicle rental tax. The Complex was completed in July 2009 and is a multi-functional enclosed facility with a retractable roof and seating for approximately 85,000. The final cost of the project was $1.1 billion and in accordance with the funding and closing agreement, the City paid a portion of the projected costs, $325 million, to build the Complex.

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") for lease of the Complex. The Lease Agreement calls for an initial term of 30 years. Monthly lease payments of $166,666.67 began in June, 2009 for an annualized rental rate of $2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of $1 million per year for the first 10 years and $1.25 million per year for all remaining renewals. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the Tenant, capped at $500 thousand per year. The revenue for this fiscal year was $500,000. The lease is accounted for as an operating lease. The cost of the stadium is $1,109,951,954 with an accumulated depreciation of $149,445,951.

City Debt – In 2005, the City issued $297,990,000 Cowboys Complex Special Obligations to fund the City's share of the project costs for the Complex, including $164,265,000 Cowboys Complex Special Obligation Tax-Exempt Special Tax Bonds, Series 2005B (the "Multi-Modal Bonds"). In December, 2008 the City issued $112,185,000 in Special Tax

Revenue Bonds to refund $104,265,000 of the Series 2005B bonds and in May 2009 issued $62,820,000 to refund the remaining $60,000,000 of the Series 2005B bonds.

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, 2015, outstanding conduit debt was $139,090,000.

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 will receive 5% of the revenue as additional rent from the naming rights deal, up to $500,000 annually, to help pay off the City's debt.

**4. RECEIVABLES**

Receivables at September 30, 2015 for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (amounts expressed in thousands):

| | General | Debt Service | Storm Water Utility | Water & Sewer | Street Capital Projects | Other Nonmajor Governmental Funds | Internal Service Funds | Total |
|---|---|---|---|---|---|---|---|---|
| Receivables: | | | | | | | | |
| Taxes | $ 10,692 | $ 642 | $ - | $ - | $ - | $ 2,028 | $ - | $ 13,362 |
| Franchise Fees | 6,754 | - | - | - | - | - | - | 6,754 |
| Trade Accounts | - | - | 1,071 | 11,096 | - | - | 3 | 12,170 |
| Unbilled Trade Accounts | - | - | 527 | 7,490 | - | - | - | 8,017 |
| Special Assessments | - | - | - | - | 137 | - | - | 137 |
| Sales Taxes | 9,899 | 4,949 | - | - | - | 2,475 | - | 17,323 |
| Lease and settlement agreements | 20,081 | - | - | - | - | - | - | 20,081 |
| Accrued Interest | 808 | 358 | - | - | - | - | - | 1,166 |
| Loan Receivable | - | - | - | 5,500 | - | - | - | 5,500 |
| Other | 3,156 | - | - | 121 | - | 731 | 78 | 4,086 |
| Gross Receivables | 51,390 | 5,949 | 1,598 | 24,207 | 137 | 5,234 | 81 | 88,596 |
| Less: Allowance for Uncollectibles | (7,692) | - | (56) | (2,163) | - | - | - | (9,911) |
| Net total Receivables | $ 43,698 | $ 5,949 | $ 1,542 | $ 22,044 | $ 137 | $ 5,234 | $ 81 | $ 78,685 |

The only receivables not expected to be collected within one year are $3,667,000 of the loan receivable in the water and sewer fund.

## 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 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 | $ 221,319 | $ 5,592 | $ - | $ 226,911 |
| Construction in progress-other | 80,814 | 43,496 | (29,265) | 95,045 |
| Total capital assets, not being depreciated | 302,133 | 49,088 | (29,265) | 321,956 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,291,950 | 5,086 | (2,175) | 1,294,861 |
| Equipment | 93,685 | 15,540 | (3,498) | 105,727 |
| Infrastructure | 843,136 | 15,572 | - | 858,708 |
| Total capital assets, being depreciated | 2,228,771 | 36,198 | (5,673) | 2,259,296 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 248,204 | 31,863 | (1,595) | 278,472 |
| Equipment | 76,678 | 8,372 | (3,447) | 81,603 |
| Infrastructure | 633,938 | 15,938 | - | 649,876 |
| Total accumulated depreciation | 958,820 | 56,173 | (5,042) | 1,009,951 |
| Total capital assets, being depreciated, net | 1,269,951 | (19,975) | (631) | 1,249,345 |
| Governmental activities capital assets, net | $ 1,572,084 | $ 29,113 | $ (29,896) | $ 1,571,301 |

| | Balance at Beginning Of Year | Additions | Retirements | Balance at End Of Year |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 21,540 | $ 370 | $ - | $ 21,910 |
| Construction in progress | 125,169 | 37,016 | (40,246) | 121,939 |
| Total capital assets, not being depreciated | 146,709 | 37,386 | (40,246) | 143,849 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 2,833 | - | - | 2,833 |
| Drainage System | 90,133 | 6,302 | - | 96,435 |
| Water and sewer system | 769,062 | 34,727 | - | 803,789 |
| Machinery and equipment | 11,900 | 9 | - | 11,909 |
| Total capital assets, being depreciated | 873,928 | 41,038 | - | 914,966 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,411 | 58 | - | 1,469 |
| Drainage System | 35,470 | 1,926 | - | 37,396 |
| Water and sewer system | 265,029 | 15,402 | - | 280,431 |
| Machinery and equipment | 11,065 | 260 | - | 11,325 |
| Total accumulated depreciation | 312,975 | 17,646 | - | 330,621 |
| Total capital assets, being depreciated, net | 560,953 | 23,392 | - | 584,345 |
| Business-type activities capital assets, net | $ 707,662 | $ 60,778 | $ (40,246) | $ 728,194 |

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

| | |
|---|---|
| Governmental activities: | |
| General Government | $ 26,224 |
| Public Safety | 3,050 |
| Parks and recreation | 5,551 |
| Public works | 17,634 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 3,714 |
| Total depreciation expense – governmental activities | $56,173 |
| Business-type activities: | |
| Storm Water Utility | 1,931 |
| Water and sewer | $ 15,715 |
| Total depreciation expense – business-type activities | $ 17,646 |

Discretely presented component units:

(amounts expressed in thousands)

| | Balance at Beginning of Year | Transfer and Additions | Transfers and Retirements | Balance at End of Year |
|---|---|---|---|---|
| **Arlington Housing Authority, Inc.** | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | $ 563 | $ - | $ - | $ 563 |
| Machinery and equipment | 369 | 7 | - | 376 |
| Totla capital assets, being depreciated | 932 | 7 | - | 939 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (279) | (14) | - | (293) |
| Machinery and equipment | (347) | (28) | - | (375) |
| Total accumulated depreciation | (626) | (42) | - | (668) |
| Arlington Housing Authority, Inc. | | | | |
| Capital assets, net | $ 306 | $ (35) | $ - | $ 271 |

| | Balance at Beginning of Year | Transfer and Additions | Transfers and Retirements | Balance at End of Year |
|---|---|---|---|---|
| **Arlington Convention and Visitors Bureau, Inc.** | | | | |
| Capital asset, being depreciated: | | | | |
| Machinery and equipment | $ 810 | $ 84 | $ - | $ 894 |
| Total capital assets, being depreciated | 810 | 84 | - | 894 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | (646) | (71) | - | (717) |
| Total accumulated depreciation | (646) | (71) | - | (717) |
| Arlington Convention and Visitors Bureau, Inc. | | | | |
| Capital assets, net | $ 164 | $ 13 | $ - | $ 177 |

## 6. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

A. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 860 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

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

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

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 1,494 |
| Inactive employees entitled to but not yet receiving benefits | 917 |
| Active Employees | 2,462 |
| | 4,873 |

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 16.28% and 15.62% in calendar years 2014 and 2015,

respectively. The city's contributions to TMRS for the year ended September 30, 2015, were $24,327,508 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 3% per year |
| Overall payroll growth | 3% per year |
| Investment Rate of Return | 7%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Domestic Equity | 17.5% | 4.80% |
| International Equity | 17.5% | 6.05% |
| Core Fixed Income | 30.0% | 1.50% |
| Non-Core Fixed Income | 10.0% | 3.50% |
| Real Return | 5.0% | 1.75% |
| Real Estate | 10.0% | 5.25% |
| Absolute Return | 5.0% | 4.25% |
| Private Equity | 5.0% | 8.50% |
| Total | 100.0% | |

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### Changes in the Net Pension Liability

| | **Total Pension Liability** (a) | **Plan Fiduciary Net Position** (b) | **Net Pension Liability** (a) - (b) |
|---|---|---|---|
| Balance at 12/31/2013 | $ 1,003,238,111 | $ 894,699,665 | $ 108,538,446 |
| Changes for the year: | | | |
| Service cost | 22,819,492 | - | 22,819,492 |
| Interest | 69,393,550 | - | 69,393,550 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | (10,846,092) | - | (10,846,092) |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 24,198,117 | (24,198,117) |
| Contributions - employee | - | 10,501,146 | (10,501,146) |
| Net investment income | - | 51,180,304 | (51,180,304) |
| Benefit payments, including refunds of employee contributions | (46,622,851) | (46,622,851) | - |
| Administrative expense | - | (534,366) | 534,366 |
| Other changes | - | (43,934) | 43,934 |
| Net changes | 34,744,099 | 38,678,416 | (3,934,317) |
| **Balance at 12/31/14** | **$ 1,037,982,210** | **$ 933,378,081** | **$ 104,604,129** |

| | |
|---|---|
| Plan fiduciary net position as a percentage of the total pension liability | 89.92% |
| Covered-employee payroll | $ 149,837,550 |
| Net pension liability as a percentage of covered employee payroll | 69.81% |

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

| | Discount Rate (6.0%) | Discount Rate (7.0%) | Discount Rate (8.0%) |
|---|---|---|---|
| City's net pension liability | $ 253,083,001 | $ 104,604,129 | $ (16,991,323) |

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the city recognized pension expense of $19,751,515.

At September 30, 2015, 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 | $ - | $8,646,653 |
| Changes in actuarial assumptions | - | - |
| Difference between projected and actual investment earnings | 9,158,938 | - |
| Contributions subsequent to the measurement date | 17,217,349 | - |
| Total | $26,376,287 | $8,646,653 |

$17,217,349 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, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31: | |
|---|---|
| 2016 | $ 90,296 |
| 2017 | $ 90,296 |
| 2018 | $ 90,296 |
| 2019 | $ 241,397 |
| 2020 | $ - |
| Thereafter | $ - |
| Total | $ 512,285 |

Pursuant to the TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7.00% to 6.75% and changing the inflation assumption from 3.00% to 2.50%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known, the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

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

**Plan Description**

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

*Plan membership.* As of June 30, 2015 pension plan membership consisted of the following:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 9 |
| Inactive plan members entitled to but not yet receiving benefits | 3,733 |
| Active plan members | 666 |
| | 4,408 |

*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 the 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 time employee contributions with interest. With 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, 2015, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 0.8 percent of annual payroll.

| Fiscal Year Ending June 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2014 | $ 21,324 | $ 21,324 | $ - | $2,791,558 | 0.8% |
| 2015 | 22,419 | 22,419 | - | 2,849,197 | 0.8% |

**Investments**

*Investment policy.* The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Committee. It is the policy of the Committee to pursue an investment strategy with the primary focus on current income generation and capital preservation while allowing for modest consideration for capital growth. The majority of assets are to be held in fixed income securities or other income producing investments with moderate levels of principal volatility. The following was the Committee's adopted asset allocation policy as of June 30, 2015:

| Asset Class | Target Allocation |
|---|---|
| Equity | 20% |
| Fixed-Income | 77% |
| Cash (or equivalents) | 3% |

*Rate of return.* For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 1.73 percent. For all assets, a total return is calculated (including market value appreciation or depreciation, plus interest and dividends). The monthly rates of return are then geometrically linked.

**Net Pension Asset of the City**

The components of the net pension asset of the City at June 30, 2015 were as follows:

| | |
|---|---|
| Total pension liability | $ 2,311,103 |
| Plan fiduciary net position | (2,681,047) |
| City's net pension asset | $ ( 369,944) |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 116.0% |

*Actuarial Assumption.* The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 3.0 percent |
| Salary increases | 3.5 percent |
| Investment rate of return | 5.5 percent |

Mortality rates were based on the RP-2000 Mortality Table projected to 2003 with Scale AA.

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| Asset Class | Long-term Expected Real Rate of Return |
|---|---|
| Cash & Cash Equivalents | 0.00% |
| Fixed Income | 0.64% |
| Domestic Large Cap Equity | 5.43% |
| Domestic Mid Cap Equity | 6.22% |
| Domestic Small Cap Equity | 6.74% |
| International Developed Equity | 5.31% |
| International Emerging Equity | 7.17% |

*Discount rate.* A single discount rate of 5.5 percent was used to measure the total pension liability as of June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 5.5 percent and a municipal bond rate of 3.8 percent (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2015). The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position and the future contributions were sufficient to finance the future benefit payments for current plan members. 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.

*Sensitivity of the net pension asset to changes in the discount rate.* The following presents the net pension asset of the City, calculated using the discount rate of 5.5 percent, 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 (4.5 percent) or 1 percentage point higher (6.5 percent) than the current rate:

| | 1% Decrease (4.5%) | Current Discount Rate (5.5%) | 1% Increase (6.5%) |
|---|---|---|---|
| City's net pension asset | $171,829 | $369,944 | $534,708 |

The actuarial assumptions used in the July 1, 2015 actuarial valuation included were (a) 5.50 percent investment return, (b) no inflation rate adjustment, and (c) 3.50 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. Because the assets of the plan exceed the actuarial liability, amortization of the unfunded liability is discontinued and the contribution required for the plan was developed under the aggregate cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities; the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

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, 2015, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $160,134,000.

The City's total payroll during fiscal 2015 was $158,843,000. The current year contribution was calculated based on a covered payroll of $102,331,000, resulting in a required and actual employer contribution of $2,761,000 and actual employee contributions of $6,609,000. The employer contribution represents 2.70 percent of the covered payroll. The employee contribution represents approximately 6.5 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2015. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

The Thrift Savings Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2015. (amounts in thousands):

| | |
|---|---|
| ASSETS | |
| Investments | 160,220 |
| Total Assets | $ 160,220 |
| | |
| LIABILITIES | |
| Retired City mgr 401(k) plan payable | 86 |
| Total Liabilities | 86 |
| | |
| NET POSITION | |
| Held in trust for pension benefits | 160,083 |
| Assigned pension trust | 51 |
| Total Net Position | $ 160,134 |

Changes in Net Position
Thrift Savings Plan

| | |
|---|---|
| ADDITIONS | |
| Employer contributions | $ 2,761 |
| Employee contributions | 6,609 |
| Net appreciation in fair value of investments | 3,624 |
| Other additions | 2 |
| | 12,996 |
| DEDUCTIONS | |
| Benefits | 13,424 |
| Plan administration | 104 |
| Other deductions | 58 |
| | 13,586 |
| Decrease in Net Position | (590) |
| Net Position, October 1 | 160,724 |
| Net Position, September 30 | $ 160,134 |

City contributions for the above plans for the year ended September 30, 2015, are as follows (amounts in thousands):

| | |
|---|---|
| TMRS | $24,050 |
| THRIFT | 2,761 |
| PTDIT | 20 |
| | $26,831 |

**7. OTHER POST EMPLOYMENT BENEFITS**

**Disability Income Plan**

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.

Summary of Significant Accounting Policies
*Basis of Accounting.* DIP's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* Cash and cash-like investments with original maturity dates less than one year are stated at cost that approximates fair value. Investments are stated at fair value based on either the month end price, the last available price or the last available activity.

Plan Description and Contribution Information
Membership of the plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits: 16

*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.

*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, 2015, the City contributed $65,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As of July 1, 2015, the most recent actuarial valuation date, the plan was 85.9 percent funded. The actuarial accrued liability for benefits was $1,588,266, and the actuarial value of assets was $1,364,432, resulting in an unfunded actuarial accrued liability (UAAL) of $223,834.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation date | 7/1/2015 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar amortization |
| Remaining amortization period | 8 years (closed) |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 5.5 percent |
| Inflation rate | 3.0 percent |

*Funding Policy.* The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City fully funds the required contributions each year.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial

liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset (dollar amounts in thousands):

| | |
|---|---|
| Annual required contribution | $ 66 |
| Interest on net OPEB asset | (28) |
| Adjustment to annual required contribution | 79 |
| Annual OPEB cost (expense) | 117 |
| Contributions made | (65) |
| Decrease in net OPEB asset | 52 |
| Net OPEB asset - beginning of year | (511) |
| Net OPEB asset - end of year | $ (459) |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2015 and the six preceding years are as follows:

| Ending | Cost | Contribution | (Asset) |
|---|---|---|---|
| 9/30/15 | $117,000 | 55.60% | $ (459,000) |
| 9/30/14 | $119,000 | 94.10% | $ (511,000) |
| 9/30/13 | $120,000 | 206.70% | $ (518,000) |
| 9/30/12 | $283,000 | 126.10% | $ (390,000) |
| 9/30/11 | $249,000 | 149.80% | $ (316,000) |
| 9/30/10 | $305,000 | 127.21% | $ (192,000) |
| 9/30/09 | $358,000 | 142.25% | $ (109,000) |
| 9/30/08 | $364,000 | 100.00% | - |

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.

DIP does not issue separate GAAP financial reports. Its financial statements are presented below as of September 30, 2015 (in thousands):

| Net Position | |
|---|---|
| Assets | |
| Investments | $ 1,322 |
| Total assets | 1,322 |
| Net position, held in trust for | |
| Other postemployment benefits | $ 1,322 |

| Changes in Net Position | |
|---|---|
| Additions | |
| Employer contributions | $ 65 |
| Net appreciation in fair value | |
| Of investments | 24 |
| Total additions | $ 89 |
| Deductions | |
| Benefits | (150) |
| Plan Administration | (16) |
| Total deductions | (166) |
| Increase in net position | (77) |
| Net position, October 1, 2014 | 1,399 |
| Net position, September 30, 2015 | $ 1,322 |

**Retiree Health Insurance**

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

To be eligible for retiree health insurance, an employee must be eligible to retire from the City of Arlington based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer based coverage terminates. As of July 1, 2015, there were 936 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.

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 Contributions**

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

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

*Funding Policy.* The City Council through the budget process has the authority to establish and amend contribution requirements of the plan. Currently the plan is funded on a pay-as-you-go basis.

*Annual OPEB Cost and Net OPEB Obligation*. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (dollar amounts in thousands):

| | |
|---|---|
| Annual required contribution | $ 8,505 |
| Interest on net OPEB Obligation | 1,513 |
| Adjustment to annual required contribution | (2,020) |
| Annual OPEB cost (expense) | 7,998 |
| Contributions made | (5,011) |
| Increase in net OPEB obligation | 2,987 |
| Net OPEB obligation – beginning of year | 33,633 |
| Net OPEB obligation – end of year | $ 36,620 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the six preceding years are as follows (dollar amounts in thousands):

| Ending | Cost | Contribution | Obligation |
|---|---|---|---|
| 9/30/15 | $ 7,998 | 62.50% | $ 36,620 |
| 9/30/14 | $ 8,366 | 59.31% | $ 33,633 |
| 9/30/13 | $ 8,723 | 65.31% | $ 30,229 |
| 9/30/12 | $ 12,133 | 46.66% | $ 27,203 |
| 9/30/11 | $ 8,379 | 56.14% | $ 20,731 |

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $101.3 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $101.3 million. The covered payroll (annual

payroll of active employees covered by the plan) was $138.2 million, and the ratio of the UAAL to the covered payroll was 73.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

| | |
|---|---|
| Valuation date | 7/1/2015 |
| Investment rate of return | 4.5% per annum, net of expenses |
| Actuarial cost method | Projected Unit Credit |
| amortization method | Level dollar, open |
| Remaining amortization period | 30 years |
| Healthcare Cost trend rate - medical | 7.25% initial (2015) |
| | 4.5% ultimate (2030) |
| Inflation rate | 4.00% |

**Supplemental Death Benefits Plan**

*Plan Description.* The City of Arlington contributes to the Supplemental Death Benefit Fund (SDBF), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by TMRS. This is a separate trust administered by the TMRS Board of Trustees. SDBF provides a death benefit of $7,500 for retirees. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for SDBF. That report may be obtained from the TMRS website at www.TMRS.com.

*Funding Policy.* Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .15 percent of covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the mortality and service experience of all employees covered by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. Contributions are made monthly based on covered payroll of employee members of the City. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net position available for OPEB. The City's contributions to SDBF for the years ended September 30, 2015, 2014, and 2013, were $230,122, $181,872, and $207,493, respectively, which equaled the required contributions each year.

**8. DEBT AND LIABILITIES**

General Obligation Bonds

On May 15, 2015, the City issued Permanent Improvement Bonds, Series 2015A of $32,005,000 with an interest rate of 2.00 to 5.0 percent and serial maturities on August 15 from 2016 through 2035. Interest on the bonds is due every February and August 15, beginning August 15, 2015. The bonds were issued for designing, developing, constructing, improving, extending and expanding streets, thoroughfares, sidewalks, bridges and other public ways

of the City, including street lighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith; acquiring, developing, renovating, and improving parks and open spaces for park and recreation purposes in and for the City; designing, constructing, reconstructing, improving, renovating, expanding, equipping and furnishing firefighting facilities, including fire station facilities and administrative facilities; designing, constructing, improving, renovating, expanding, equipping, and furnishing libraries and related facilities, including the acquisition of land therefor; and paying the costs of issuing the 2015A Bonds. Total interest requirements for the Series 2015A bonds at a rate from 2.00 to 5.00 percent is $12,148,883 in the aggregate.

In May 2015, the City issued $36,845,000 in Permanent Improvement Refunding Bonds, Series 2015B for the purpose of refunding a portion of the City's outstanding debt, and paying the cost of issuing the 2015B bonds. The Series B bonds mature on August 15 over a period from 2017 to 2027. Interest is payable February 15 and August 15 of each year commencing August 15, 2015. Total interest requirements for the Series B bonds at a rate from 2.50 to 5.00 is $6,795,894 in the aggregate. The refunding was undertaken to achieve a present value savings on debt service payments of 3,317,279.

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

| Purpose | Interest Rates | Amount |
|---|---|---|
| Governmental activities | 2.00-5.50% | $ 116,775 |
| Governmental activities - refunding | 1.0-5.000% | 139,290 |
| Total Governmental | | $ 256,065 |

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

| Year Ending September 30 | Governmental Activities, General Obligation | |
|---|---|---|
| | Principal | Interest |
| 2016 | $ 26,245 | $ 9,564 |
| 2017 | 26,110 | 8,528 |
| 2018 | 23,085 | 7,720 |
| 2019 | 21,670 | 6,825 |
| 2020 | 18,785 | 5,987 |
| 2021-2025 | 72,445 | 20,240 |
| 2026-2030 | 49,880 | 8,199 |
| 2031-2035 | 17,845 | 1,551 |
| | $ 256,065 | $ 68,614 |

General obligation debt authorized and unissued as of September 30, 2015, amounted to $261,249,000.

Certificates of Obligation

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

| Year Ending September 30 | Governmental Activities, Certificates of Obligation | |
|---|---|---|
| | Principal | Interest |
| 2016 | $ 5,740 | $ 2,896 |
| 2017 | 4,105 | 2,695 |
| 2018 | 3,065 | 2,522 |
| 2019 | 3,130 | 2,371 |
| 2020 | 3,180 | 2,232 |
| 2021-2025 | 16,955 | 8,796 |
| 2026-2030 | 18,415 | 4,968 |
| 2031-2035 | 12,935 | 1,238 |
| | $ 67,525 | $ 27,718 |

Special Obligation Bonds

In 2005, the City issued $297,990,000 Dallas Cowboys Complex Special Obligations to fund the City's share of the project costs for the Complex, including $164,265,000 Dallas Cowboys complex Special Obligation Tax-Exempt Special Tax bonds, Series 2005B (the "Multi-Modal Bonds"). In 2008-2009, the City issued $112,185,000, Series 2008, and $62,820,000, Series 2009, in Special Tax Revenue Bonds, refunding a total of $164,265,000 of the 2005B issue principal.

The debt service requirements of the above special obligation debt are as follows (amounts in thousands):

| Year Ending September 30 | Governmental Activities, Special Revenue | |
|---|---|---|
| | Principal | Interest |
| 2016 | $ 1,975 | $ 9,491 |
| 2017 | 3,110 | 9,393 |
| 2018 | 13,235 | 9,237 |
| 2019 | 13,815 | 8,618 |
| 2020 | 14,455 | 7,971 |
| 2021-2025 | 85,430 | 27,771 |
| 2026-2030 | 51,495 | 4,886 |
| | $ 183,515 | $ 77,367 |

The City has pledged revenues consisting of one-half cent sales tax, two percent hotel occupancy tax, five percent car rental tax, stadium base rental revenue of $2 million per year and five percent of any naming rights up to a maximum of $500,000 annually to repay the Dallas Cowboys Stadium Bonds. Annual principal and interest payments are expected to require 100 percent of these revenues. Series 2005A are subject to mandatory sinking fund redemption to the extent that there are moneys on deposit available for such purpose. In 2015, the City redeemed $2,705,000 of the 2005A Term Bonds maturing August 15, 2031, $6,555,000 of the 2005A Term Bonds maturing August 15, 2016 and $5,460,000 of the 2005A Term Bonds maturing August 15, 2017. The 2005A bonds have now been completely redeemed. The total principal and interest remaining to be paid on the Dallas Cowboys Stadium Bonds is $260,882,000. Principal and interest payments and total pledged revenues for the year ended September 30, 2015 were $18,595,000 and $23,201,000, respectively, exclusive of the redemption.

Revenue Bonds

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

In fiscal year 2015, the City issued $235,000 related to the 2008 debt issue held by the Texas Water Development Board (TWDB) as part of the TWDB Clean and Drinking Water Programs. The City also drew down $128,347 related to previously issued 2014 TWDB Clean Water Debt. Funds from the 2014 debt are held in escrow until the City requests a drawdown of funds for a specific purpose. This brings the total outstanding TWDB balance to $38,185,000. These bonds will mature June 2016 to June 2034 at interest rates from 0.0 to 3.25 percent.

In May 2015, the City issued $18,240,000 in Water and Wastewater System Revenue Bonds, Series 2015A. Proceeds from the sale of these bonds will be used to provide funds to improve and extend the System and to pay cost of issuance associated with the Bonds. These bonds mature June 1 over a period from 2016 to 2035. Interest, at a rate of 2.00 to 5.00 percent, is $6,783,543 in the aggregate.

In May 2015 the City issued $11,910,000 in Water and Wastewater System Revenue Refunding Bonds, Series 2015B for the purpose to provide funds to refund certain outstanding obligations and to pay costs of issuance associated with the sale of the bonds. The bonds mature on June 1 over a period from 2018 to 2027. Interest is payable June 1 and December 1 of each year, commencing December 1, 2015. Total interest requirements for these bonds at a rate from 2.00 to 5.00 percent is $3,408,150 in the aggregate. The refunding was undertaken to achieve a present value savings on debt service payments of $596,170. The difference between the reacquisition price and the carrying amount of the debt resulted in a loss of $894,914 which has been recorded in the Proprietary Funds financial statements.

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

| | Business Activities | | | | | |
|---|---|---|---|---|---|---|
| | | | Water/Wastewater | | | |
| Year Ending | Water/Wastewater | | TWDB | | Storm Water Utility | |
| September 30 | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | $ 9,100 | $ 3,541 | $ 2,770 | $ 811 | $ 1,280 | $ 874 |
| 2017 | 8,455 | 3,273 | 2,770 | 781 | 1,280 | 822 |
| 2018 | 8,430 | 2,970 | 2,770 | 737 | 1,280 | 771 |
| 2019 | 8,000 | 2,666 | 2,770 | 690 | 1,280 | 720 |
| 2020 | 8,045 | 2,378 | 2,770 | 639 | 1,280 | 656 |
| 2021-2025 | 29,125 | 8,021 | 13,825 | 2,296 | 6,400 | 2,473 |
| 2026-2030 | 19,030 | 3,654 | 9,830 | 623 | 6,400 | 1,098 |
| 2031-2035 | 10,205 | 929 | 680 | 33 | 1,280 | 58 |
| | $ 100,390 | $ 27,432 | $ 38,185 | $ 6,610 | $ 20,480 | $ 7,472 |

Net revenues of the City's water operations have been pledged for repayment of the City's revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for these bonds, which were all originally issued to provide funding for construction of the water and wastewater systems. The pledge continues for the life of the bonds. For the year ended September 30, 2015, net pledged revenues for the water enterprise fund were $44,235,000 and debt service on the revenue bonds was $12,681,000. The same pledge for repayment applies to the City's Storm Water Utility revenue of $9,192,000 for the bonds issued in fiscal year 2015.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2015 (amounts expressed in thousands):

| | 10/1/2014 | Increases | Reductions | 9/30/2015 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| General obligation debt | $ 244,975 | $ 68,849 | $ (57,760) | $ 256,064 | $ 26,245 |
| Certificates of obligation | 80,340 | - | (12,815) | 67,525 | 5,740 |
| Special tax revenue debt | 206,305 | - | (22,790) | 183,515 | 1,975 |
| Premium on general bonds | 7,222 | 4,467 | (2,320) | 9,369 | - |
| Premium on special bonds | 4,071 | - | (274) | 3,797 | - |
| Discount on special bonds | (2,549) | - | 286 | (2,263) | - |
| Net governmental bonds payable | 540,364 | 73,316 | (95,673) | 518,007 | 33,960 |
| Compensated absences | 27,513 | 2,089 | (1,374) | 28,228 | 1,445 |
| Claims | 8,479 | 5,065 | (4,499) | 9,045 | 4,309 |
| Landfill Closure | 7,208 | 495 | - | 7,703 | - |
| Net other post-employ benefit oblg. | 33,633 | 2,987 | - | 36,620 | - |
| Net pension liability* | 101,017 | - | (3,662) | 97,355 | - |
| Capital lease | - | 10,814 | (954) | 9,860 | 996 |
| Total governmental long-term liabilities | $ 718,214 | $ 94,766 | $ (106,162) | $ 706,818 | $ 40,710 |
| Business-type activities: | | | | | |
| Water and sewer bonds | $ 131,730 | $ 30,385 | $ (23,540) | $ 138,575 | $ 10,263 |
| Premium on water and sewer bonds | 1,576 | 1,790 | (530) | 2,836 | - |
| Storm water utility bonds | 21,760 | - | (1,280) | 20,480 | 1,280 |
| Premium on storm water utility bonds | 842 | - | (94) | 748 | - |
| Net water and sewer bonds payable | 155,908 | 32,175 | (25,444) | 162,639 | 11,543 |
| Compensated Absences | 2,001 | 196 | (139) | 2,058 | 152 |
| Net pension liability* | 7,522 | - | (273) | 7,249 | - |
| Total business-type long term liabilities | $ 165,431 | $ 32,371 | $ (25,856) | $ 171,946 | $ 11,695 |

*as restated

**9. PRIOR YEAR BOND REFUNDINGS**

In FY15 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, 2015, previously defeased debt still outstanding amounted to $27,865,000.

Following are the schedules of refunded obligations (amounts in thousands):

| Bonds | Original Maturity Date | Interest Rate | Amount Refunded |
|---|---|---|---|
| Water & Wastewater System Revenue Bonds, Series 2007 | 6/1/2018 | 4.250 | $ 1,200 |
| | 6/1/2019 | 4.250 | 1,200 |
| | 6/1/2020 | 4.250 | 1,200 |
| | 6/1/2021 | 4.375 | 1,200 |
| | 6/1/2022 | 4.500 | 1,200 |
| | 6/1/2023 | 4.500 | 1,200 |
| | 6/1/2024 | 4.500 | 1,200 |
| | 6/1/2025 | 4.500 | 1,200 |
| | 6/1/2026 | 4.500 | 1,200 |
| | 6/1/2027 | 4.500 | 1,200 |
| | | | $12,000 |
| | Total Refunded Obligations | | $12,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2006 | 8/15/2017 | 4.200 | $ 410 |
| | 8/15/2018 | 4.300 | 410 |
| | 8/15/2019 | 4.375 | 410 |
| | 8/15/2020 | 4.375 | 410 |
| | 8/15/2021 | 4.500 | 410 |
| | 8/15/2022 | 4.500 | 410 |
| | 8/15/2023 | 4.625 | 410 |
| | 8/15/2024 | 4.625 | 410 |
| | 8/15/2025 | 4.625 | 410 |
| | 8/15/2026 | 4.625 | 410 |
| | | | $ 4,100 |
| Permanent Improvement Bonds, Series 2007 | 8/15/2018 | 4.000 | $ 905 |
| | 8/15/2019 | 4.125 | 905 |
| | 8/15/2120 | 4.125 | 905 |
| | 8/15/2021 | 4.250 | 905 |
| | 8/15/2022 | 4.250 | 905 |
| | 8/15/2023 | 4.375 | 905 |
| | 8/15/2024 | 4.375 | 905 |
| | 8/15/2025 | 4.500 | 905 |
| | 8/15/2026 | 4.500 | 905 |
| | 8/15/2027 | 4.500 | 890 |
| | | | $ 9,035 |
| Combination Tax and Revenue Certificates of Obligation Series 2007 | 8/15/2018 | 4.000 | $ 275 |
| | 8/15/2019 | 4.000 | 275 |
| | 8/15/2020 | 4.100 | 275 |
| | 8/15/2021 | 4.200 | 275 |
| | 8/15/2022 | 4.250 | 275 |
| | 8/15/2023 | 4.300 | 275 |
| | 8/15/2024 | 4.375 | 275 |
| | 8/15/2025 | 4.400 | 275 |
| | 8/15/2026 | 4.500 | 275 |
| | 8/15/2027 | 4.500 | 255 |
| | | | $ 2,730 |
| | Total Refunded Obligations | | $27,865 |

## 10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2015, is as follows (amounts in thousands):

| Fund | Interfund Receivables | Interfund Payables |
|---|---|---|
| General Fund | $4,537 | $ - |
| Nonmajor Funds | - | 4,537 |
| | $4,537 | $4,537 |

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2016.
Transfers between funds during the year were as follows (amounts in thousands):

| | Transfers Out | Transfers In |
|---|---|---|
| Major Governmental Funds: | | |
| General Fund | $ 10,590 | $ 19,639 |
| Debt Service Fund | - | 5,171 |
| Total Major Governmental Funds | 10,590 | 24,810 |
| Major Enterprise Fund-Water and Sewer | 14,732 | - |
| Major Enterprise Fund-Storm Water Utility | 1,803 | - |
| Other Funds: | | |
| Nonmajor Governmental Funds | 17,860 | 18,431 |
| Internal Service Funds | - | 1,744 |
| Total All Funds | $44,985 | $44,985 |

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred $4,509,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred $10,205,000 to Street Maintenance Fund, Special Transportation (Handitran), Parks Performance Fund, Arlington Property Finance Authority to cover budgeted operating expenses.

The Enterprise Funds transferred $9,701,000 to cover their budgeted operating costs.

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

The Debt Service Fund received transfers of $1,430,000 from the Convention and Event Services and Water and Sewer Funds to cover debt service repayments.

## 11. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE 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 reports a portion of the closure and post-closure care costs as a liability on the Statement of Net position in each period based on landfill capacity used as of each balance sheet date. This liability is offset by an asset recorded for a trust account established for the purpose of paying the closure and post-closure costs as more fully described below. In 2014 the City received a permit for vertical expansion and to open an additional 80 acres, which increased the capacity and the life of the landfill. The $7,703,000 reported as a landfill closure and post-closure accrued liability at September 30, 2015, represents the cumulative amount reported to date based on the use of approximately 35 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $4,116,000 as the remaining capacity is filled. These amounts

are based on what it would cost to perform all closure and post-closure care in 2015. The City expects to close the landfill in 2065. Actual costs may change due to inflation, changes in technology, or changes in regulations.

On March 18, 2005, the City entered into a contract with Republic Waste Services of Texas, Ltd. (Republic) for a 20 year renewable operating lease of the landfill. The City received an initial payment of $15 million; the remaining balance of deferred revenue of $4,344,000 will be amortized over the life of the lease. Republic is responsible for the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements and at September 30, 2015, investments are held for these purposes.

## 12. COMMITMENTS AND CONTINGENCIES

Trinity River Authority

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

Grant Audits

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

Construction Commitments

The City has various active construction projects as of September 30, 2015. The projects include construction in streets, parks, traffic, and water and sewer facilities. At year-end the City's significant commitments with contractors are as follows (amounts in thousands):

| Project | Spent-to-Date | Remaining Commitment |
|---|---|---|
| Street Construction | $ 60,483 | $ 24,926 |
| Park Construction | 11,807 | 1,332 |
| Traffic Construction | 7,109 | 311 |
| Storm Water Utility Construction | 22,136 | 7,104 |
| Water and Sewer Construction | 99,803 | 20,423 |
| | $ 201,338 | $ 54,096 |

The street, police 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, 2015, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at $250,000.

The City is currently involved in an employment lawsuit in which the plaintiff alleges that the City's termination of an Arlington police officer was a violation of the City's personnel policies. The plaintiff elected to appeal his termination to an arbitrator. The arbitrator ruled that the officer be reinstated with back pay. The City appealed the arbitrator's decision. The Court ordered the City to reinstate the officer provided he passes certain requirements, which he has done. In June 2014, the court ruled to award the officer $164,471 in back pay, but the City has appealed the ruling. In August 2015, the Fort Worth Court of Appeals issued an opinion requiring the trial court to set aside the judgment in accordance with the Court of Appeals' decision. Thus, the case is returning to the trial court for further proceedings. It is uncertain whether "set aside" requires the trial judge to uphold the termination or order another arbitration. Liability with regard to the

officer's back wages is probable. To the extent owed, back pay continues to accrue and a $277,000 accrual has been recorded at September 30, 2015.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA 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.

Arlington Property Finance Authority (APFA)

The APFA 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.

Annual transfers from the General Fund and the Water Fund based on actuarial projections of Ultimate Losses, are made to support the program. Under the Program Ordinance, the annual surplus on deposit in the APFA Fund may be withdrawn upon order of the City's APFA Claims Board and used for any lawful purpose. The payments out of the APFA Fund for all purposes cannot exceed $1,000,000 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 APFA claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of $500,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. No settlements have utilized this commercial insurance coverage for the past three years. 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 2015 and 2014 were as follows (amounts in thousands):

| | Workers Compensation | | Health | | APFA | | Other | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Unpaid claims, Oct 1 | $ 3,953 | $ 4,792 | $ 2,135 | $ 1,481 | $ 2,201 | $ 1,917 | $ - | $ - |
| Incurred Claims (including IBNRs and changes in estimates) | 2,599 | 411 | 24,489 | 24,452 | 950 | 1,666 | 277 | 190 |
| Claim payments | (2,088) | (1,250) | (24,670) | (23,798) | (801) | (1,382) | - | - |
| Unpaid claims, Sept 30 | $ 4,464 | $ 3,953 | $ 1,954 | $ 2,135 | $ 2,350 | $ 2,201 | $ 277 | $ 190 |

## 14. LEASES

As Lessee

As lessee, the City is committed under a lease for fire radio equipment. This lease is considered for accounting purposes to be a capital lease. The liability for future capital lease payments totals approximately $9,860,000 and is reported as capital lease obligations current liabilities (approximately $996,000) and capital lease obligations non-current liabilities (approximately $8,864,000) in the General Fund.

Future minimum lease payments for capital lease including interest and principal are as follows (amounts in thousands):

| Year Ending September 30 | |
|---|---|
| 2016 | $ 1,228 |
| 2017 | 1,228 |
| 2018 | 1,228 |
| 2019 | 1,228 |
| 2020 | 1,228 |
| 2021-2024 | 4,912 |
| | 11,052 |
| Less Interest | 1,192 |
| Minimum future lease rentals | $9,860 |

The City's investment in equipment under the capital lease arrangement as of September 30, 2015 is $10,814,000.

As Lessor

Effective October 1, 1983, the City entered into a contract to lease a tract of land for the purpose of constructing and developing a hotel. The term of the lease is for an initial period of fifty years with renewal options for two additional terms of fifteen years each. The rental payments are based upon a percentage (ranging from 1.0 percent - 1.75 percent) of gross revenues (as defined in the agreement) through December 31, 2006. After December 31, 2006, the lessee shall pay the total annual rent of $250,000. For each year thereafter the lessee shall pay an annual rent amount equal to the previous year's rent plus an increase not to exceed the effective percentage change in the Consumer Price Index (Specifically CPI-U for Dallas-Fort Worth region) for the previous 12 month period. Total rental payments received in 2015 were approximately $286,400.

## 15. SETTLEMENT AGREEMENT

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

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

| Year | Amount |
|---|---|
| 2015 | $ 1,000,000 |
| 2016 | 1,000,000 |
| 2017 | 1,000,000 |
| 2018 | 1,000,000 |
| 2019 | 1,000,000 |
| 2020 to 2024 | 5,000,000 |
| | 10,000,000 |
| Less Discount | 2,286,000 |
| | $7,714,000. |

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

**16. CAPITAL LEASE**

A lease agreement was executed on June 23, 1992 between the Texas Rangers, Ltd. (the Rangers) and the City for the Ballpark Complex Development (the Facility). The lease is a triple net lease to the Rangers, with the Rangers retaining all concession and signage rights. The Rangers agreed to pay a base rent of $2,000,000 per year for the 30-year term of the lease. At the end of the lease, the Rangers have the option to purchase the Facility, excluding the linear park, at a cost of $60,000,000, with full credit given for all base and additional rents paid, as well as up to $1,500,000 annual credit for maintenance costs paid on the Facility by the Rangers. If the purchase option is exercised, the Rangers are committed to play baseball in the City for ten additional years.

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

Minimum future rentals are as follows:

| September 30 | |
|---|---|
| 2016 | $ 2,000,000 |
| 2017 | 2,000,000 |
| 2018 | 2,000,000 |
| 2019 | 2,000,000 |
| 2020 | 2,000,000 |
| 2021-2024 | 7,055,556 |
| | 17,055,556 |
| Less Discount | 4,688,694 |
| Minimum future lease rentals | $12,366,862 |

**17. CONDENSED COMPONENT UNIT INFORMATION**

The City includes seven discretely presented component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2015, 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 | $105,996 | $3,997 | $1,342 | $ 111,335 |
| Capital assets | - | 271 | 177 | 448 |
| Total assets | 105,996 | 4,268 | 1,519 | 111,783 |
| Other liabilities | 1,254 | 619 | 501 | 2,374 |
| Total liabilities | 1,254 | 619 | 501 | 2,374 |
| Net position: | | | | |
| Net investment in capital assets | - | 271 | 177 | 448 |
| Restricted | 104,742 | 7 | - | 104,749 |
| Unrestricted | - | 3,371 | 841 | 4,212 |
| Total net position | $104,742 | $3,649 | $1,018 | $109,409 |

Condensed Schedule of Activities

| | Arlington Tomorrow Foundation | Housing Authority | Other Discretely Presented Component Units | Total Discretely Presented Component Units |
|---|---|---|---|---|
| Expenses | $7,290 | $26,906 | $9,932 | $44,128 |
| Program Revenues: | | | | |
| Charges for services | - | - | 5,354 | 5,354 |
| Operating grants and contributions | - | 26,820 | 4 | 26,824 |
| Capital grants and Contributions | - | - | 4,565 | 4,565 |
| Net Program (Expense) Revenue | (7,290) | (86) | (9) | (7,385) |
| Interest Revenues | 2,602 | 6 | 2 | 2,610 |
| Other NonTax General Revenues | (4,707) | 182 | - | (4,525) |
| Change in Net position | (9,395) | 102 | (7) | (9,300) |
| Net position, October 1, | 114,137 | 3,547 | 1,025 | 118,709 |
| Net position, September 30 | $104,742 | $ 3,649 | $ 1,018 | $109,409 |

**APPENDIX C**

# FORM OF OPINION OF BOND COUNSEL

[Form of Bond Counsel Opinion]

[Date]

$_____
CITY OF ARLINGTON, TEXAS
WATER AND WASTEWATER SYSTEM
REVENUE BONDS
SERIES 2016A

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, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2016A, dated June 1, 2016, 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 "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 exclusion 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.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer and customary certificates of officers, agents and representatives of the Issuer, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have examined executed Bond No. 1 of this issue. We have also examined such applicable provisions of the Internal Revenue Code of

1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance adopted by the Issuer with respect to the issuance of the Bonds.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Issuer; and

(B) The Bonds are payable from and secured by a lien on and pledge of the Net Revenues of the City's water and wastewater system, as defined and described in the Ordinance.

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.

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and

(2) The Bonds are not "private activity bonds" within the meaning of the Code and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's Financial Advisor and the Purchaser with respect to matters solely within the knowledge of the Issuer, the Issuer's Financial Advisor and the Purchaser, respectively, which we have not independently verified and have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal

income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem 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 Issuer as the taxpayer. We observe that the Issuer has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**Financial Advisory Services**
**Provided By**

ESTRADA • HINOJOSA
INVESTMENT BANKERS

# Staff Report

| Annual Requirements Contract for Trenchless Water Main Improvements, Bid Project 16-0124 | |
|---|---|
| City Council Meeting Date: 6-7-16 | Action Being Considered: Minute Order |

**RECOMMENDATION**

Authorize the City Manager or his designee to approve an annual requirements contract for trenchless water main improvements with Murphy Pipeline Contractors, Inc., of Jacksonville, Florida through an interlocal cooperative purchasing agreement with the Allied States Cooperative in the estimated amount of $2,900,000.

**PRIOR BOARD OR COUNCIL ACTION**

On April 28, 2015, City Council adopted Resolution 15-081 authorizing the execution of an interlocal agreement with Allied States Cooperative relative to procurement of goods and services from vendors under current and future contracts.

On May 24, 2016, City Council tabled a minute order for the annual requirements contract for trenchless water main improvements with Murphy Pipeline Contractors, Inc., of Jacksonville, Florida through an interlocal cooperative purchasing agreement with the Allied States Cooperative in the estimated amount of $2,900,000.

**ANALYSIS**

This contract is for trenchless water main improvements to install approximately 25,981 linear feet of 8-inch water main by method of pre-chlorinated pipe bursting. The water mains identified for renewal are included in projects approved in the 2016 Water Utilities capital budget.

This construction method involves pipebursting the existing 6-inch water main while pulling a new and larger 8-inch main through the existing pipe. The process is trenchless and requires limited excavation which minimizes construction time and disruption to customers. These improvements will replace aging infrastructure with a history of water main breaks. Replacement of the infrastructure will reduce maintenance costs and improve service, as well as reduce potential water loss with the use of joint-less pipe.

Contract Term: June 1, 2016 – May 31, 2017

**FINANCIAL IMPACT**

Utilizing the agreement with Murphy Pipeline Contractors, Inc., through the interlocal agreement with Allied States Cooperative was determined to be the most cost-effective method for obtaining the services in the estimated amount of $2,900,000. The projected financial impact for this contract term is as follows:

| FY 2016 | FY 2017 | FY 2018 |
|---|---|---|
| $2,900,000 | $0 | $0 |

Funds are budgeted in Water Bond Fund 658502-18141205-68252.

**ADDITIONAL INFORMATION**

| | |
|---|---|
| Attached: | Location Maps |
| Under separate cover: | None |
| Available in the Purchasing Division: | Bid file |
| Notarized Form 1295: | Yes |
| MWBE: | No |

**STAFF CONTACT(S)**


| | | |
|---|---|---|
| Walter J. Pishkur | Janice Hughes, CPPB | Mike Finley |
| Director of Water Utilities | Sr. Purchasing Agent | Director of Finance |
| 817-459-6603 | 817-459-6304 | 817-459-6345 |
| Buzz.Pishkur@arlingtontx.gov | Janice.Hughes@arlingtontx.gov | Mike.Finley@arlingtontx.gov |

# 2016 Trenchless Water Main Renewals
## Location Map 1 of 5
## Project No. WUOP16014

"This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries."



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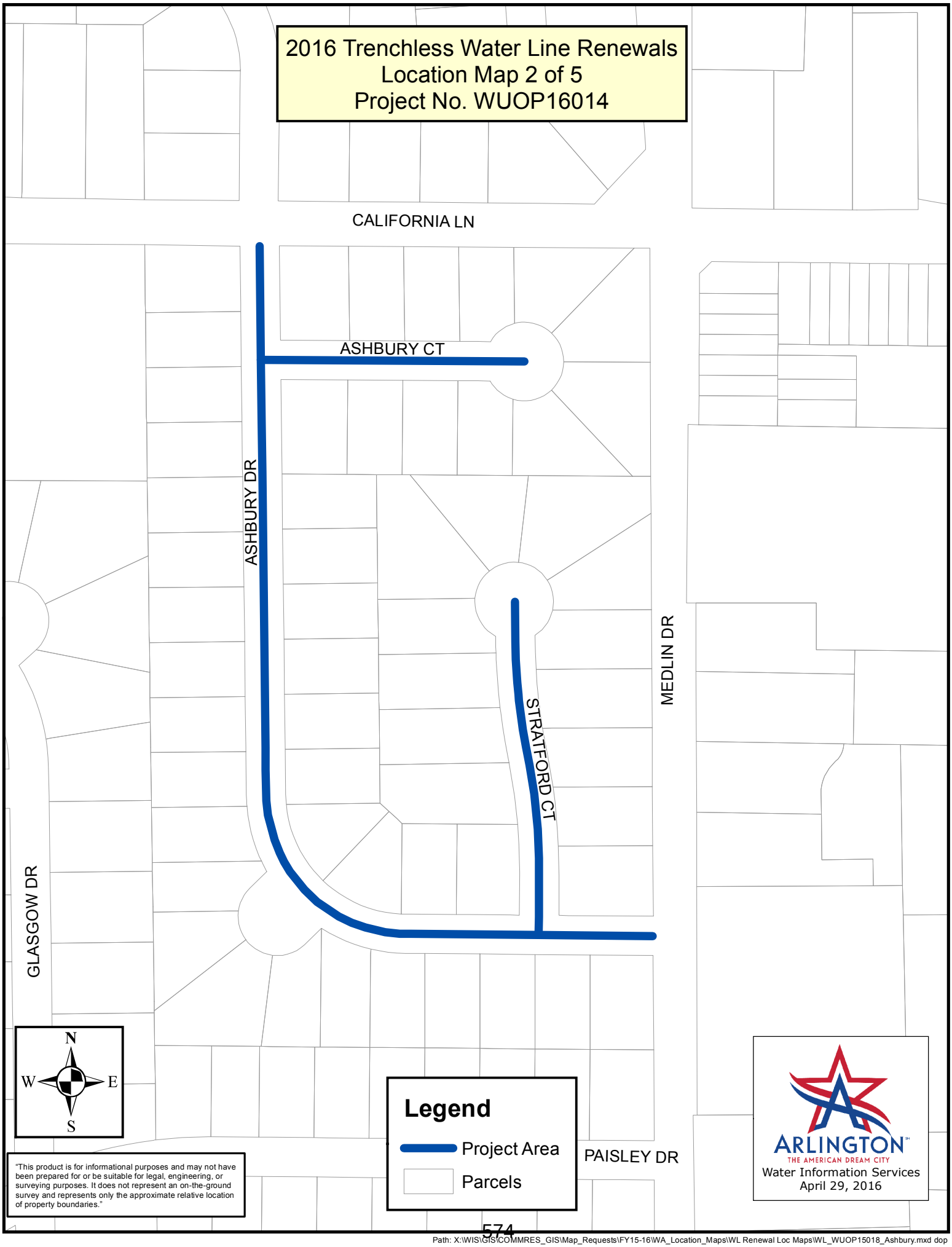
# 2016 Trenchless Water Line Renewals
## Location Map 2 of 5
## Project No. WUOP16014




"This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries."



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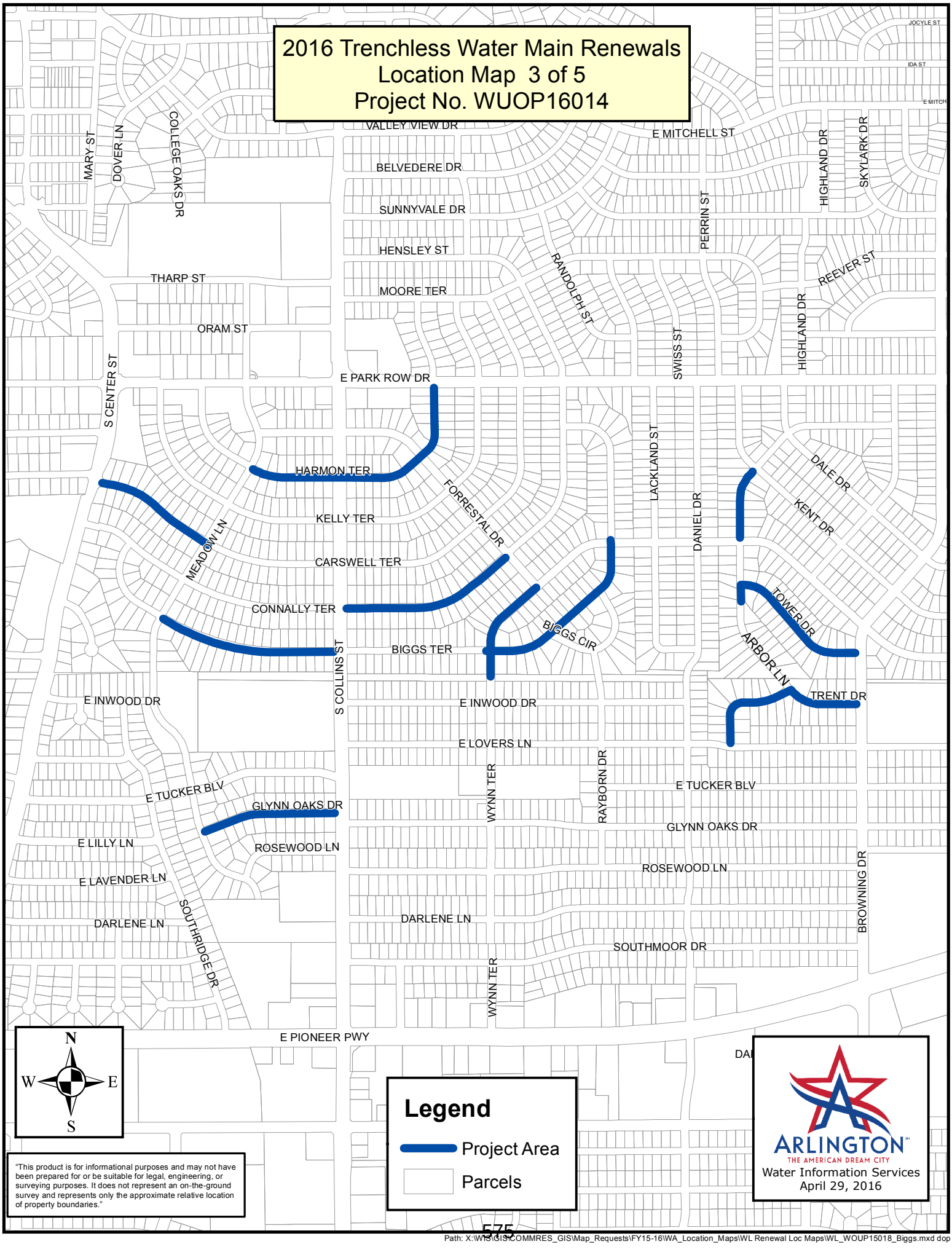
# 2016 Trenchless Water Main Renewals
## Location Map 3 of 5
## Project No. WUOP16014




"This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries."



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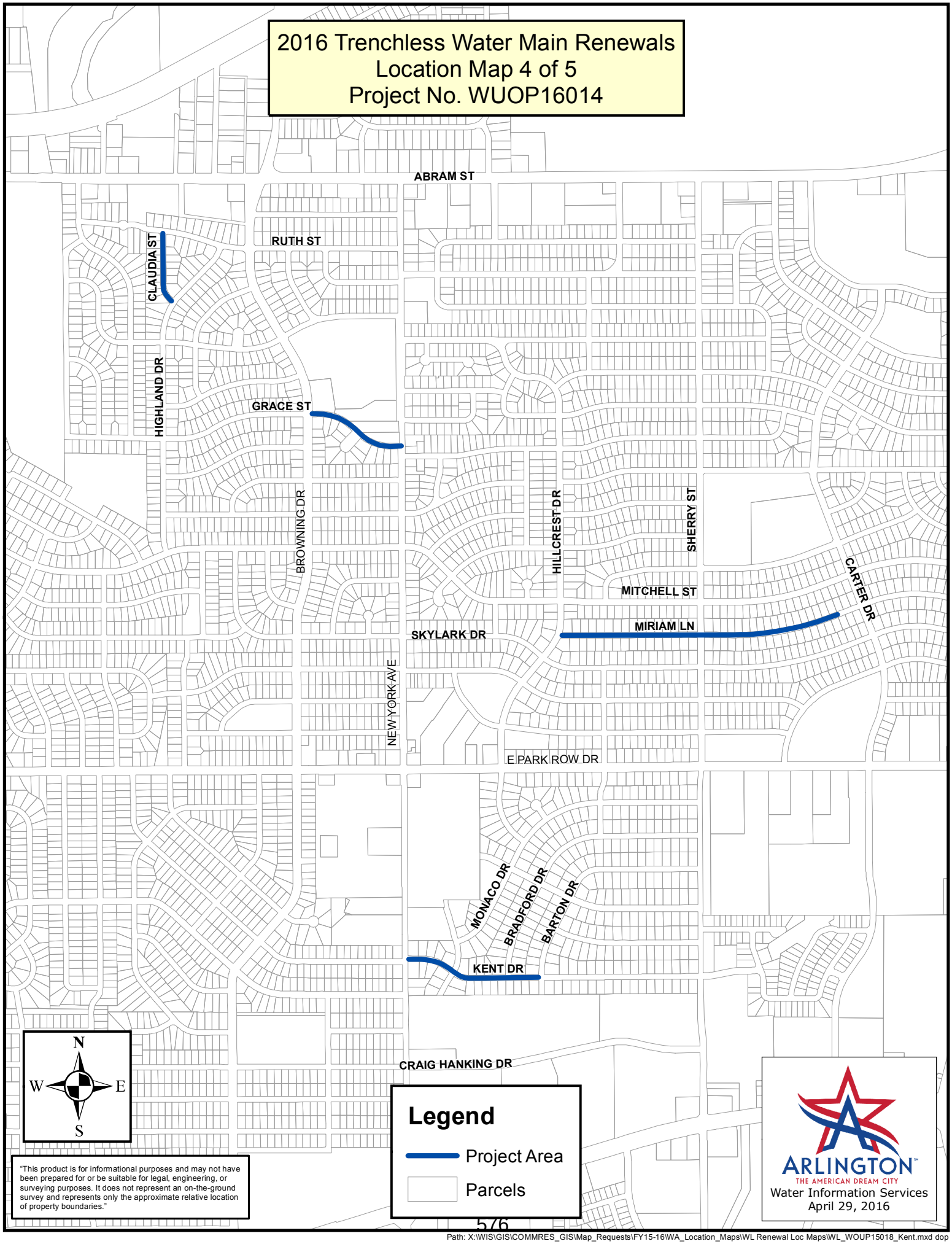
# 2016 Trenchless Water Main Renewals
## Location Map 4 of 5
## Project No. WUOP16014




"This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries."



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# 2016 Trenchless Water Line Renewals
## Location Map 5 of 5
## Project No. WUOP16014

"This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries."

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