

**PRELIMINARY OFFICIAL STATEMENT**  
**September 17, 2025**

**Ratings:**  
**Moody's:** "Aa1"  
**S&P:** "AA"  
(See "OTHER INFORMATION -  
Ratings" herein)

**NEW ISSUE - Book-Entry-Only**

Interest on the Bonds for federal income tax purposes will NOT be excluded from the gross income of the owners thereof. See "TAX MATTERS" herein.

**\$70,860,000\***  
**ARLINGTON ECONOMIC DEVELOPMENT CORPORATION**  
(Tarrant County, Texas)

**SALES TAX REVENUE BONDS,**  
**TAXABLE SERIES 2025**

**Dated Date: September 15, 2025**

**Due: August 15, as shown on page ii**

**Interest Accrues: Delivery Date**

**PAYMENT TERMS . . .** Interest on the \$70,860,000\* Arlington Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2025 (the "Bonds") will accrue from their date of initial delivery to the Initial Purchaser (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE; SECURITY AND SOURCE OF PAYMENT . . .** The Bonds are being issued pursuant to the Constitution and the laws of the State of Texas, specifically Chapters 501 and 505 of the Texas Local Government Code, as amended (together, the "Corporation Act"), Chapter 22 of the Texas Business Organization Code, as amended (the "Texas Non-Profit Corporation Act" and together with the Corporation Act, the "Act") and the resolution (the "Bond Resolution") adopted on September 8, 2025 by the Board of Directors of the Arlington Economic Development Corporation (the "Corporation"), a nonprofit corporation created to act on behalf of the City of Arlington, Texas (the "City"). The City approved the Bond Resolution at a City Council meeting on September 16, 2025. In the Bond Resolution, the Corporation delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to herein as the "Resolution"). (See "THE BONDS - Authority for Issuance" herein.) The Bonds are special obligations of the Corporation and are payable from and secured by a lien on and pledge of the Pledged Revenues (as defined herein), which include the receipts from a one-quarter (¼%) of one percent (1%) sales and use tax collected within the boundaries of the City for the benefit of the Corporation.

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE, THE CITY, TARRANT COUNTY (THE "COUNTY") OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, THE COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. (See "SECURITY FOR THE BONDS" and "INVESTMENT CONSIDERATIONS" herein.)

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used to (i) construct a manufacturing and headquarters facility for the creation or retention of primary jobs and found by the Corporation to be required or suitable for the development, retention, or expansion of manufacturing and industrial facilities and regional or national corporate headquarters facilities, (ii) purchase a reserve fund surety policy, and (iii) pay the costs associated with the issuance of the Bonds. (See "PLAN OF FINANCE".)

\_\_\_\_\_  
**CUSIP PREFIX: \_\_\_\_\_**  
**MATURITY SCHEDULE, REDEMPTION PROVISIONS & 9 DIGIT CUSIP**  
**See Schedule on Page ii**  
\_\_\_\_\_

**LEGALITY . . .** The Bonds are offered for delivery when, as and if issued and received by the initial purchaser of the Bonds (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Dallas, Texas, Bond Counsel (see "APPENDIX D - FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon by West & Associates, L.L.P., Fort Worth, Texas, Disclosure Counsel.

**DELIVERY . . .** It is expected that the Bonds will be available for delivery through DTC on October 21, 2025.

**BIDS DUE TUESDAY, SEPTEMBER 30, 2025 AT 10:00 AM CDT**

\* Preliminary, subject to change.

**MATURITY SCHEDULE\***CUSIP <sup>(1)</sup> Prefix: \_\_\_\_\_

**\$70,860,000\***  
**ARLINGTON ECONOMIC DEVELOPMENT CORPORATION**  
**(Tarrant County, Texas)**  
**Sales Tax Revenue Bonds,**  
**Taxable Series 2025**

(August 15) Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
2026	\$ 1,830,000			
2027	1,090,000			
2028	1,135,000			
2029	1,185,000			
2030	1,235,000			
2031	1,290,000			
2032	1,350,000			
2033	1,415,000			
2034	1,485,000			
2035	1,560,000			
2036	1,635,000			
2037	1,715,000			
2038	1,805,000			
2039	1,895,000			
2040	1,995,000			
2041	2,095,000			
2042	2,220,000			
2043	2,345,000			
2044	2,485,000			
2045	2,630,000			
2046	2,780,000			
2047	2,945,000			
2048	3,115,000			
2049	3,300,000			
2050	3,495,000			
2051	3,700,000			
2052	3,920,000			
2053	4,150,000			
2054	4,400,000			
2055	4,660,000			

**(Interest to Accrue from the Delivery Date)**

**OPTIONAL REDEMPTION** . . . The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption of the Bonds”).

**MANDATORY REDEMPTION** . . . If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the “Term Bonds”) by the Initial Purchaser, such Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance (as defined herein) and will be described in the final Official Statement (see “THE BONDS – Mandatory Sinking Fund Redemption”).

<sup>(1)</sup> CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Factset Research Systems Inc. on behalf of on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor the Initial Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

\* Preliminary, subject to change.

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

This Official Statement, which includes the cover page and the Appendices hereto, and the information contained herein are subject to completion and amendment. Under no circumstances will this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Bonds in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesperson or other person has been authorized by the Corporation to give any information, or to make any representations 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 Corporation or the Underwriters.

Certain information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor. 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 Corporation or other matters described herein since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Corporation’s undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Neither the Corporation, nor the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system, as such information has been provided by The Depository Trust Company.

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 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.

The cover page contains certain information for general reference only and is not intended as a summary of the offering. The agreements of the Corporation and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

*[The Remainder of this Page Left Blank Intentionally]*

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

## PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

<b>THE CITY</b> .....	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 99.7 square miles operates under a Council-Manager form of government
<b>THE CORPORATION</b> .....	The Arlington Economic Development Corporation (the “Corporation”) is a Texas non-profit corporation created and organized as an instrumentality for the City for the purpose of promoting and developing new expanded business enterprises in the City. It was created pursuant to Title 12, Subtitle C-1 of the Local Government Code, the Development Corporation Act (the “Act”). The Corporation is organized exclusively for the purposes authorized by the Act. The Corporation was created by the City on June 23, 2015 and the City Council of the City approves budgets and projects of the Corporation and appoints the members of the Board of Directors of the Corporation. See “THE CORPORATION”.
<b>THE BONDS</b> .....	The Bonds are being issued in the aggregate principal amount of \$70,860,000* pursuant to the Constitution and the laws of the State of Texas (the “State”) and the Resolution adopted by the Board of Directors of the Corporation. (See “THE BONDS - Authority for Issuance” herein.) THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE, THE CITY, TARRANT COUNTY (THE “COUNTY”) OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, THE COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. (See “SECURITY FOR THE BONDS” and “INVESTMENT CONSIDERATIONS” herein.)
<b>PAYMENT OF INTEREST</b> .....	Interest on the Bonds accrues from the Delivery Date and is payable February 15 and August 15 of each year, commencing February 15, 2026 until maturity or prior redemption (see “THE BONDS - Description of the Bonds” and “THE BONDS – Optional Redemption of the Bonds”).
<b>SECURITY FOR THE BONDS</b> .....	The Bonds are special obligations of the Corporation and are payable from and secured by a lien on and pledge of the Pledged Revenues (as defined herein), which include the receipts from a one-quarter percent (¼ %) sales and use tax (the “Sales Tax”) collected within the boundaries of the City for the benefit of the Corporation as provided in the Resolution. (See “SECURITY FOR THE BONDS” herein.)
<b>OPTIONAL REDEMPTION</b> .....	The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption of the Bonds”).
<b>MANDATORY REDEMPTION</b> .....	If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the “Term Bonds”) by the Initial Purchaser, such Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance (as defined herein) and will be described in the final Official Statement (see “THE BONDS – Mandatory Sinking Fund Redemption”).
<b>NO TAX EXEMPTION FOR THE BONDS</b> .....	Interest on the Bonds for federal income tax purposes will NOT be excluded from the gross income of the owners thereof (see “TAX MATTERS” herein).
<b>PLAN OF FINANCE</b> .....	Proceeds from the sale of the Bonds will be used to (i) construct a manufacturing and headquarters facility for the creation or retention of primary jobs and found by the Corporation to be required or suitable for the development, retention, or expansion of manufacturing and industrial facilities and regional or national corporate headquarters facilities, (ii) purchase a reserve fund surety policy, and (iii) pay the costs associated with the issuance of the Bonds. (See “PLAN OF FINANCE”).
<b>RATINGS</b> .....	The Bonds are rated “Aa1” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, (“S&P”) (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 and series. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

**PAYMENT RECORD**..... The Corporation has not previously issued sales tax supported revenue bonds.

**INFORMATION REGARDING THE SALES TAX**

Date of Election Authorizing the Sales Tax	May 2, 2020
Effective Date of Sales Tax	April 1, 2021
First Receipts of Sales Tax by Corporation	June 11, 2021
12 Months Sales Tax Collected <sup>(1)</sup>	\$ 24,194,708
Average Annual Debt Service Requirements <sup>(2)</sup>	4,935,355
Pro Forma Debt Service Coverage <sup>(2)</sup>	4.90X
Maximum Annual Debt Service Requirements <sup>(2)</sup>	4,937,754
Pro Forma Debt Service Coverage <sup>(2)</sup>	4.90X

<sup>(1)</sup> Receipts for the 12-month period ending July 2025 as reported by the Corporation. Receipts of sales tax revenues by the Corporation from the Comptroller occur approximately two months after collection.

<sup>(2)</sup> Includes the Bonds. Preliminary, subject to change. See “DEBT INFORMATION”.

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## CORPORATION & CITY ADMINISTRATION AND CONSULTANTS

### CORPORATION BOARD OF DIRECTORS

Name	Position	Years of Service	Term Expires	Occupation
Michael Jacobson	President	2.5	2025	CEO - Greater Arlington Chamber of Commerce
Mojoy Haddad	Vice President	2.5	2025	President - CHS Architects
John Whiteley	Treasurer	2.5	2025	Senior Vice President - Texas Health Resources
Gerald Alley	Board Member	2.5	2025	President - Con-Real LP
Robyn Barrere	Board Member	1	2025	Sales Executive - Old Republic Title
Jollyn Mwisongo	Board Member	2.5	2025	CEO - Acari Management Group
Paul Corson	Board Member	2	2025	Chief Innovation and Entrepreneurship Officer

### CITY COUNCIL

City Council	Years of Service	Term Expires	Occupation
Jim Ross Mayor	4	May, 2026	Attorney
Barbara Odom-Wesley Council Member	6	May, 2026	Healthcare Professional, Retired
Bowie Hogg Council Member	3	May, 2027	Human Resources Executive
Mauricio Galante Council Member	1	May, 2027	Entrepreneur
Raul Gonzalez Council Member	5	May, 2027	Administrator
Nikkie Hunter Council Member	4	May, 2026	Healthcare Administration
Andrew Piel Council Member	6	May, 2026	Attorney
Rebecca Boxall Council Member	4	May, 2026	Architect
Long Pham Council Member	3	May, 2027	Auto Insurance

### SELECTED CORPORATION ADMINISTRATIVE STAFF

Name	Position	Years of Service
Trey Yelverton	City Manager - City of Arlington	32
Marty Wielder	Executive Director - Arlington EDC	1.5
Jonathan Moss	Senior Attorney - City of Arlington	6

## CITY APPOINTED OFFICIALS

Name	Position	Years of Employment with City
Trey Yelverton	City Manager	32
Lemuel Randolph	Deputy City Manager	11
Jennifer Wichmann	Deputy City Manager	21
April Nixon	Director of Finance, CFO	22
Molly Shortall	City Attorney	18
Alex Busken	City Secretary	7

## CONSULTANTS AND ADVISORS

Independent Auditors .....FORVIS LLP  
Dallas, Texas

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

Financial Advisor .....Estrada Hinojosa  
Dallas, Texas

.....RSI Group LLC  
Fort Worth, Texas

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

For additional information regarding the Corporation, please contact:

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**PRELIMINARY OFFICIAL STATEMENT**  
**RELATING TO**  
**ARLINGTON ECONOMIC DEVELOPMENT CORPORATION**  
**(Tarrant County)**

**\$70,860,000\***  
**SALES TAX REVENUE BONDS,**  
**TAXABLE SERIES 2025**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$70,860,000\* Arlington Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2025 (the "Bonds").

All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Resolution. See "THE BONDS" and "APPENDIX B – SELECTED PROVISIONS OF THE RESOLUTION".

The creation of the Corporation was approved by the City Council of the City of Arlington, Texas (the "City") to act on behalf of the City to study and fund all permissible projects prescribed by the Act. A Certificate of Formation for the Corporation was filed with the Secretary of State of the State of Texas (the "State") on July 23, 2015. At an election held within the City on May 2, 2020 (the "Election"), the voters of the City approved a one quarter percent (¼ %) sales and use tax to be levied within the City (the "Sales Tax") which, pursuant to the Act, may be pledged to secure obligations of the Corporation. The imposition of the Sales Tax became effective on April 1, 2021, and the Corporation first received such sales tax receipts on about June 11, 2021. The Sales Tax, together with all other State and municipal sales and use taxes levied within the City, produces a total sales and use tax rate of 8 ¼ %, the maximum rate currently permitted by State law. See "THE SALES TAX".

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

All financial and other information presented in this Official Statement has been provided by the Corporation and the City from their 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 Corporation. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "Other Information - Forward-Looking Statements").

**PLAN OF FINANCE**

**PURPOSE . . . .** Proceeds from the sale of the Bonds will be used to (i) construct a manufacturing and headquarters facility for the creation or retention of primary jobs and found by the Corporation to be required or suitable for the development, retention, or expansion of manufacturing and industrial facilities and regional or national corporate headquarters facilities, (ii) purchase a reserve fund surety policy, and (iii) pay the costs associated with the issuance of the Bonds.

**USE OF PROCEEDS OF THE BONDS. . .** The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:	
Par Amount of the Bonds	
Total Sources of Funds	<u><u>\$ -</u></u>
Uses of Funds:	
Deposit to Project Fund	
Surety Policy	
Costs of Issuance	
Total Uses of Funds	<u><u>\$ -</u></u>

\* Preliminary, subject to change.

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## THE BONDS

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated as of September 15, 2025 (the “Dated Date”), and mature on August 15 in each of the years and in the amounts shown on page ii hereof. The Bonds are subject to redemption prior to maturity, as further described under the subcaption “Optional Redemption of the Bonds” below. Interest on the Bonds will accrue from the date of initial delivery to the Initial Purchaser, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2026. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and series and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS - Book-Entry-Only System” herein.

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued pursuant to the Constitution and the laws of the State of Texas, particularly the Act, specifically Chapters 501 and 505 of the Texas Local Government Code, the Texas Non-Profit Corporation Act, and the resolution (the “Bond Resolution”) adopted on September 8, 2025 by the Board of Directors of the Corporation. The City approved the Bond Resolution at a City Council meeting on September 16, 2025. In the Bond Resolution, the Corporation delegated pricing of the Bonds and certain other matters to a “Pricing Officer” who will approve a “Pricing Certificate” which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to herein as the “Resolution”).

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE, THE CITY, TARRANT COUNTY (THE “COUNTY”) OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, THE COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. (See “SECURITY FOR THE BONDS” and “INVESTMENT CONSIDERATIONS” herein.)

The City Council appoints the members of the Board of Directors of the Corporation and approves budgets and projects of the Corporation.

**OPTIONAL REDEMPTION OF THE BONDS . . .** The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Corporation may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**MANDATORY SINKING FUND REDEMPTION . . .** If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the “Term Bonds”) by the Initial Purchaser, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Resolution and will be described in the final Official Statement.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Bonds, the Corporation 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, 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. 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, PROVIDED THAT MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

The Corporation 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 Corporation retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the Corporation delivers a certificate of the Corporation to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption if such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Corporation 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.

**DEFEASANCE . . .** The Resolution provides that the Corporation may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current State law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Obligations to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the Corporation payable from revenues, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Corporation adopts or approves the proceedings authorizing the issuance of refunding obligations, 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 that, on the date the governing body of the Corporation adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent (collectively, the “Defeasance Securities”).

The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of 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 Resolution.

Under current Texas law, upon the making of a deposit as described above, such Bonds shall no longer be regarded to be 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 Corporation 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 Corporation: (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 Resolution does not contractually limit such investments, registered owners will 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 State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

**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 DTC 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 Corporation and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The Corporation and the Financial Advisor 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 securities 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, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated “AA+” by S&P Global Ratings. 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](http://www.dtcc.com).

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 Resolution. 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 Corporation 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).

Payments of redemption proceeds and principal and interest 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 Corporation or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Corporation or the 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Corporation or the 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 Corporation 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.

**Use of Certain Terms in Other Sections of this Official Statement.** In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as identified on the cover page and page iii of this Official Statement, notices that are to be given to registered owners under the Resolution 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 Corporation (as herein defined).

**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 Corporation, printed securities certificates will be issued to the holders of the Bonds, and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution, summarized under "THE BONDS - Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR.** . . The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Dallas, Texas. In the Resolution the Corporation retains the right to replace the Paying Agent/Registrar. The Corporation 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, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the Corporation 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.

In the event 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 (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owners at their stated maturity or prior redemption upon presentation at the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If a date for the payment of principal and/or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**TRANSFER, EXCHANGE AND REGISTRATION** . . . In the event the Book-Entry-Only System should be discontinued, printed Bonds will be delivered to the holders and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar of such printed Bonds and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the Corporation nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**RECORD DATE FOR INTEREST PAYMENT.** . . The record date ("Record Date") for the interest payable on the Bonds on any 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 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 Corporation. 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 Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**AMENDMENTS** . . . The Corporation may amend the Resolution without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Corporation may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Resolution; except that, without consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition or rescission may (1) 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 therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, 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 or Parity Obligations, as the case may be, required to be held for consent to any such amendment, addition, or rescission.

**DEFAULTS AND REMEDIES . . .** The Resolution provides that in the event the Corporation (i) fails to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; (ii) defaults in the performance or observance of any other covenant, agreement or obligation of the Corporation, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with the Resolution, and the continuation thereof for a period of 30 days after notice of such default is given by any Registered Owner to the Corporation; or (iii) an order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the Corporation any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the Corporation as applicable, of any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days.

Except for the remedy of mandamus to enforce the Corporation's covenants and obligations under the Resolution, the Resolution does not establish any other remedies with respect to events of default. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the Corporation to observe any covenant under the Resolution. Although a registered owner of Bonds could presumably obtain a judgment against the Corporation if a default occurred in the payment of the principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the Corporation other than the Pledged Revenues and Pledged Funds. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Corporation to observe or perform any of its obligations under the Resolution. 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. The Resolution does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the Corporation to perform in accordance with the terms of the Resolution, or upon any other condition. Furthermore, the Corporation is eligible to seek relief from its creditors under the U.S. Bankruptcy Code. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Furthermore, the Corporation 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 Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Corporation 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 Resolutions and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

## **SECURITY FOR THE BONDS**

**PLEDGE UNDER THE RESOLUTION . . .** In the Resolution, the Corporation covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of Parity Revenue Obligations (collectively the Bonds, and any Additional Parity Obligations), and the Pledged Funds, are irrevocably pledged to the payment and security of the Parity Revenue Obligations, including the establishment and maintenance of the special funds created and established in the resolutions authorizing Parity Revenue Obligations. Under the Resolution, the Pledged Revenues consist of (i) the Gross Sales Tax Revenues from time to time deposited or owing to the Gross Sales Tax Revenue Fund, and (ii) such other money, income, revenues or other property which the Corporation may expressly and specifically pledge to the payment of Parity Revenue Obligations. Under the Resolution, the Pledged Funds consists of (a) amounts on deposit in the Gross Sales Tax Revenue Fund, (b) amounts on deposit in the Debt Service Fund, (c) amounts on deposit in the Reserve Fund, together with any investments or earnings belonging to said funds, and (d) any additional revenues, other moneys or funds of the Corporation which heretofore have been or hereafter may be expressly and specifically pledged to the payment of the Parity Revenue Obligations. With respect to (c) above, a Reserve Fund shall be maintained separately for each series of Additional Parity Obligations and amounts in each Reserve Fund shall be pledged solely to the series of Additional Parity Obligations for which it was created and funded.

The Resolution defines "Gross Sales Tax Revenue" as all of the revenues due or owing to or collected or received by or on behalf of the Corporation, whether by the City or otherwise from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retentions by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

The Resolution defines "Sales Tax" as the 1/4 of one cent local sales and use tax authorized under the Act and heretofore authorized and levied by the City within its existing boundaries, and hereafter required to be levied and collected within any expanded areas included within the City pursuant to the Act, together with any increases in the rate thereof if provided and authorized by applicable law.

**THE GROSS SALES TAX REVENUE FUND . . .** Under the terms of the Act and an agreement approved by both the City Council of the City and the Board of Directors (the "Sales Tax Collection Agreement") that relates to the collection, handling and transfer of sales tax revenue due to the Corporation, the Pledged Revenues collected by the State Comptroller of Public Accounts and remitted periodically to the City for the benefit of the Corporation shall be deposited by the City as received to the credit of a fund or account of the Corporation to be known as the "Gross Sales Tax Revenue Fund." As explained below under "Flow of Funds," the Pledged Revenues held in the Gross Sales Tax Revenue Fund are first to be used to make payments to the Debt Service Fund in amounts equal to one hundred percent (100%) of the interest on and principal of the Parity Revenue Obligations then due and payable.

**GENERAL COVENANT REGARDING THE SALES TAX . . .** The Municipal Sales and Use Tax Act (Texas Tax Code, Chapter 321, as amended) provides that the Sales Tax does not apply to the sale of a taxable item unless the item is also taxable under the Texas Limited Sales, Excise and Use Tax Act. The Sales Tax is therefore subject to broadening and reduction in the base against which it is levied by action of the State Legislature without the consent of the City or the Corporation (see "THE SALES TAX"). In the Resolution, the Corporation covenants and agrees that, while any Parity Revenue Obligations are outstanding, it will take all legal means and actions permissible to cause the Sales Tax, at its current rate (1/4 of 1 %), to be levied and collected continuously throughout the boundaries of the City, as such boundaries may be changed from time to time, in the manner and to the maximum extent legally permitted; and to cause no reduction, abatement or exemption in the Sales Tax until all the Parity Revenue Obligations have been paid in full or until they are lawfully defeased in accordance with the Resolution. The Corporation also covenants and agrees that, if, subsequent to the issuance of the Bonds, the City is authorized by applicable law to impose and levy the Sales Tax on any items or transactions that are not subject to the Sales Tax on the date the Resolution was adopted, then the Corporation will use its best efforts to cause the City to take such action as may be required by applicable law to subject such items or transactions to the Sales Tax.

**FLOW OF FUNDS . . .** The Pledged Revenues received by the Corporation are to be deposited to the credit of the Gross Sales Tax Revenue Fund maintained at a depository for the Corporation's funds. Amounts deposited to the Gross Sales Tax Revenue Fund are to be pledged and appropriated to the following uses, in order of the priority shown:

**PRIORITY**

First: To the Debt Service Fund for the payment of Debt Service on the Parity Revenue Obligations.

Second: To the Reserve Fund to establish and maintain the Required Reserve pursuant the Resolution for the Bonds, or to any additional reserve funds established for the benefit of Additional Parity Obligations.

Third: To any other fund required by any resolution authorizing the issuance of Parity Revenue Obligations.

Fourth: To any other fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien created in any resolution authorizing the issuance of the Parity Revenue Obligations.

Fifth: To the Capital Improvement Fund to be used for paying costs of authorized Projects the payment of which are not otherwise provided from the proceeds of Parity Revenue Obligations, and for any other lawful purposes permitted under applicable law. The Capital Improvement Fund at all times shall be free of any lien or pledge created by these Resolution and the resolution or resolutions authorizing the issuance of Additional Parity Obligations.

See "SELECTED PROVISIONS OF THE RESOLUTION – Gross Sales Tax Revenue Fund" herein for additional information relating to the flow of funds.

**RESERVE FUND REQUIREMENTS . . .** The Resolution provides that the Corporation will establish and maintain a Reserve Fund for the accumulation and maintenance of an amount to pay the Debt Service on the Bonds and Additional Obligations, if issued, when other Pledged Revenues are insufficient. The Resolution allows for the use of a surety policy to fund all or a portion of the Required Reserve.

Upon the issuance of the Bonds, and as and when Additional Obligations are delivered or incurred, the Required Reserve shall be increased, if required, to an amount equal to the lesser of (i) the maximum annual Debt Service (calculated on a fiscal year basis) for all Parity Obligations then outstanding (after giving effect to the issuance of the Additional Obligations), as determined on the date each series of Additional Obligations are delivered or incurred, as the case may be, (ii) 125% of the average annual Debt Service (calculated on a fiscal year basis) for all Parity Obligations then outstanding (after giving effect to the issuance of the Additional Obligations), as determined on the date each series of Additional Obligations are delivered or incurred, as the case may be, or (iii) ten % of total principal outstanding (calculated on a fiscal year basis) for all Parity Obligations then outstanding (after giving effect to the issuance of the Additional Obligations), as determined on the date each series of Additional Obligations are delivered or incurred, as the case may be. The Corporation may recalculate and adjust the Required Reserve at the end of each Fiscal Year or upon the defeasance, redemption or maturity of any Parity Obligations. Any additional amount required to be maintained in the Reserve Fund shall be accumulated (i) by depositing cash or a surety policy to the credit of the Reserve Fund immediately after the delivery of the Bonds or the then proposed Additional Obligations or (ii), at the option of the Corporation, by making monthly deposits from funds in the Pledged Revenue Fund, on or before the 10th day of each month following the month of delivery of the Bonds or the then proposed Additional Obligations, of not less than 1/36th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Bonds or the Additional Obligations then being issued (or 1/36th of the balance of the additional amount not deposited immediately in cash or provided by a surety bond). See "APPENDIX B – SELECTED PROVISIONS OF THE RESOLUTION".

Upon the issuance of the Bonds, the Required Reserve will be funded through a surety policy provided by Assured Guaranty Inc..

**ADDITIONAL PARITY OBLIGATIONS . . .** In addition to the right to issue obligations of inferior lien, the Corporation reserves the right to issue Additional Parity Obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Bonds herein authorized, payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues and Pledged Funds (with the exception of the Reserve Fund which shall not be security for Additional Parity Obligations); and the Parity Revenue Obligations shall in all respects be of equal dignity. The Additional Parity Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

- (a) An Officer of the Corporation shall have executed a certificate stating that, to his or her knowledge and belief, the Corporation, the Corporation is not then in default as to any covenant, condition or obligation prescribed in a resolution authorizing the issuance of the outstanding Parity Revenue Obligations.
- (b) The Corporation has secured from a Certified Public Accountant a certificate or report reflecting that for the Fiscal Year next preceding the date of the proposed Additional Parity Obligations, or a consecutive twelve (12) month period out of the fifteen (15) month period next preceding the month in which the resolution authorizing the proposed Additional Parity Obligations is adopted, the Gross Sales Tax Revenues were equal to at least 1.50 times the combined maximum annual principal and interest requirements on all Parity Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity Obligations.
- (c) The Additional Parity Obligations are made to mature on an Interest Payment Date of each year in which they are scheduled to mature.
- (d) The resolution authorizing the Additional Parity Obligations provides that: (i) the amount to be maintained in the reserve fund for the Additional Parity Obligations shall equal the Required Reserve for that series of Additional Parity Obligations; and (ii) the Required Reserve for the Additional Parity Obligations shall be funded pursuant to (a) a deposit of bond proceeds or lawfully available funds of the Corporation to the reserve fund for the Additional Parity Obligations upon delivery of such Additional Parity Obligations, or (b) the purchase of a Reserve Fund Surety Bond, as and to the extent authorized in the resolution authorizing the Additional Parity Obligations.
- (e) Parity Revenue Obligations may be refunded upon such terms and conditions as the Board may deem to be in the best interest of the Corporation; and if less than all such outstanding Parity Revenue Obligations are refunded, the proposed refunding obligations shall be considered as "Additional Parity Obligations" under the provisions of this Section, and the report or certificate required by paragraph (c) shall give effect to the issuance of the proposed refunding obligations and shall not give effect to the obligations being refunded.

**Refunding Bonds.** The Corporation reserves the right to issue refunding bonds to refund all or any part of the Parity Obligations (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the Corporation, and if less than all such Parity Obligations then Outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Obligations) set forth above hereof shall be satisfied, and shall give effect to the refunding, unless the refunding bonds produce a net present value savings to the Corporation in which case the conditions specified above do not have to be satisfied in connection with such refunding.

The Corporation reserves the right to authorize or issue obligations secured by a lien on or pledge of the Pledged Revenues subordinate to the lien ascribed to the Parity Revenue Obligations.

## **THE CORPORATION**

The Corporation is a nonprofit corporation duly organized and operating under the laws of the State, particularly the Act. The Corporation was created following an election held by the City, on the question of the levy of a 1/4 of 1% local sales and use tax (the "Sales Tax") within the City for the benefit of the Corporation. The Corporation as currently organized is to act on behalf of the City to undertake such projects as may contribute to the quality of life and economic growth in the City as provided in the Act.

The affairs of the Corporation are managed by a seven (7) member Board of Directors appointed by vote of the City Council of the City.

The fiscal year of the Corporation runs concurrently with the City beginning the first day of October and ending on the last day of September each year. At least thirty days prior to the commencement of each fiscal year of the Corporation, the Board must adopt a proposed budget of expected revenues and expenditures. The budget does not become effective until the same has been approved by the City Council.

All proceeds from the issuance of debt instruments issued by the Corporation shall be deposited and invested as provided in the resolution, order, indenture or other documents authorizing their issuance. All other monies of the Corporation shall be deposited, secured and/or invested in the manner provided for the deposit, security and/or investment of the public funds of the City. The Corporation's financial statements must be audited at least once each fiscal year by an outside independent certified public accounting firm selected and approved by the City Council.

Any bonds issued by the Corporation shall be issued (1) upon approval of the City Council and (2) in accordance with the applicable provisions of the Act.



## THE SALES TAX

**SOURCE AND AUTHORIZATION . . .** The Sales Tax is a 1/4 of 1% limited sales and use tax imposed on all taxable transactions within the City as approved at an election held in the City on August 11, 2001. The Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the City. The Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the City. The City currently levies other sales and use taxes for City purposes totaling 2% in accordance with State law and is restricted in use by current law. The imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by the Texas Limited Sales, Excise, and Use Tax Act except to the extent that there is conflict with the Act, in which case the provisions of the Act control as to the Bonds. Reference is made to the Texas Municipal Sales and Use Tax Act, for a more complete description of the Sales Tax. In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, personal services, cable television services, motor vehicle parking and storage services, the repair, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling, security services, telephone answering services, Internet access service and a sale by a transmission and distribution utility of transmission or delivery of service directly to an electricity end-use customer whose consumption of electricity is subject to taxation under Chapter 151 of the Texas Tax Code. Many items are exempted by State law from sales and use taxes, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a city has taken steps to repeal the exemption), certain telecommunications services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes except that the following are exempt from the sales taxes: mixed beverages, ice or nonalcoholic beverages that are subject to State alcohol taxes (there is no local component of the State alcohol taxes and, thus, the City would not receive any revenue with respect to such sales) and alcoholic beverages when sold to the holder of a private club registration permit under certain circumstances. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. Also, State law provides an exemption from sales taxes on items purchased under a contract in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years. In general, a sale of a taxable item is deemed to occur within the municipality, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

In addition to the taxes levied for the Corporation and the City, as described above, the State levies and collects a 6 ¼ % sales and use tax against essentially the same tax base as the Sales Tax is levied. Under current State law, the maximum aggregate sales and use tax which may be levied by the State, the City and the counties within the Corporation's boundary is 8 ¼ %.

The sales tax breakdown for the City is as follows:

The Sales Tax	0.25%
Sports and Community Venues Sales Tax 334	0.50%
Street Maintenance and Repair Sales Tax	0.25%
City Sales & Use Tax	1.00%
State Sales & Use Tax	6.25%
Total	<u>8.25%</u>

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under nonsales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). The City has opted to repeal the local telecommunication services exemption. With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while municipalities, on a local option basis, may tax such use. The City has opted to tax the residential use of gas and electricity.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing \$500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than \$500 sales and use tax dollars in a calendar month but \$1,500 or more in a calendar quarter submit their tax collections quarterly; and taxpayers owing less than \$1,500 in a calendar quarter submit their tax collections annually. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period for yearly filers ends each December 31; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible as but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly with the largest payments being made quarterly in February, May, August and November.

The Comptroller has initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The City participates in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use tax in the State annually), each every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods; (i) collection by an automated collection center or local field office, (ii) estimating the taxpayers' liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold 1/2% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1 1/4% of the amount of the prepayment in addition of the 1/2% allowed for the cost of collecting the sales and use tax.

The following table sets forth the month in which political subdivisions typically receive their sales and use tax receipts by type of reporting taxpayer.

<u>Monthly Allocation Received</u>	<u>Includes the Following Reporting Taxpayers</u>
January	Monthly
February	Monthly - Quarterly - Yearly
March	Monthly
April	Monthly
May	Monthly - Quarterly
June	Monthly
July	Monthly
August	Monthly - Quarterly
September	Monthly
October	Monthly
November	Monthly - Quarterly
December	Monthly

**INVESTOR CONSIDERATIONS . . .** The primary source of security for the Bonds will be certain receipts of the Sales Tax received by the City for the benefit of the Corporation. The amount of revenues from the Sales Tax is closely related to the amount of economic activity in the City. Sales and use tax receipts, unlike other taxes levied by municipalities, immediately reflect changes in the economic conditions of a municipality. The City could be subjected to economic events that slow sales tax growth, or result in an annual decline in collections. The City cannot predict such events, but they could arise from increased environmental regulations, downturns in financial and credit markets, cyclical housing and commercial development activity, changes in Federal and State tax policies, including the implementation of value added taxation measures, among other factors.

Increases in Internet sales may result in a decrease in Sales Tax revenue to the Corporation. The emergence of Internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the state and national level. In October 1998, the United States Congress enacted the Internet Tax Freedom Act which provided a three year moratorium on certain aspects of taxation of the Internet (existing taxes imposed by the States were exempted from the moratorium). Congress extended the moratorium eight times until the permanent Internet Tax Freedom Act was passed and became law on February 24, 2016. The law prevents state and local governments from imposing their sales tax on the monthly payments that consumers make to their Internet service provider in exchange for access to the Internet. The emergence of internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the State and national level. Internet sales have likely resulted in a decrease in Sales Tax revenue to the Corporation. However, in June of 2018, the U.S. Supreme Court, in reversal of a principle set out by the Court in 1992 (*Quill Corp. v. North Dakota*, 504 U.S. 298 (1992)), determined that the Commerce Clause of the U.S. Constitution would not prohibit state and local governmental entities from collecting sales tax on goods sold to buyers for delivery in a state, even though a business that made the sale did not have a physical presence in the state. (See *South Dakota v. Wayfair, Inc.*, 2018 U.S. Lexis 3835 (2018)) (“Wayfair”). During the 86th Texas Legislative Session, certain laws were passed regarding the collection of sales taxes in response to the United States Supreme Court decision in Wayfair. H.B.1525, effective October 1, 2019, amended Chapters 151, 321 and 323, Texas Tax Code, by amending the definitions of “seller” and “retailer” to include a “Marketplace” provider and to require such Marketplace provider to collect and remit to the Comptroller sales and use taxes on items sold in Texas on electronic mediums, including internet websites and software applications. H.B. 2153, effective October 1, 2019, amended the Texas Tax Code by establishing a single local use tax rate that “remote” (out-of-state) sellers may elect to use. Chapter 151 of the Texas Tax Code, as amended, now authorizes the Comptroller to adopt rules that establishes a single local tax rate for use by remote sellers.

In response to this legislation passed during the 2019 legislative session, the Texas Comptroller adopted rule changes affecting orders made on the internet. The rule changes add Section 3.334(b)(5), Texas Administrative Code, which states orders not received by sales personnel, including orders received by a shopping website or shopping software application...are received at locations that are not places of business of the seller.” As a result, certain municipalities challenged the Comptroller, arguing that the new sourcing rules conflicted with existing state laws, were not adopted in compliance with the Texas Administrative Procedures Act (APA), and would cause them to lose significant sales tax revenue. In 2021, the District Court granted the municipalities a temporary injunction delaying implementation until it reached a final decision. On December 3, 2024, the District Court in Travis County issued a final judgment striking down the new rule, after determining that the Comptroller had failed to comply with provisions of the APA and that the new rules “contravened specific statutory language” contained in the State’s sourcing law.

The Regular Session of the 89th Texas Legislature convened on January 4, 2025 and adjourned on June 2, 2025. The Legislature meets in regular session in odd-numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session that began on July 21, 2025, and adjourned on August 15, 2025. The Governor called a second special session which began on August 15, 2025 and adjourned on September 4, 2025.

The Corporation can make no representations or predictions concerning the substance or effect of any legislation that may be proposed and that ultimately may be passed during the regular session or any special session that may convene in the future, legislative topics that may be included in the call for future special sessions, or how any such legislation would affect the financial condition of the Corporation or its operations.

Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8.25%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the City’s boundaries is 8.25% (including State and City taxes as well as the Sales Tax). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the Corporation has no way of predicting any such increase or the effect that would have on the Sales Tax the pledge of which secures the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State’s tax system. Any changes which may be enacted by the State Legislature could effect the tax base against which the Sales Tax is levied; and the Corporation, except in certain limited instances described below, has no control over the components of the tax base. Neither the City nor the Corporation currently has statutory authority to increase or decrease the maximum authorized rate of the Sales Tax.

Tax receipts received by the Corporation are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

The Sales Tax is collected by the Comptroller and remitted to the City along with other City sales and use tax receipts. The City allocates a portion of the receipts to the Corporation which represents the 1/4 of 1% tax rate of the Sales Tax. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes (see "The Sales Tax – Source and Authorization"). The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

Additionally, it is not uncommon for taxpayers to dispute the imposition of sales and use taxes on particular items or transactions, especially in the oil and gas industry, which might require taxing entities such as the State, the City, and the Corporation to refund significant amounts of previously collected sales and use taxes to the protesting taxpayer.

**Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projections of future tax revenue collections very difficult. No independent projections have been made with respect to the revenues available to pay debt service on the Bonds.**

Historical information regarding the State's sales tax base, gross sales within the City and sales within the City which are subject to the State sales and use tax is included herein, and while the Corporation has no reason to expect that receipts of the Sales Tax will ever be insufficient to pay its outstanding Sales Tax secured debt, it makes no representation that, over the term of the Bonds, sales and services within the City will provide sufficient Sales Tax receipts to pay the Parity Revenue Obligations and Additional Parity Obligations, if any.

The U.S. has engaged certain foreign countries in trade disputes that have resulted in the imposition of tariffs, retaliatory measures, and heightened regulatory scrutiny of international trade. These trade tensions, commonly referred to as a "trade wars," may lead to volatility in global markets, disrupt supply chains, and increase costs for raw materials and goods. As a result, there can be no assurance that future developments in trade policy or further escalation of international trade conflicts will not adversely affect the national economy, financial markets, or specific sectors critical to the issuer's sales tax base. The Corporation's financial condition may be impacted by reductions in economic activity, changes in employment levels, or decreases in sales tax revenues due to such external factors.

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**TABLE 1 – CONDENSED OPERATING STATEMENTS OF THE CORPORATION**

	Fiscal Year Ended September 30,			
	2024	2023	2022	2021 <sup>(1)</sup>
Revenues				
Sales Taxes	\$ 24,554,781	\$ 23,849,011	\$ 24,115,528	\$ 11,164,714
Investment Earnings	2,963,905	912,453	137,745	-
Miscellaneous	4,133	24,750	2	-
Total Revenues	<u>27,522,819</u>	<u>24,786,214</u>	<u>24,253,275</u>	<u>11,164,714</u>
Debt Service	\$ -	\$ -	\$ -	\$ -
Gross Debt Service Coverage <sup>(2)</sup>	N/A	N/A	N/A	N/A
Expenditures				
Current:				
Operations	1,025,759	1,318,221	638,369	311,151
Capital Projects:				
Economic Development	12,306,500	7,631,350	-	-
Transfers Out - Primary Government	257,737	254,250	227,363	-
Total Expenditures	<u>13,589,996</u>	<u>9,203,821</u>	<u>865,732</u>	<u>311,151</u>
Excess of Revenues Over Expenditures	<u>\$ 13,932,823</u>	<u>\$ 15,582,393</u>	<u>\$ 23,387,543</u>	<u>\$ 10,853,563</u>
Net Debt Service Coverage	N/A	N/A	N/A	N/A
Net Available for Additional Economic Development	<u>\$ 13,932,823</u>	<u>\$ 15,582,393</u>	<u>\$ 23,387,543</u>	<u>\$ 10,853,563</u>

Source: The Corporation.

<sup>(1)</sup> The Sales Tax came into effect in April 2021.

<sup>(2)</sup> The Corporation did not have any Parity Obligations outstanding during these years. The Bonds are secured by a pledge of the gross Sales Tax revenues. See “SECURITY FOR THE BONDS” herein.

<sup>(3)</sup> The Corporation’s unaudited fund balance as of August 31, 2025, 2025 was \$59,538,175.

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## INVESTMENT POLICIES

**INVESTMENTS . . .** The Corporation invests its investable funds in investments authorized by Texas law in accordance with the City's investment policy. Both State law and the Corporation's investment policies are subject to change.

**LEGAL INVESTMENTS . . .** Under Texas law, the Corporation is authorized to invest in (1) The United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the Corporation in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the Corporation's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the Corporation appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for Corporation deposits, or (ii) certificates of deposit where (a) the funds are invested by the Corporation through a broker or institution that has a main office or branch office in the State and selected by the Corporation in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the Corporation, (c) 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 (d) the Corporation appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the Corporation with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above or clause (12) below, which are pledged to the Corporation, held in the Corporation's name, and deposited at the time the investment is made with the Corporation or with a third party selected and approved by the Corporation, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the Corporation with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with SEC Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the SEC that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the Corporation is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) 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 (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the Corporation, held in the Corporation's name, and deposited at the time the investment is made with the Corporation or with a third party designated by the Corporation, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The Corporation 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 Corporation may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Corporation retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Corporation must do so by order, ordinance, or resolution. The Corporation 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 pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear 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 State law, the Corporation is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Corporation funds, maximum allowable stated maturity of any individual investment, maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All Corporation funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio and (6) yield.

Under Texas law, Corporation 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." At least quarterly the investment officers of the Corporation shall submit an investment report detailing (1) the investment position of the Corporation, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value 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 Corporation funds without express written authority from the Board of Directors of the Corporation.

**ADDITIONAL PROVISIONS . . .** Under State law, the Corporation is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance 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 respective rule, order, ordinance 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 Board of Directors of the Corporation; (4) require the qualified representative of firms offering to engage in an investment transaction with the Corporation to: (a) receive and review the Corporation's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Corporation and the business organization that are not authorized by the Corporation's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Corporation's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Corporation and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Corporation'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 purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Corporation's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (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 Corporation.

## SALES TAX INFORMATION

**TABLE 2 – SALES TAX COLLECTIONS OF THE CORPORATION**

The following table shows monthly sales tax collections for the Corporation's ¼% sales tax.

Month	Fiscal Year Ended September 30,				
	2025 <sup>(1)</sup>	2024	2023	2022	2021 <sup>(2)</sup>
October	\$ 1,915,728	\$ 1,964,407	\$ 1,943,413	\$ 1,688,701	\$ -
November	2,070,624	2,180,811	2,153,991	2,122,538	-
December	1,890,541	2,115,774	1,815,171	1,769,065	-
January	1,863,983	2,010,793	1,898,774	1,813,972	-
February	2,392,783	2,248,853	2,370,638	2,310,759	-
March	1,706,747	1,629,814	1,655,257	1,800,594	-
April	1,653,087	1,727,360	1,598,501	1,555,791	-
May	2,182,297	2,294,338	2,333,478	2,235,084	1,760,295
June	2,062,338	2,006,687	1,880,999	2,051,995	1,677,891
July	2,088,038	2,096,710	1,980,565	2,013,295	1,668,770
August	N/A	2,162,518	1,953,240	2,449,888	2,082,688
September	N/A	2,206,023	2,161,599	1,955,099	1,901,508
	<u>\$ 19,826,167</u>	<u>\$ 24,644,087</u>	<u>\$ 23,745,627</u>	<u>\$ 23,766,781</u>	<u>\$ 9,091,151</u>

Source: Texas Comptroller of Public Accounts website.

<sup>(1)</sup> Sales tax collection data through July 2025.

<sup>(2)</sup> The Sales Tax went into effect in April 2021. The Corporation will eventually provide ten years of data in its annual undertaking pursuant to the Resolution. Such information is not currently available (see "Continuing Disclosure of Information" herein).

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## GROSS SALES AND TAXABLE SALES OF THE CITY OF ARLINGTON BY INDUSTRY

The following table sets forth information pertaining to gross sales in the City in amount of such sales which were subject to the State sales and use tax and is included for historical information purposes only.

Industry	Calendar Year					
	2025 <sup>(1)</sup>		2024		2023	
	Gross Sales	Amount Subject to State Sales Tax	Gross Sales	Amount Subject to State Sales Tax	Gross Sales	Amount Subject to State Sales Tax
Agriculture/Forestry/Fishing/Hunting	\$ 2,067,394	\$ 857,560	\$ 10,702,321	\$ 3,695,794	\$ 10,551,805	\$ 3,690,966
Utilities	2,241,967	148,685	117,074,743	87,601,918	159,572,552	59,819,510
Management of Companies/Enterprises	4,588,549	4,655,845	19,760,077	20,460,189	19,567,007	19,819,932
Construction	383,851,635	36,630,498	1,664,768,936	187,755,370	1,555,928,399	133,412,891
Admin/Support/Waste Mgmt/Remediation Services	119,192,236	54,120,146	481,407,999	236,865,981	449,543,144	241,846,347
Manufacturing	470,262,423	54,683,197	1,964,112,736	278,273,133	1,994,456,912	256,039,463
Transportation/Warehousing	16,207,788	3,825,498	148,270,807	12,673,944	151,484,773	11,972,098
Other Services	87,741,181	33,291,270	395,798,995	147,913,136	404,495,980	162,540,849
Public Administration	7,212,700	7,212,700	28,743,580	28,414,934	27,325,765	26,942,385
Arts/Entertainment/Recreation	94,432,236	91,320,343	466,109,908	447,342,969	588,137,715	564,512,718
Retail Trade	1,934,841,522	696,694,164	8,121,885,741	3,076,482,627	8,313,560,336	3,186,942,336
Educational Services	2,885,884	572,703	11,411,788	3,166,295	9,950,716	2,453,439
Accommodation/Food Services	303,435,740	284,742,522	1,312,012,947	1,233,085,172	1,283,528,872	1,196,960,170
Information	24,715,967	15,935,775	105,455,683	67,360,122	120,743,773	68,914,650
Health Care/Social Assistance	468,929,271	3,794,802	1,865,880,946	16,846,883	1,859,990,201	14,236,968
Finance/Insurance	9,706,064	3,248,194	43,014,533	13,516,888	39,419,333	12,602,087
Wholesale Trade	2,757,585,673	102,082,392	8,604,196,351	463,947,851	4,043,741,292	471,910,030
Real Estate/Rental/Leasing	50,195,515	30,169,600	196,486,559	117,427,925	161,991,653	96,128,289
Professional/Scientific/Technical Services	115,177,660	17,357,959	577,547,132	99,730,302	520,791,535	82,211,387
	<u>\$ 6,855,271,405</u>	<u>\$ 1,441,343,853</u>	<u>\$ 26,134,641,782</u>	<u>\$ 6,542,561,433</u>	<u>\$ 21,714,781,763</u>	<u>\$ 6,612,956,515</u>

Industry	Calendar Year					
	2022		2021		2020	
	Gross Sales	Amount Subject to State Sales Tax	Gross Sales	Amount Subject to State Sales Tax	Gross Sales	Amount Subject to State Sales Tax
Agriculture/Forestry/Fishing/Hunting	\$ 8,539,949	\$ 2,924,147	\$ 8,618,453	\$ 3,124,769	\$ 7,910,008	\$ 2,672,105
Utilities	15,418,046	14,883,820	12,289,985	386,469	2,629,914	72,711
Management of Companies/Enterprises	2,842,338	3,183,643	3,383,351	3,910,532	262,185	630,018
Construction	1,618,309,212	138,871,605	1,713,254,960	114,629,646	1,252,609,300	120,815,824
Admin/Support/Waste Mgmt/Remediation Services	477,749,543	233,513,447	422,996,564	226,974,537	359,612,893	195,579,202
Manufacturing	1,680,512,956	227,428,502	3,427,364,079	234,355,900	2,741,550,572	192,303,661
Transportation/Warehousing	143,758,566	10,261,375	171,015,497	7,282,190	70,874,240	8,969,535
Other Services	407,643,388	138,260,988	364,113,686	117,626,691	275,815,576	89,356,138
Public Administration	24,595,940	24,280,929	21,011,442	20,713,360	20,158,140	19,900,491
Arts/Entertainment/Recreation	441,470,118	433,261,971	330,199,757	316,758,119	206,210,175	196,562,520
Retail Trade	8,740,771,571	3,808,641,343	8,392,977,877	3,610,742,658	6,432,857,050	2,649,679,605
Educational Services	10,188,270	2,154,991	10,733,964	2,213,219	6,644,099	2,021,278
Accommodation/Food Services	1,300,770,425	1,135,142,542	1,075,702,832	994,439,392	738,081,404	688,072,158
Information	112,858,599	64,369,155	116,517,622	60,540,623	122,143,484	55,054,749
Health Care/Social Assistance	1,704,645,716	14,323,947	1,666,940,172	13,857,817	1,450,097,601	12,522,505
Finance/Insurance	43,790,914	13,632,655	47,626,502	11,599,366	49,264,363	11,541,087
Wholesale Trade	3,910,947,264	491,439,639	5,232,785,741	353,330,258	4,434,469,412	309,853,110
Real Estate/Rental/Leasing	160,759,323	88,991,287	167,773,100	83,907,958	125,283,213	69,596,228
Professional/Scientific/Technical Services	472,558,305	74,487,157	548,965,179	72,142,774	472,273,802	78,041,230
	<u>\$ 21,278,130,443</u>	<u>\$ 6,920,053,143</u>	<u>\$ 23,734,270,763</u>	<u>\$ 6,248,536,278</u>	<u>\$ 18,768,747,431</u>	<u>\$ 4,703,244,155</u>

Source: Texas Comptroller of Public Accounts website.

<sup>(1)</sup> Based on sales tax collections through 1st quarter of 2025.

# DEBT INFORMATION

TABLE 3 – PRO FORMA DEBT SERVICE REQUIREMENTS

Fiscal Year Ended	Outstanding Sales Tax Revenue Supported Debt <sup>(1)</sup>			The Bonds <sup>(2)</sup>			Total Sales Tax Revenue Supported Debt	% of Principal
9/30	Principal	Interest	Total	Principal	Interest	Total Debt	Outstanding	Retired
2026	\$ -	\$ -	\$ -	\$ 1,830,000	\$ 3,105,828	\$ 4,935,828	\$ 4,935,828	
2027	-	-	-	1,090,000	3,846,181	4,936,181	4,936,181	
2028	-	-	-	1,135,000	3,799,682	4,934,682	4,934,682	
2029	-	-	-	1,185,000	3,751,444	4,936,444	4,936,444	
2030	-	-	-	1,235,000	3,699,387	4,934,387	4,934,387	9.14%
2031	-	-	-	1,290,000	3,644,763	4,934,763	4,934,763	
2032	-	-	-	1,350,000	3,584,843	4,934,843	4,934,843	
2033	-	-	-	1,415,000	3,522,000	4,937,000	4,937,000	
2034	-	-	-	1,485,000	3,451,618	4,936,618	4,936,618	
2035	-	-	-	1,560,000	3,377,754	4,937,754	4,937,754	19.16%
2036	-	-	-	1,635,000	3,300,004	4,935,004	4,935,004	
2037	-	-	-	1,715,000	3,217,534	4,932,534	4,932,534	
2038	-	-	-	1,805,000	3,130,515	4,935,515	4,935,515	
2039	-	-	-	1,895,000	3,038,208	4,933,208	4,933,208	
2040	-	-	-	1,995,000	2,941,108	4,936,108	4,936,108	31.92%
2041	-	-	-	2,095,000	2,838,685	4,933,685	4,933,685	
2042	-	-	-	2,220,000	2,716,965	4,936,965	4,936,965	
2043	-	-	-	2,345,000	2,587,983	4,932,983	4,932,983	
2044	-	-	-	2,485,000	2,451,739	4,936,739	4,936,739	
2045	-	-	-	2,630,000	2,307,360	4,937,360	4,937,360	48.54%
2046	-	-	-	2,780,000	2,154,557	4,934,557	4,934,557	
2047	-	-	-	2,945,000	1,991,093	4,936,093	4,936,093	
2048	-	-	-	3,115,000	1,817,927	4,932,927	4,932,927	
2049	-	-	-	3,300,000	1,634,765	4,934,765	4,934,765	
2050	-	-	-	3,495,000	1,440,725	4,935,725	4,935,725	70.60%
2051	-	-	-	3,700,000	1,235,219	4,935,219	4,935,219	
2052	-	-	-	3,920,000	1,015,809	4,935,809	4,935,809	
2053	-	-	-	4,150,000	783,353	4,933,353	4,933,353	
2054	-	-	-	4,400,000	537,258	4,937,258	4,937,258	
2055	-	-	-	4,660,000	276,338	4,936,338	4,936,338	100.00%
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,860,000</u>	<u>\$ 77,200,645</u>	<u>\$ 148,060,645</u>	<u>\$ 148,060,645</u>	

<sup>(1)</sup> The Corporation does not currently have sales tax debt outstanding.

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

**TABLE 4 – DEBT SERVICE COVERAGE <sup>(1)</sup>**

Maximum Annual Debt Service Requirement (2035)	\$ 4,937,754
12 Months Sales Tax Collected <sup>(1)</sup> (Pledged Revenues are gross 1/4 cent sales tax)	\$ 24,194,708
<u>Pro Forma Coverage</u>	<u>4.90X</u>
Average Annual Debt Service (2026 -2055)	\$ 4,935,355
12 Months Sales Tax Collected <sup>(1)</sup> (Pledged Revenues are gross 1/4 cent sales tax)	\$ 24,194,708
Pro Forma Coverage	4.90X

<sup>(1)</sup> Receipts for the 12 month period ending July 2025 as reported by the Corporation. Receipts by the Corporation from the Comptroller occur approximately two months after collection. Debt service of the Bonds is preliminary and subject to change.

### **TAX MATTERS**

The following discussion is a summary of the material U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Bonds offered in this offering. This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed Treasury Regulations promulgated thereunder, Internal Revenue Service (“IRS”) rulings and pronouncements, and judicial decisions, all as in effect on the date hereof, and all of which are subject to change, possibly on a retroactive basis, at any time by legislative, judicial or administrative action. The Corporation cannot assure you that the IRS will not challenge the conclusions stated below, and no ruling from the IRS or an opinion of counsel has been or will be sought on any of the matters discussed below.

This discussion is limited to holders who are the initial purchasers of the Bonds for cash at their original purchase price, which will equal the first price to the public (not including bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Bonds is sold for cash (the “Issue Price”) and who hold the Bonds as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This summary does not address all U.S. federal income tax consequences relative to a holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation: U.S. expatriates and former citizens or long-term residents of the United States; persons subject to the alternative minimum tax; U.S. Holders (as defined below) whose functional currency is not the U.S. dollar; persons holding the Bonds as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction, or other integrated investment; banks, insurance companies or other financial institutions; real estate investment trusts or regulated investment companies; brokers, dealers or traders in securities or currencies; “controlled foreign corporations”, “passive foreign investment companies” and corporations that accumulate earnings to avoid U.S. federal income tax; S corporations, partnerships and other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein); persons subject to special accounting rules as a result of any items of gross income with respect to the Bonds being taken into account in an applicable financial statement; tax-exempt organizations or governmental organizations; persons who elect to use a mark-to-market method of accounting for security holdings; and individual retirement accounts or qualified pension plans. This summary does not address all U.S. federal income tax consequences relevant to a holder’s particular circumstances and does not discuss the effect of any U.S. state, local income or other tax laws, any U.S. federal estate and gift tax laws, or any non-U.S. tax laws.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Bonds, the tax treatment of such partnership or a partner of such partnership generally will depend upon the tax status of the partner and the tax treatment of the partnership. **Partnerships acquiring Bonds and partners of partnerships acquiring the Bonds should consult their own tax advisors about the U.S. federal income tax consequences to them of the purchase, ownership and disposing of the Bonds.**

**This discussion of material U.S. federal income tax considerations is provided for general information only and is not intended as tax advice to any particular investor. Persons considering the purchase of Bonds are urged to consult their tax advisors with regard to the application of U.S. federal income or other tax laws (including estate and gift tax laws) to their particular situations as well as any tax consequences arising under the laws of any state, local, or foreign taxing jurisdiction or under any applicable tax treaty.**

## Consequences to U.S. Holders

The following discussion summarizes certain material U.S. federal income tax consequences to U.S. holders of the purchase, ownership, and disposition of the Bonds. As used herein “U.S. holder” means a beneficial owner of a Bond who or that is for U.S. federal income tax purposes: (i) an individual who is a citizen of the United States or resident alien of the United States; (ii) a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof including the Corporation of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) 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 United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust, or if a valid election is in effect under U.S. Treasury Regulations to be treated as a United States person.

*Interest on the Bonds* -- A U.S. Holder will be required to recognize as ordinary income all interest paid or accrued on the Bonds in accordance with such U.S. Holder’s method of accounting for U.S. federal income tax purposes.

*Original Issue Discount* -- If the Issue Price of the Bonds 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 Bonds 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 Bonds at maturity over the Issue Price, and such amount will be amortized over the life of the Bonds using the “constant yield method” provided in the U.S. Treasury Regulations. The original issue discount accrues under the constant yield method and the beneficial owners of the Bonds, regardless of their regular method of accounting, must include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such Bonds 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 Bonds each taxable year will be reported annually to the IRS 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 Bonds will increase such beneficial owner’s adjusted tax basis of such Bonds.

*Premium* -- If the Issue Price of the Bonds of any stated maturity is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased such Bond 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 Bond and may offset interest otherwise required to be included in respect of such Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on such Bond 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 Bond. However, if such Bond 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 Bond. 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 IRS.

*Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Bond* -- A U.S. Holder generally will recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a Bond measured by the difference, if any, between (i) the amount of cash and the fair market value of any property received (except to the extent that the cash or other property received in respect of a Bond is attributable to accrued and unpaid interest on the Bond, which amount will be taxable as ordinary interest income to the extent not previously included in gross income) and (ii) the U.S. Holder’s adjusted tax basis in the Bond.

A U.S. Holder’s adjusted tax basis in the Bonds generally will equal the amount the U.S. Holder paid for the Bonds, increased by any original issue discount previously included in the holder’s income and decreased by the amount of the Bond premium that has been previously amortized. Any gain or loss will be capital gain or loss and will be treated as long-term capital gain or loss if, at the time of the sale, exchange, redemption, retirement or other taxable disposition, the Bonds have been held by the U.S. Holder for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders, including individuals, generally will be subject to a reduced rate of tax. The deductibility of capital losses is subject to certain limitations. U.S. Holders of the Bonds should consult their tax advisors regarding the treatment of capital gains and losses.

*Information Reporting and Backup Withholding* -- Information reporting generally will apply to payments of interest on, and the proceeds of the sale, exchange, redemption, retirement or other disposition of, the Bonds held by U.S. Holders, and backup withholding may apply unless the U.S. Holder provides the applicable withholding agent with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder’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 liability and the U.S. Holder timely provides the required information or appropriate claim to the IRS.

## **Tax Consequences to Non-U.S. Holders**

The following discussion summarizes certain material U.S. federal income tax consequences to Non-U.S. Holders of the purchase, ownership and disposition of the Bonds. For purposes of this discussion, a “Non-U.S. Holder” is a beneficial owner of Bonds that is neither classified for U.S. federal income tax purposes as a partnership nor is a U.S. Holder (as defined above).

*Interest on the Bonds* -- Subject to the discussions below regarding backup withholding and FATCA withholding, payments of interest on a Bond to a Non-U.S. Holder that are not effectively connected with such Non-U.S. Holder’s U.S. trade or business generally will not be subject to U.S. federal income tax and will be exempt from U.S. federal withholding tax under the portfolio interest exemption provided that:

the Non-U.S. Holder is not an actual or constructive owner of 10% or more of the total combined voting power of all classes of the Corporation’s voting stock;

the Non-U.S. Holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related, directly or indirectly, to the Corporation through stock ownership); and

the Non-U.S. Holder is not a bank that acquired the Bonds in consideration for the extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business.

(i) the Non-U.S. Holder provides its name and address and certifies, under penalties of perjury, that it is not a United States person as defined under the Code (which certification may be made on an IRS Form W-8BEN or W-8BEN-E (or other applicable form)); (ii) the non-U.S. Bondholder holds its Bonds through certain foreign intermediaries and it satisfies the certification requirements of applicable Treasury Regulations; or (iii) a securities clearing organization, bank, or other financial institution that holds customers’ securities in the ordinary course of its trade or business holds the Bonds on behalf of the Non-U.S. Holder and such securities clearing organization, bank, or other financial institution satisfies the certification requirements of applicable Treasury Regulations.

If the payments of interest on a Bond are effectively connected with the conduct by a Non-U.S. Holder of a trade or business in the United States (and, in the event that an income tax treaty is applicable, if the payments of interest are attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder), such payments will not be subject to withholding of U.S. federal income tax so long as the Non-U.S. Holder provides the applicable withholding agent with a properly completed IRS Form W-8ECI (or other applicable form), signed under penalties of perjury. However, such payments will be subject to U.S. federal income tax on a net income basis at regular graduated income tax rates generally in the same manner as if it were a U.S. Holder (as defined above), subject to any modifications provided under an applicable income tax treaty. In addition, if the non-U.S. Holder is a foreign corporation for federal income tax purposes, such payments of interest may also be subject to a branch profits tax at the rate of 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 Bonds, that are effectively connected with its conduct of a trade or business in the United States.

A non-U.S. Holder that does not qualify for the exemption from U.S. federal withholding tax under the preceding paragraphs generally will be subject to U.S. federal withholding tax at the rate of 30% on payments of interest on the Bonds, unless such non-U.S. Holder provides the applicable withholding agent with a properly executed IRS Form W-8BEN or W-8BEN-E (or other applicable form) claiming exemption from or a reduction of withholding under the benefit of an applicable tax treaty. Income tax treaties may provide for a lower rate of withholding tax, exemption from or reduction of branch profits tax, or other rules different from those described above. Non-U.S. Bondholders should consult with their advisors regarding any applicable income tax treaties.

*Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Bond* -- Subject to the discussions below on backup withholding and FATCA withholding, any gain realized by a Non-U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Bond generally will not be subject to U.S. federal income tax or withholding tax, unless:

Such gain is effectively connected with the conduct by such Non-U.S. Holder of a U.S. trade or business in the United States (and, in the event that an income tax treaty is applicable, such gain is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States),

the Non-U.S. Bolder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are satisfied.

If a Non-U.S. Holder is engaged in a trade or business in the United States and gain on a Bond is effectively connected with the conduct of such trade or business (and, if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States), the Non-U.S. Holder will be subject to U.S. federal income tax at regular graduated income tax rates in the same manner as if it were a U.S. Holder, subject to any modification provided under an applicable income tax treaty. If the Non-U.S. Holder is a foreign corporation for U.S. federal income tax purposes, such gain may also be subject to a branch profits tax at the rate of 30%, or lower applicable treaty rate, of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

If a Non-U.S. Holder is an individual who is present or deemed to be present in the United States for 183 days or more during the taxable year of the disposition of a Bond and certain other requirements are met, such Non-U.S. Holder generally will be subject to U.S. federal income tax at a flat rate of 30% (unless a lower applicable income tax treaty rate applies), on any such gain.

*Information Reporting and Backup Withholding* -- Payments to Non-U.S. Holders of interest on a Bond, and amounts withheld from such payments, if any, generally will be required to be reported to the IRS and to the Non-U.S. Holder. Copies of these information returns also may be made available to the tax authorities of the country in which the Non-U.S. Holder resides or is established under the provisions of a specific treaty or agreement. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty. Backup withholding generally will not apply to payments of principal and interest on Bonds if the Non-U.S. Holder furnishes a certification as to its Non-U.S. status or the Non-U.S. Holder otherwise establishes an exemption, provided that the applicable withholding agent does not have actual knowledge or reason to know that the Non-U.S. Holder is a United States person.

Payment of the proceeds of a disposition of a Bond effected by the U.S. office of a United States or foreign broker will be subject to information reporting and backup withholding unless the Non-U.S. Holder properly certifies under penalties of perjury as to its foreign status and certain other conditions are met or the Non-U.S. Holder otherwise establishes an exemption. Information reporting requirements and backup withholding generally will not apply to any payment of the proceeds of the disposition of a Bond effected outside the United States by a foreign office of a broker. However, unless such a broker has documentary evidence in its records of the Non-U.S. Holder's foreign status and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption, information reporting will apply to a payment of the proceeds of the sale of a Bond effected outside the United States by such a broker if it has certain relationships with the United States.

U.S. backup withholding tax is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder'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 liability and the U.S. Holder timely provides the required information or appropriate claim to the IRS.

### **FATCA Withholding**

The Foreign Account Tax Compliance Act, or "FATCA," imposes a 30% withholding tax on certain types of payments made to foreign financial institutions, or "FFIs," and certain other non-U.S. entities, unless certain due diligence, reporting, withholding, and certification requirements are satisfied. As a general matter, FATCA imposes a 30% withholding tax on interest payments on a Bond, and (subject to the proposed United States Treasury regulations discussed below) payments of gross proceeds from the sale or other disposition of a Bond, that are made to an FFI or non-financial foreign entity unless (i) the foreign entity is an FFI that undertakes certain due diligence, reporting, withholding, and certification obligations, or in the case of an FFI that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, the entity complies with the diligence, reporting, and other requirements of such an agreement, (ii) the foreign entity is not an FFI and either certifies that it does not have any "substantial" U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (iii) the foreign entity qualifies for an exemption from these rules. In certain cases, a "substantial" U.S. owner can mean an owner of any interest in the foreign entity.

As noted above, withholding under FATCA can apply to payments of gross proceeds from the sale or other disposition of a Bond, in addition to interest payments. However, United States Treasury regulations have been proposed that would entirely eliminate FATCA withholding on payments of gross proceeds. Taxpayers generally may rely on these proposed United States Treasury regulations until the promulgation of final United States Treasury regulations.

Prospective investors are encouraged to consult with their tax advisors regarding the possible implications of FATCA on their investment in the Bonds.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Resolution, the Corporation made the following agreements for the benefit of the owners and beneficial owner of the Bonds. The Corporation is required to observe the agreements for so long as it remains obligated to advance funds to the Bonds. Under the agreements, the Corporation 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](http://www.emma.msrb.org).

**ANNUAL REPORTS** . . . The Corporation shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the Corporation, financial information and operating data with respect to the Corporation of the general type included in the final Official Statement, being information described in Tables 1 through 4, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the Corporation, within 12 months after the end of each fiscal year when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix B hereto or such other accounting principles as the Corporation may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the Corporation 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 Corporation 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 Corporation may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”).

The Corporation’s current fiscal year end is September 30. Accordingly, the Corporation must provide updated information included in Tables 1 through 4 by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by September 30 in each year, unless the Corporation changes its fiscal year. If the Corporation changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the Corporation otherwise would be required to provide financial information and operating data as set forth above.

**NOTICE OF CERTAIN EVENTS . . .** The Corporation 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 Corporation; (13) The consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) Incurrence of a Financial Obligation of the Corporation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Corporation, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Corporation, any of which reflect financial difficulties. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

For the purposes of the event identified in (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Corporation 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 Corporation, 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 Corporation, and the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Resolution defines “Financial Obligation” as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

**AVAILABILITY OF INFORMATION FROM MSRB . . .** The Corporation 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](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS . . .** The Corporation has agreed to update information and to provide notices of certain events only as described above. The Corporation 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 Corporation 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 Corporation disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreements or from any statement made pursuant to its agreements, although owners of Bonds may seek a writ of mandamus to compel the Corporation to comply with its agreements.

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

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** The Corporation has not entered into a continuing disclosure agreement prior to the issuance of the Bonds.

## **OTHER INFORMATION**

**RATINGS . . .** The Bonds are rated “Aa1” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, (“S&P”).

An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The Corporation furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the Corporation. 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 Corporation. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

**LITIGATION . . .** It is the opinion of Corporation Staff and the City Attorney that there is no pending or to their knowledge, threatened litigation or other proceeding against the Corporation that would have a material adverse financial impact upon the Corporation or its operations

**REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . .** The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Corporation assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 exemption from securities registration provisions.

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS. . .** Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. 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 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. No review by the Corporation has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

**LEGAL MATTERS . . .** The Corporation will furnish the Initial Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Corporation, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the Corporation. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in this Official Statement to verify that such description conforms to the provisions of the Resolution. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Corporation for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein.

Certain legal matters will be passed upon by West & Associates, L.L.P. Fort Worth, Texas, Disclosure Counsel. The legal fees to be paid Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

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



**AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION . . .** The financial data and other information contained herein have been obtained from Corporation and City records, audited and unaudited financial statements of the Corporation, the Texas Comptroller of Public Accounts, 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 this respect.

**FINANCIAL ADVISOR . . .** Estrada Hinojosa is contracted as Financial Advisor to the Corporation in connection with the issuance of the Bonds. The fee for services rendered by the Financial Advisor with respect to the sale of the Bonds is contingent upon the issuance and delivery of such Bonds. Estrada Hinojosa has relied on the opinions of Bond Counsel and has not verified and 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. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the Corporation for the investment of bond proceeds or other funds of the Corporation upon the request of the Corporation.

The Financial Advisor to the Corporation 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 Corporation 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.

Effective August 2, 2024, Texas State Bankshares, Inc., the registered bank holding company for Texas Regional Bank (collectively, “TRB”), completed its acquisition of Dallas-based investment banking group Estrada Hinojosa & Company, Inc. (“Estrada Hinojosa”). Estrada Hinojosa operates under TRB Capital Markets, LLC, a wholly-owned subsidiary of TRB, using the assumed name of “Estrada Hinojosa.”

**INITIAL PURCHASER OF THE BONDS . . .** After requesting competitive bids for the Bonds, the Corporation accepted the bid of \_\_\_\_\_ (the “Initial Purchaser”) to purchase the Bonds at the interest rates shown on the cover page of this 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 Corporation to the Initial Purchaser. The Corporation 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.

**CERTIFICATION OF THE OFFICIAL STATEMENT . . .** At the time of payment for and delivery of the Bonds, the Initial Purchaser 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 Corporation 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 Corporation 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 Corporation and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Corporation believes to be reliable and the Corporation 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 Corporation since September 30, 2024, the date of the last audited financial statements of the City appearing in the Official Statement.

**FORWARD-LOOKING STATEMENTS . . .** The statements contained in this Official Statement, and in any other information provided by the Corporation, that are not purely historical, are forward-looking statements, including statements regarding the Corporation'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 Corporation on the date hereof, and the Corporation assumes no obligation to update any such forward-looking statements. The Corporation'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 Corporation. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

**MISCELLANEOUS . . .** In the Bond Resolution, the Board of Directors authorized (i) the Pricing Officer to approve, for and on behalf of the Corporation, the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Initial Purchaser's use of this Official Statement in connection with the public offering and sales of the Bonds.

## **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 99.7 square miles.

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

### **General**

The City operates under the Council-Manager form of government as established by its Charter. There is a nine member City Council of the City (the "City Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the City Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats. Councilmembers and the Mayor are each limited to three two-year terms. The City Council elects both a Mayor Pro Tem and a Deputy Mayor Pro Tem from among its members.

### **Mayor and City Council**

Policy-making and supervisory functions are the responsibility of and are vested in the City Council under provisions of the City Charter. Ordinance, resolutions and zoning decisions are presented at City Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. City Council meetings are broadcast on the local cable public access station and webcast. A simple majority of the City Council constitutes a quorum. The Mayor is required to vote on all matters considered by the City Council, but has limited power to veto City Council actions that can be overridden by simple majority action of the City Council.

### **Administration**

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

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

### **The Arlington Economic Development Corporation**

The Arlington Economic Development Corporation (EDC) is a nonprofit organization whose mission is to create a vibrant, globally connected and innovative community that fosters equitable growth for all. The EDC recruits business and industry, helps local companies grow and generates quality job opportunities throughout the Arlington metro area. The EDC also seeks to attract and retain community partners, businesses, and workforce members to invest and make their home in Arlington.

## ECONOMIC AND DEMOGRAPHIC FACTORS

### Population

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

Year	Arlington	Annual Rate of Change	United States	Annual Rate of Change
1980	160,113	7.66%	226,545,805	1.15%
1990	261,721	6.35%	248,765,170	0.98%
2000	332,969	2.72%	281,421,906	1.31%
2010	365,438	0.98%	308,745,538	0.97%
2011	365,530	0.03%	312,759,230	1.30%
2012	365,860	0.09%	314,395,013	0.52%
2013	365,930	0.02%	316,128,839	0.55%
2014	369,508	0.98%	318,857,056	0.86%
2015	379,370	2.67%	321,418,820	0.80%
2016	380,740	0.36%	323,127,513	0.53%
2017	382,230	0.39%	326,474,013	1.04%
2018	383,950	0.45%	327,747,936	0.39%
2019	386,180	0.58%	328,886,114	0.35%
2020	394,266	2.09%	330,376,491	0.45%
2021	393,420	-0.21%	332,208,099	0.55%
2022	399,560	1.56%	333,808,633	0.48%
2023	405,420	1.47%	335,506,202	0.51%
2024	411,167	1.42%	337,194,721	0.50%

Source: U.S. Census Bureau, North Central Texas Council of Governments, and Census American Community Survey (ACS).

### Employment

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

#### Unemployment Rate 2021 to 2025

	June 2025	June 2024	June 2023	June 2022	June 2021
Arlington	3.8%	4.4%	4.1%	3.9%	6.1%
Texas	4.1%	4.5%	4.2%	4.2%	6.4%
United States	4.4%	4.3%	3.8%	3.8%	6.1%

Source: Texas Workforce Commission.

### Arlington Major Employers <sup>(1)</sup>

Employer	Type of Business	Number of employees
General Motors	Automobile Assembly	8,919
Arlington Independent School District	Public Education	8,646
University of Texas at Arlington	Higher Education	8,636
Texas Health Resources	Medical	4,062
Six Flags Over Texas	Amusement Park	3,900
City of Arlington	Municipality	3,710
The Parks Mall at Arlington	Retail	3,500
Texas Rangers Baseball Club	Major League Baseball	2,300
J.P. Morgan Chase	Banking Services	1,965
Texas Health Arlington Memorial Hospital	Medical Center	1,670
<b>Total</b>		<b>47,308</b>

<sup>(1)</sup> City of Arlington Economic Development Department. Includes part-time and peak seasonal employees.

### Building Permits

	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>Permits</b>	<b>Permits</b>	<b>Permits</b>
New Single Family	413	673	649
New Multifamily	108	53	297
New Commercial	87	63	127
Other (Residential and Commercial)	8,296	8,290	7,576
<b>Grand Total</b>	<b>8,904</b>	<b>9,079</b>	<b>8,649</b>

Source: City of Arlington Planning and Development Services.

**APPENDIX B**

**SELECTED PROVISIONS OF THE RESOLUTION**

"Additional Parity Obligations" means those obligations the Corporation reserves the right to issue on a parity with the Parity Revenue Obligations, in accordance with the terms and conditions prescribed in Section 9.02 of the Resolution.

"Board" means the Board of Directors of the Corporation.

"Bond" means the Corporation's bonds entitled Arlington Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2025 authorized to be issued by Section 3.01 of the Resolution.

"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, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the Regulations promulgated under the provisions described in (b) and (c).

"Comptroller" means the Comptroller of Public Accounts of the State of Texas and any successor officer or official that may be charged by law with the duty of collecting Gross Sales Tax Revenues for the account of, and remitting the same to, the City for the account of the Corporation.

"Corporation Order" means a written order signed in the name of the Corporation by an authorized officer of the Corporation and delivered to the Paying Agent, or another party hereunder. "Debt Service Fund" means the debt service fund established by Section 8.01 of this Resolution.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its corporate trust office in Houston, Texas, 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 Corporation and such successor.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository. "DTC Participant" means 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 11.01 of this Resolution.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that financial obligation shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means October 1 through September 30.

"Gross Sales Tax Revenues" means all of the revenues due or owing to, or collected or received by or on behalf of the Corporation, whether by the City or otherwise, pursuant to the Sales Tax Collection Resolution or the resolutions authorizing the Parity Revenue Obligations, from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retentions by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

"Gross Sales Tax Revenue Fund" means the special fund so designated in Section 8.01 of the Resolution.

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until maturity, such dates being August 15 and February 15 of each year, commencing on February 15, 2025.

"MSRB" means the Municipal Securities Rulemaking Board

"Owner" means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

"Parity Revenue Obligations" means the Bonds and any Additional Parity Obligations.

"Paying Agent/Registrar" means that paying agent/registrar set forth in Article V herein, or any successor thereto or an entity which is appointed as and assumes the duties of paying agent/registrar as provided in this Resolution.

"Pledged Funds" means collectively (a) amounts on deposit in the Gross Sales Tax Revenue Fund, (b) amounts on deposit in the Debt Service Fund, (c) amounts on deposit in the Reserve Fund, together with any investments or earnings belonging to said funds, and (d) any additional revenues, other moneys or funds of the Corporation which heretofore have been or hereafter may be expressly and specifically pledged to the payment of the Parity Revenue Obligations. With respect to (c) above, a Reserve Fund shall be maintained separately for each series of Additional Parity Obligations and amounts in each Reserve Fund shall be pledged solely to the series of Additional Parity Obligations for which it was created and funded.

"Pledged Revenues" means (a) Gross Sales Tax Revenues from time to time deposited or owing to the Gross Sales Tax Revenue Fund, and (b) such other money, income, revenues or other property which the Corporation may expressly and specifically pledge to the payment of Parity Revenue Obligations.

"Projects" means all properties, including land, buildings, and equipment of the types added to the definition of projects by the Act and authorized by the Election that are approved by the Board as necessary and appropriate to fulfill and carry out the purposes of the Corporation.

"Record Date" means the close of business on the last business day of the month next preceding an Interest Payment Date.



"Required Reserve" : (i) Maximum Annual Debt Service (calculated on a fiscal year basis) for all Parity Revenue Obligations then outstanding (after giving effect to the issuance of the Additional Obligations), as determined on the date each series of Additional Obligations are delivered or incurred, as the case may be, (ii) 125% of average Annual Debt Service (calculated on a fiscal year basis) for all Parity Revenue Obligations then outstanding (after giving effect to the issuance of the Additional Obligations), as determined on the date each series of Additional Obligations are delivered or incurred, as the case may be, or (iii) 10% of the of the total principal outstanding (calculated on a fiscal year basis) for all Parity Revenue Obligations then outstanding (after giving effect to the issuance of the Additional Obligations), as determined on the date each series of Additional Obligations are delivered or incurred, as the case may be. The Corporation may recalculate and adjust the Required Reserve at the end of each Fiscal Year or upon the defeasance, redemption or maturity of any Parity Revenue Obligations.

"Reserve Fund" means the reserve fund established by Section 8.01 of the Resolution that is established solely for the benefit of the Bonds.

"Reserve Fund Surety Bond" means any surety bond or insurance policy having a rating of at least Aa3- by Moody's Investors Service, Inc. or AA- by S&P Global Ratings, a division of S&P Global Inc., issued to the Corporation for the benefit of the Owners of the Bonds to satisfy any part of the Required Reserve as provided in Section 8.05(d) of this Resolution.

"Reserve Fund Policy" means the debt service reserve insurance policy issued by an insurer and deposited in the Reserve Fund in satisfaction of the Required Reserve for the Bonds. The Reserve Fund Policy constitutes a Reserve Fund Surety Bond for all purposes of the Resolution.

"Resolution" means the Resolution approving this issuance of the Bonds.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"Sales Tax" means the 1/4 of one cent local sales and use tax authorized under the Act and heretofore authorized and levied by the City within its existing boundaries, and hereafter required to be levied and collected within any expanded areas included within the City pursuant to the Act, together with any increases in the rate thereof if provided and authorized by applicable law.

"Sales Tax Collection Agreement" means that certain agreement between the City of Arlington, Texas and the Corporation effective September 16, 2025, bearing that name.

Confirmation and Levy of Sales Tax. The Corporation hereby confirms the levy by the City of the Sales Tax at the rate voted at the election held by and within the City on May 2, 2020, and the Corporation hereby warrants and represents that the City has duly and lawfully ordered the imposition and collection of the Sales Tax upon all sales, uses and transactions as are permitted by and described in the Act throughout the boundaries of the City as such boundaries existed on the date of said election and as they may be expanded from time to time.

For so long as any Parity Revenue Obligations are outstanding, the Corporation covenants, agrees and warrants to take and pursue all action permissible under applicable law to cause the Sales Tax, at said rate to be levied and collected continuously, in the manner and to the maximum extent permitted by applicable law, and to cause no reduction, abatement or exemption in the Sales Tax

or rate of tax below the rate stated, confirmed and ordered in the Resolution to be ordered or permitted so long as any Parity Revenue Obligations shall remain outstanding.

If the City shall be authorized hereafter by applicable law to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption hereof, the Corporation, to the extent it legally may do so, hereby covenants and agrees to use its best efforts to cause the City to take such action as may be required by applicable law to subject such taxable items or transactions to the Sales Tax.

The Corporation agrees to take and pursue all action permissible under applicable law to cause the Sales Tax to be collected and remitted and deposited as herein required and as required by the Act, at the earliest and most frequent times permitted by applicable law.

The Corporation agrees and covenants at all times, and to use its best efforts to cause the City, to comply with the Sales Tax Collection Agreement.

Resolution as Security Agreement. An executed copy of the Resolution shall constitute a security agreement pursuant to applicable law, with the Owners as the secured parties. The lien, pledge, and security interest of the Owners created in the Resolution shall become effective immediately upon the Closing Date of the Bonds, and the same shall be continuously effective for so long as any Bonds are outstanding.

A fully executed copy of the Resolution and the proceedings authorizing it shall be filed as a security agreement among the permanent records of the Corporation. Such records shall be open for inspection to any member of the general public and to any person proposing to do or doing business with, or asserting claims against, the Corporation, at all times during regular business hours.

The provisions of this section are prescribed pursuant to the Act, the Texas Public Securities Procedures Act (Texas Government Code, Chapter 1201, as amended), and other applicable laws of the State. If any other applicable law, in the opinion of counsel to the Corporation, requires any filing or other action additional to the filing pursuant to this section in order to preserve the priority of the lien, pledge, and security interest of the Owners created by the Resolution, the Corporation shall diligently make such filing or take such other action to the extent required by law to accomplish such result.

Creation of Funds. The Corporation hereby confirms and re-establishes the following funds to be held at the Corporation's depository bank:

- (1) Project Development Fund;
- (2) Gross Sales Tax Revenue Fund;
- (3) Debt Service Fund;
- (4) Reserve Fund; and
- (5) Capital Improvement Fund

Moneys on deposit in the Project Development Fund shall be used for paying costs of Projects for which Parity Revenue Obligations from time to time are issued. The Project Development Fund at all times shall be free of any lien, pledge or trust created by this Resolution and the resolution or resolutions authorizing Additional Parity Obligations.

The Gross Sales Tax Revenue Fund is hereby confirmed as a special fund comprised of the Pledged Revenues, together with all other revenues as from time to time may be determined for deposit therein by the Corporation, and shall be maintained at the Corporation's depository bank for the benefit of the Owners of the Parity Revenue Obligations, subject to the further provisions of the Resolution.

The Debt Service Fund shall be maintained for the benefit of the Owners of the Parity Revenue Obligations. Money deposited in the Debt Service Fund shall be used to pay the principal of, premium, if any, and interest on the Parity Revenue Obligations when and as the same shall become due and payable.

The Reserve Fund shall be maintained for the benefit of the Owners of the Bonds. Money deposited in the Reserve Fund shall be used to pay principal of and/or interest on the Bonds becoming due and payable when there is not sufficient money available in the Debt Service Fund for such purpose. Money on deposit in the Reserve Fund may be applied to the acquisition of a Reserve Fund Surety Bond.

Money from time to time on deposit in the Capital Improvement Fund shall be used for paying costs of authorized Projects the payment of which are not otherwise provided from the proceeds of Parity Revenue Obligations, and for any other lawful purposes permitted under applicable law. The Capital Improvement Fund at all times shall be free of any lien or pledge created by this Resolution and the resolution or resolutions authorizing the issuance Additional Parity Obligations.

Gross Sales Tax Revenue Fund. All Pledged Revenues shall be deposited and transferred as received to the Gross Sales Tax Revenue Fund.

Moneys deposited in the Gross Sales Tax Revenue Fund shall be pledged and appropriated to the following uses, in the order of priority shown:

First, to the payment, without priority, of all amounts required to be deposited in the Debt Service Fund herein established for the payment of Parity Revenue Obligations;

Second, to the payment of all amounts required to be deposited in the Reserve Fund established pursuant to this Resolution or to any reserve funds established for the benefit of Additional Parity Obligations, as set forth in the resolutions authorizing the Additional Parity Obligations;

Third, to any other fund or account required by any resolution authorizing Parity Revenue Obligations, the amounts required to be deposited therein;

Fourth, to any fund or account, or to any payee, required by any other resolution of the Board which authorizes the issuance of obligations or the creation of debt of the Corporation having a

lien on the Pledged Revenues subordinate to the lien and pledge created herein with respect to the Parity Revenue Obligations; and

Fifth, to the Capital Improvement Fund.

Debt Service Fund. In the Resolution, the Corporation covenants and agrees to make deposits to the Debt Service Fund from moneys in the Gross Sales Tax Revenue Fund, in substantially equal monthly, bi-monthly, quarterly or semi-annual installments as such money is received, to pay the principal of and interest on the Parity Revenue Obligations as follows:

Such amounts, on deposit and received following the Closing Date, as will be sufficient, together with other amounts, if any, then on hand in the Debt Service Fund and available for such purpose, to pay the interest scheduled to accrue and become due and payable with respect to the Parity Revenue Obligations on the next succeeding Interest Payment Date;

Such amounts, on deposit and received following the Closing Date, as will be sufficient, together with other amounts, if any, on hand in the Debt Service Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Parity Revenue Obligations on the next succeeding Interest Payment Date on which principal of the Bonds is to be payable.

The deposits to the Debt Service Fund for the payment of principal of and interest on the Parity Revenue Obligations shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Debt Service Fund and Reserve Fund established for the Bonds and any reserve fund established for any Additional Parity Obligations pursuant to the resolutions authorizing such Additional Parity Obligations, is equal to the amount required to pay all outstanding obligations (principal and/or interest) for which said Fund(s) were created and established to pay or (ii) the Parity Revenue Obligations are no longer outstanding, i.e., fully paid as to principal and interest on all of the Parity Revenue Obligations have been refunded.

Any proceeds of the Bonds not required for the purposes for which the Bonds are issued shall be deposited to the Debt Service Fund.

Reserve Fund. The Corporation hereby covenants and agrees with the holders of the Bonds that it will continuously maintain in the Reserve Fund the Required Reserve.

The resolution(s) authorizing the issuance of Additional Parity Obligations, may require a reserve fund for the benefit of those Additional Parity Obligations. If established pursuant to the resolution authorizing Additional Parity Obligations, any additional amount required to be maintained in the Reserve Fund shall be accumulated (i) by depositing cash or a surety policy to the credit of the Reserve Fund immediately after the delivery of the Bonds or the then proposed Additional Obligations, or (ii) at the option of the Corporation, by making monthly deposits from funds in the Pledged Revenue Fund, on or before the 10<sup>th</sup> day of each month following the month of delivery of the Bonds or the then proposed Additional Obligations, of not less than 1/36<sup>th</sup> of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the bonds or the Additional Obligations then being issued (or 1/36<sup>th</sup> of the balance of the additional amount not deposited immediately in cash or provided by a surety bond).

In the event that the amount on deposit in the Reserve Fund is reduced below the Required Reserve, the amount of such deficiency shall be cured by making monthly installments of at least 1/36th of any such deficiency on or before the last day of each month following such deficiency until the Reserve Fund is restored to the Required Reserve.

The Reserve Fund may be funded in the amount of the Required Reserve by the deposit of a Reserve Fund Surety Bond sufficient to provide such portion of the Required Reserve. The Corporation further expressly reserves the right to substitute at any time a Reserve Fund Surety Bond for any funded amounts in the Reserve Fund and to apply the funds thereby released, to the greatest extent permitted by law, to any of the purposes for which the Bonds were issued or to pay debt service on the Bonds. The Corporation shall not employ any Reserve Fund Surety Bond unless (i) the Corporation officially finds that the purchase of such Reserve Fund Surety Bond is cost effective, (ii) the Reserve Fund Surety Bond does not impose upon the Corporation repayment obligations (in the event the Reserve Fund Surety Bond is drawn upon) greater than can be funded from Pledged Revenues on a parity with the deposits that are otherwise required to be made to the Reserve Fund, and (iii) that any interest due in connection with such repayment obligations does not exceed the highest lawful rate of interest which may be paid by the Corporation at the time of delivery of the Reserve Fund Surety Bond. In the event the Corporation purchases a Reserve Fund Surety Bond and the rating afforded to such policy drops below that authorized for a Reserve Fund Surety Bond as set forth in this Resolution and such policy remains in effect, the Corporation shall not be required to fund the Reserve Fund from available revenues.

Deficiencies in Funds. If the Corporation shall, for any reason, fail to pay into the Debt Service Fund the full amount above stipulated, amounts equivalent to such deficiencies shall be set apart paid into said funds from the first available revenues of the Corporation and such payments shall be in addition to the amounts hereinabove provided to be otherwise paid into said funds.

Security of Funds. All moneys on deposit in the funds referred to in this Resolution shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of funds of the Corporation, and moneys on deposit in such funds shall be used only for the purposes permitted by the Resolution.

Investments. Money in the funds established by the Resolution, or any resolution authorizing the issuance of any Additional Parity Obligations, at the option of the Corporation, may be invested in such securities or obligations as permitted under the laws of the State of Texas applicable to the Corporation.

Any securities or obligations in which money is so invested 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.

Investment Income. Interest and income derived from investment of any fund created by the Resolution shall be credited to such fund.

Issuance of Superior Lien Obligations Prohibited. In the Resolution, the Corporation hereby covenants that so long as any principal or interest pertaining to any Parity Revenue Obligations

remain outstanding and unpaid, it will not authorize or issue obligations secured by a lien on or pledge of the Pledged Revenues superior to the lien ascribed to the Parity Revenue Obligations.

Section 1.01. Issuance of Additional Parity Obligations Authorized. In addition to the right to issue obligations of inferior lien, the Corporation reserves the right to issue Additional Parity Obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Bonds herein authorized, payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues and Pledged Funds (with the exception of the Reserve Fund which shall not be security for Additional Parity Obligations); and the Parity Revenue Obligations shall in all respects be of equal dignity. The Additional Parity Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) An Officer of the Corporation shall have executed a certificate stating that, to his or her knowledge, the Corporation, the Corporation is not then in default as to any covenant, condition or obligation prescribed in a resolution authorizing the issuance of the outstanding Parity Revenue Obligations.

(b) The Corporation has secured from a Certified Public Accountant a certificate or report reflecting that for the Fiscal Year next preceding the date of the proposed Additional Parity Obligations, or a consecutive twelve (12) month period out of the fifteen (15) month period next preceding the month in which the resolution authorizing the proposed Additional Parity Obligations is adopted, the Gross Sales Tax Revenues were equal to at least 1.50 times the combined maximum annual principal and interest requirements on all Parity Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity Obligations.

(c) The Additional Parity Obligations are made to mature on an Interest Payment Date of each year in which they are scheduled to mature.

(d) The resolution authorizing the Additional Parity Obligations provides that: (i) the amount to be maintained in the reserve fund for the Additional Parity Obligations shall equal the Required Reserve for that series of Additional Parity Obligations; and (ii) the Required Reserve for the Additional Parity Obligations shall be funded pursuant to (a) a deposit of bond proceeds or lawfully available funds of the Corporation to the reserve fund for the Additional Parity Obligations upon delivery of such Additional Parity Obligations, or (b) the purchase of a Reserve Fund Surety Bond, as and to the extent authorized in the resolution authorizing the Additional Parity Obligations.

(e) Parity Revenue Obligations may be refunded upon such terms and conditions as the Board may deem to be in the best interest of the Corporation; and if less than all such outstanding Parity Revenue Obligations are refunded, the proposed refunding obligations shall be considered as "Additional Parity Obligations" under the provisions of this Section, and the report or certificate required by paragraph (c) shall give effect to the issuance of the proposed refunding obligations and shall not give effect to the obligations being refunded.

Refunding Bonds. The Corporation reserves the right to issue refunding bonds to refund all or any part of the Parity Obligations (pursuant to any law then available) upon such terms and conditions

as the Board may deem to be in the best interests of the Corporation, and if less than all such Parity Obligations then Outstanding are refunded, the conditions precedent prescribed for the issuance of Additional Obligation set forth above shall be satisfied, and shall give effect to the refunding, unless the refunding bonds produce a net present value savings to the corporation in which case the conditions specified in Section 9.02 do not have to be satisfied in connection with such refunding.

Issuance of Junior Lien Bonds. The Corporation reserves the right to authorize or issue obligations secured by a lien on or pledge of the Pledged Revenues subordinate to the lien ascribed to the Parity Revenue Obligations.

Pledged Funds and Pledged Revenues. The Corporation represents and warrants that it is and will be authorized by applicable law and by its articles of incorporation and bylaws to authorize and issue the Bonds, to adopt this Resolution and to pledge the Pledged Funds and Pledged Revenues in the manner and to the extent provided in this Resolution, and that the Pledged Funds and Pledged Revenues so pledged are and will be and remain free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Resolution except as expressly provided herein for Parity Revenue Obligations.

The Bonds and the provisions of this Resolution are and will be the valid and legally enforceable obligations of the Corporation in accordance with the terms of this Resolution, subject only to any applicable bankruptcy or insolvency laws or to any applicable law affecting creditors' rights generally.

The Corporation shall at all times, to the extent permitted by applicable law, defend, preserve and protect the pledge of the Pledged Funds and Pledged Revenues and all the rights of the Owners under this Resolution and the resolutions authorizing the issuance of the Additional Parity Obligations, against all claims and demands of all persons whomsoever.

The Corporation will take, and use its best efforts to cause the City to take, all steps reasonably necessary and appropriate to collect all delinquencies in the collection of the Sales Tax to the fullest extent permitted by the Act and other applicable law.

Accounts, Periodical Reports and Certificates. The Corporation shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the funds and accounts established by this Resolution and which, together with all other books and papers of the Corporation, shall at all times be subject to the inspection of, the Owner or Owners of not less than 5% in principal amount of the Parity Revenue Obligations then outstanding or their representatives duly authorized in writing.

The Corporation shall annually, within 120 days after the close of each Fiscal Year, mail or cause to be mailed to any Holder owning at least 25% of the outstanding Parity Revenue Obligations of a single series who so requests in writing, a copy of an annual report for said year containing the following statements in reasonable detail with respect to the Corporation: a balance sheet as of the end of said year and the preceding year, statements of revenue and expense and of changes in

financial position for the year then ended and the preceding year setting forth revenues and expenses for such years in accordance with generally accepted accounting principles.

General. The Directors and Officers of the Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of this Resolution.

Repeal of Power to Collect Sales Tax. Any repeal or amendment of the right and power to levy, collect and apply the Sales Tax pursuant to the Act shall never be effective until all of the principal of and the interest on the Parity Revenue Obligations have been paid in full or they have been lawfully defeased under Section 12.01 of the Resolution.

Payment of the Bonds. While any of the Bonds are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Debt Service Fund, money sufficient to pay the interest on and the principal of the Bonds, as applicable, as will accrue or mature on each applicable Interest Payment Date.

Events of Default. Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an Event of Default, to-wit:

(1) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable;

(2) default in the performance or observance of any other covenant, agreement or obligation of the Corporation, 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 this Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the Corporation; or

(3) An order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the Corporation any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the Corporation as applicable, of any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days.

Remedies for Default. Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the Corporation for the purpose of protecting and enforcing the rights of the Owners under this Resolution, 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.

It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.



Remedies Not Exclusive. No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of the Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the Resolution.

The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

Discharge. The Corporation reserves the right to defease, discharge or refund the Bonds in any manner permitted by applicable

## **APPENDIX C**

### **EXCERPTS FROM THE CITY OF ARLINGTON, TEXAS ANNUAL FINANCIAL REPORT**

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Arlington, Texas Annual Financial Report (the "Report") for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's or the Corporation's financial condition. Reference is made to the complete Report for further information.

## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Arlington Convention and Visitors Bureau, Inc., or the Arlington Tourism Public Improvement District, discretely presented component units of the City, which represent 5%, 4%, and 13%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Additionally, we did not audit the financial statements of the Part-Time, Seasonal and Temporary Employees Deferred Income Plan, a fiduciary component unit of the City, which represent 1%, 1%, and 0.4%, respectively, of the assets, net position, and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions on the aggregate discretely presented component units and the aggregate remaining fund information, insofar as they relate to the amounts included for the Arlington Convention and Visitors Bureau, Inc., the Arlington Tourism Public Improvement District and the Part-Time, Seasonal, and Temporary Employees Deferred Income Plan are based solely on the reports of the other auditors.

#### ***Basis for Opinions***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information including the combining financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

***Forvis Mazars, LLP***

**Dallas, Texas  
March 18, 2025**



## **CITY OF ARLINGTON, TEXAS**

### **Management's Discussion and Analysis For the Year Ended September 30, 2024 (Unaudited)**

As management of the City of Arlington (City), we offer readers of the City's Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found beginning on page one of this report.

#### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3.1B (net position). Of this amount, \$48.5M represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased \$104M during the current period primarily due to increases in property tax and investment activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$511.4M, a change of \$44.9M in comparison with the prior year. Within this total, \$385M is restricted for specific legal requirements and \$117.5M has been committed or assigned to specific types of expenditures, and \$2.6M is non-spendable. The remaining unassigned fund balance in the general fund can be used for any lawful purpose.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$95.5M, or approximately 31% of total general fund expenditures.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

##### **Government-wide financial statements**

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

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

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

Both government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all

or a significant portion of their costs through user fees and charges (business-type activities). In the statements, the City's business is divided into three types of activities:

- **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. Property taxes, sales taxes, and franchise fees provide most of the funding for these activities, with the addition of charges for services, grants, and contributions.
- **Business Type Activities** - Functions that are intended to recover all or a significant portion of their costs through user fees and charges are reported here. The City's water and sewer system and storm water utilities are reported here.
- **Component Units** - For fiscal year 2024, the city includes seven discretely presented component units in its report - Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation, the Arlington Convention Center Development Corporation (ACCDC) and Arlington Tourism Public Improvement District (ATPID).

The government-wide financial statements can be found on pages 29-31 of this report.

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

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

The basic governmental fund financial statements can be found beginning on page 32 of this report.

### **Proprietary Funds**

The City maintains three 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, storm water utilities, and aviation operations. The City uses internal service funds to account for the management of its fleet services and self-insurance functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer (major fund), Storm Water Utility (major fund), and Aviation (non-major) funds. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in the Annual Comprehensive Financial Report.

The basic proprietary fund financial statements can be found beginning on page 36 of this report.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. All the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The City reports two different fiduciary funds. The Pension and Other Employee Benefit trust funds are used to report resources held in trust for Part Time Deferred Income Trust and the Disability Income Plan. The City also reports one custodial fund to report resources, not in a trust, that are held by City for other parties outside of the City as a reporting entity.

The fiduciary fund financial statements can be found beginning on page 40 of this report.

### **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 43 of this report.

### **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's general fund budgetary comparison and progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 95 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 113-142 of this report.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position may serve as a useful indicator of a government's financial position. The City's combined net position was \$3.1B as of September 30, 2024.

Long-term liabilities, which consist of bonds, notes, leases, compensated absences and postemployment benefit obligations, decreased by \$17.6M from the previous year for governmental and business-type activities combined. The City's net OPEB liability decreased \$1.5M. The City's total pension liability for the year decreased by \$63.8M.

The largest portion of the City's net position \$2.84B (91.5%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens. Accordingly, these assets are not available for future spending. They do, however, represent an obligation on the part of the City to maintain these assets into the future.

## City of Arlington's Net Position

(Amounts Expressed in Millions)

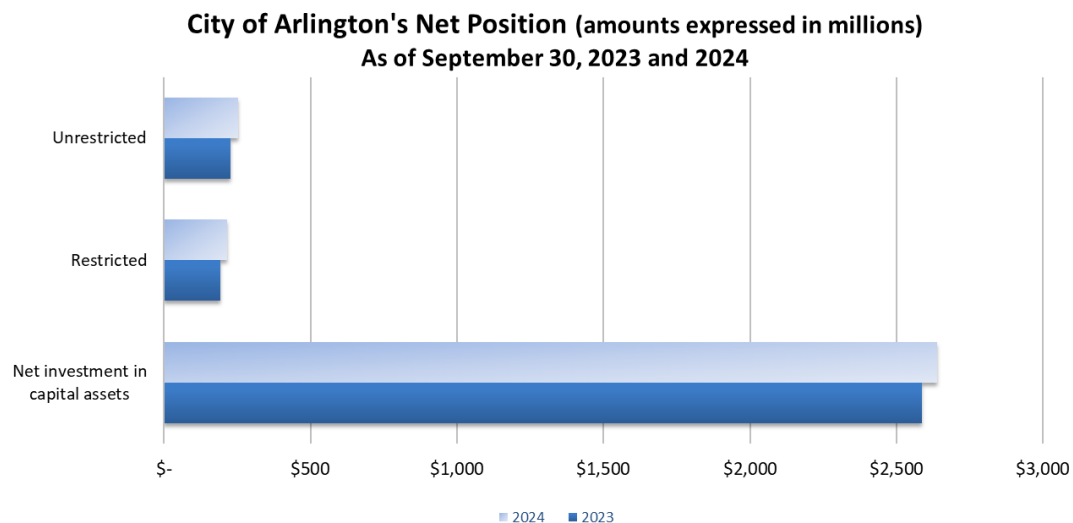
For the Years Ended September 30,

	Governmental Activities		Business-type Activities		Total	
	2023	2024	2023	2024	2023	2024
Current and other assets	\$ 716	\$ 752	\$ 366	\$ 386	\$ 1,082	\$ 1,138
Capital, lease, SBITA, and PPP assets	2,835	3,056	1,048	1,136	3,883	4,192
Total assets	3,551	3,808	1,414	1,522	4,965	5,330
Total deferred outflows of resources	158	96	10	6	168	102
Long-term liabilities outstanding	1,383	1,359	364	371	1,747	1,729
Other liabilities	141	141	60	67	201	208
Total liabilities	1,524	1,500	424	438	1,948	1,938
Total deferred inflows of resources	176	373	4	5	180	377
Net position:						
Net investment in capital assets	1,836	1,998	750	846	2,586	2,844
Restricted for debt service	58	86	64	54	122	139
Restricted for special revenue	56	59	-	-	56	59
Restricted for use of impact fees	15	17	-	-	15	17
Restricted for net OPEB asset	-	-	-	-	-	-
Restricted for net pension asset	-	1	-	-	-	1
Unrestricted	44	(137)	182	186	226	49
Total net position	\$ 2,009	\$ 2,024	\$ 996	\$ 1,085	\$ 3,005	\$ 3,109

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

An additional portion of the City's net position of \$216.5M (7.0%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$48.5M (1.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

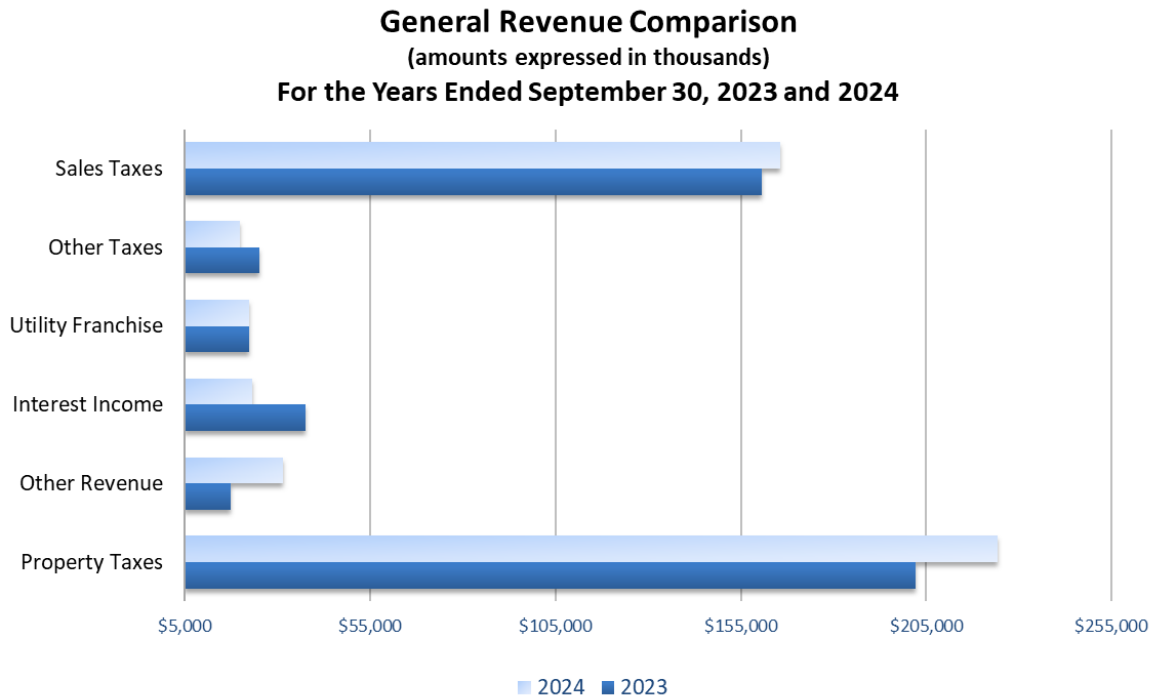
At the end of the current fiscal year, the City reports positive balances in all reported categories of net position, both for the governmental and business-type activities. Overall net position changed \$104M from the prior fiscal year.



### Governmental Activities

The City's general revenues increased compared to the prior year, increased overall by .91%. Property tax revenue accounted for much of the increase this year compared to last.

Property tax collections changed from the prior year by about \$22.1M and Arlington once again saw growth in assessed valuation. The residential property values increased by 6.9% and commercial property values increased by 2.19% compared to the prior year. The property tax rate for 2024 was set at \$0.5898 per \$100 assessed valuation: down 0.01 from \$0.5998 in the prior year.

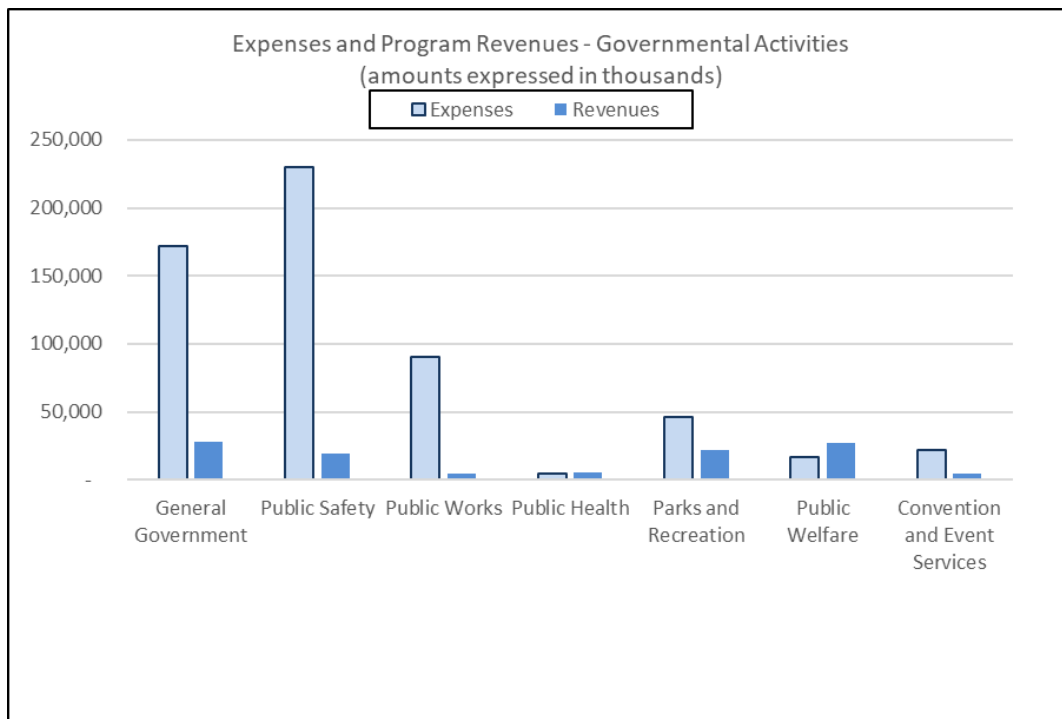


Charges for services and capital grants and contributions remained relatively unchanged from the prior year. However, operating grants and contributions saw a \$1.3M increase, mainly driven by higher public safety-related grants. Additionally, interest income rose by \$12M compared to the previous year, benefiting from favorable market conditions.

Sales tax revenue grew by \$4.9M, a 3.1% increase, consistent with historical trends. However, utility franchise fee collections declined by 1.0% in 2024, largely due to a drop in electrical franchise fees as well as reductions in telephone and cable television franchise fees.

Overall, expenses rose by approximately \$19.2M (3.4%) compared to the previous year. The primary driver of this increase was \$15.3M in public safety expenditures. This surge is mainly due to the acquisition of a new fire apparatus and the hiring of 24 additional police officers and 40 new firefighters, as well as the funding of previously frozen positions in both the police and fire departments from fiscal year 2021. Public welfare expenses decreased by \$19M primarily due to reduced Chapter 380 agreements. Additionally, general government expenses increased \$20.5M from prior year, an increase primarily driven by higher operational costs.

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



## City of Arlington's Changes in Net Position

(Amounts expressed in thousands)

For the Years Ended September 30,

	Governmental Activities		Business-type Activities		Total	
	2023	2024	2023	2024	2023	2024
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 71,333	\$ 71,485	\$ 215,991	\$ 229,755	\$ 287,324	\$ 301,240
Operating grants and contributions	24,544	37,160	-	-	24,544	37,160
Capital grants and contributions	2,200	2,250	7,875	6,713	10,075	8,963
General Revenues:						
Taxes	387,710	409,411	-	-	387,710	409,411
Utility franchise fees	22,429	22,205	-	-	22,429	22,205
Interest income	11,321	23,233	10,792	15,162	22,113	38,395
Other	50,120	21,020	4,407	11,000	54,527	32,020
<b>Total revenues</b>	<b>569,657</b>	<b>586,764</b>	<b>239,065</b>	<b>262,630</b>	<b>808,722</b>	<b>849,394</b>
<b>Expenses</b>						
General government	151,737	172,227	-	-	151,737	172,227
Public Safety	214,764	230,108	-	-	214,764	230,108
Public Works	86,916	90,291	-	-	86,916	90,291
Public Health	3,732	4,546	-	-	3,732	4,546
Parks and recreation	48,097	46,366	-	-	48,097	46,366
Public welfare	35,467	16,468	-	-	35,467	16,468
Convention and event services	22,249	22,155	-	-	22,249	22,155
Water, sewer and storm water, aviation	-	-	141,238	163,438	141,238	163,438
<b>Total expenses</b>	<b>562,962</b>	<b>582,161</b>	<b>141,238</b>	<b>163,438</b>	<b>704,200</b>	<b>745,599</b>
<b>Increase in net position before transfers</b>	<b>6,695</b>	<b>4,603</b>	<b>97,827</b>	<b>99,192</b>	<b>104,522</b>	<b>103,795</b>
Transfers and capital contributions	43,791	36,801	(43,791)	(36,801)	-	-
<b>Increase (decrease) in net position</b>	<b>50,486</b>	<b>41,404</b>	<b>54,036</b>	<b>62,391</b>	<b>104,522</b>	<b>103,795</b>
<b>Net Position, October 1, Restated*</b>	<b>1,958,647</b>	<b>1,982,690</b>	<b>942,200</b>	<b>1,022,679</b>	<b>2,900,847</b>	<b>3,005,369</b>
<b>Net Position, September 30</b>	<b>\$ 2,009,133</b>	<b>\$ 2,024,094</b>	<b>\$ 996,236</b>	<b>\$ 1,085,070</b>	<b>\$ 3,005,369</b>	<b>\$ 3,109,164</b>

\* See Note I.R.

### Business-type Activities

During the current fiscal year, net position for business-type activities changed \$62.4M from the prior fiscal year for an ending balance of \$1,085.1B. The increase in overall net position of business-type activities is the result of the increased amount of water and sewer revenue. The revenue increase of \$23.6M in business-type activities (Water and Wastewater/Storm Water Utility/Aviation) is a result of an increase in water sales and sewer service revenues reported in service charges and interest for the current year. Expenses increased by \$22.2M from the prior year driven by increases in salaries and wages and the creation of the Enterprise Aviation Fund which incurred \$9M in expenses.

## CAPITAL, LEASE, SBITA, and PPP ASSETS/DEBT ADMINISTRATION

### Capital, Lease, SBITA, and PPP Assets

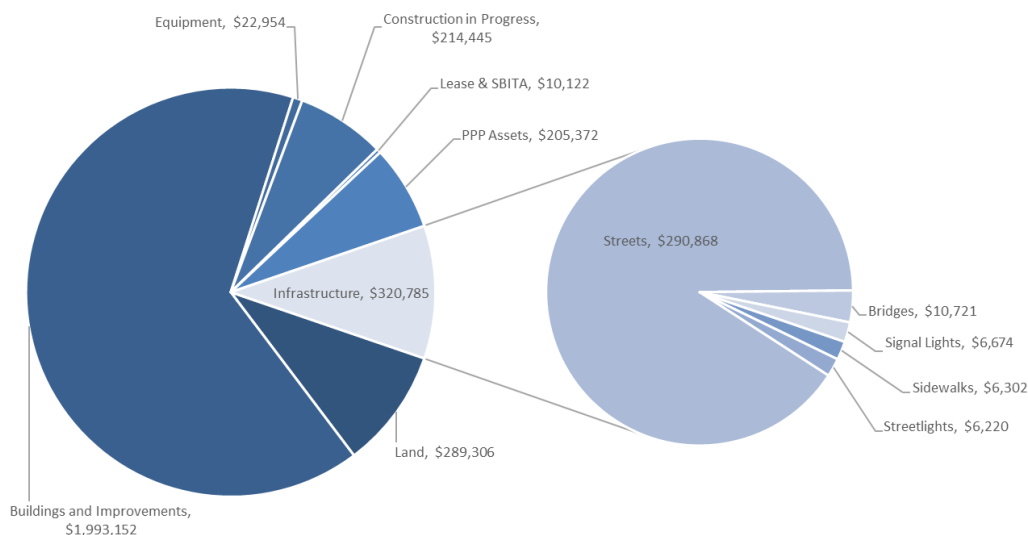
The City's net investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to \$4.2B (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, water treatment plants, lease, SBITA, and PPP assets and stadiums. The total change in capital, lease, SBITA, and PPP assets for the current fiscal year was \$309.1M. This is a 1.08% increase over the prior fiscal year. Footnote III 5 in the notes to the financial statements provides more detailed information regarding the City's capital, lease, SBITA, and PPP asset activity.

<b>City of Arlington's Capital, Lease, SBITA, and PPP Assets</b> <b>(in thousands, net of depreciation and amortization)</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>
Land	\$ 294,329	\$ 289,306	\$ 23,757	\$ 29,916	\$ 318,086	\$ 319,222
Buildings and improvements	2,059,554	1,993,152	6,861	32,355	2,066,415	2,025,507
Machinery and equipment	18,638	22,954	419	762	19,057	23,716
Construction in progress	136,107	214,445	208,430	235,117	344,537	449,562
Infrastructure	321,233	320,785	-	-	321,233	320,785
Lease and SBITA assets	4,669	10,122	-	269	4,669	10,391
PPP assets	-	205,372	-	-	-	205,372
Drainage system	-	-	106,911	110,506	106,911	110,506
Water and sewer system	-	-	701,954	726,916	701,954	726,916
Totals	\$ 2,834,530	\$ 3,056,136	\$ 1,048,332	\$ 1,135,841	\$ 3,882,862	\$ 4,191,977

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

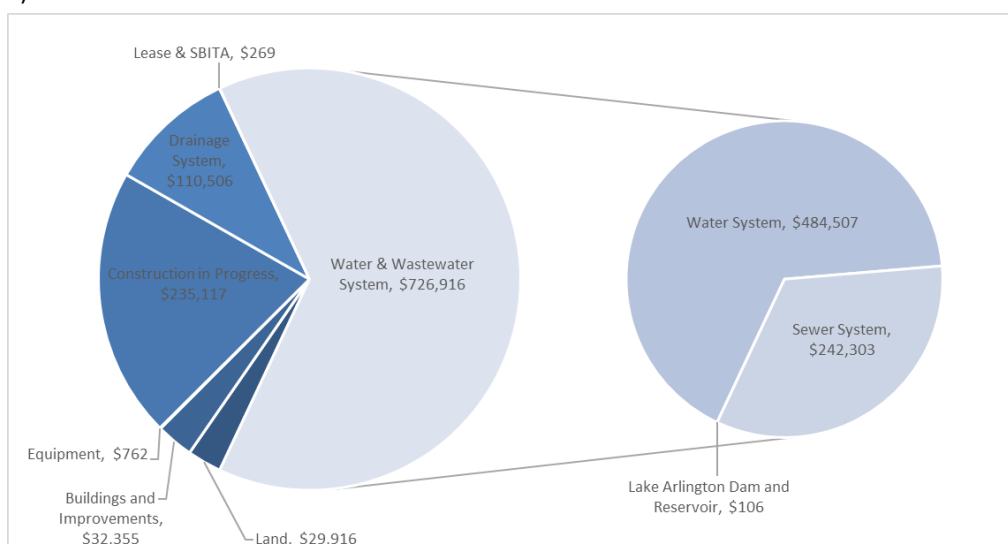
- Private developer capital contributions of \$6.7M to the City's water and sewer infrastructure in connection with various residential and commercial developments
- Water and sewer system capital improvements and expansion of \$54.9M
- Storm drainage system capital improvements and expansion of \$18.2M
- Street construction projects capital outlay totaling \$48.4M
- Improvements to parks and recreation facilities of \$39.5M
- Aviation FBO acquisition of \$14M asset addition
- PPP asset addition for the Arlington Convention Center totaling \$205.4M

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



Asset	Book Value	Accumulated Depreciation	Net Value
Sidewalks	\$ 72,348	\$ (66,046)	\$ 6,302
Streetlights	21,685	(15,465)	6,220
Streets	971,919	(681,051)	290,868
Bridges	43,200	(32,479)	10,721
Signal Lights	20,787	(14,113)	6,674
	<u>\$ 1,129,939</u>	<u>\$ (809,154)</u>	<u>\$ 320,785</u>

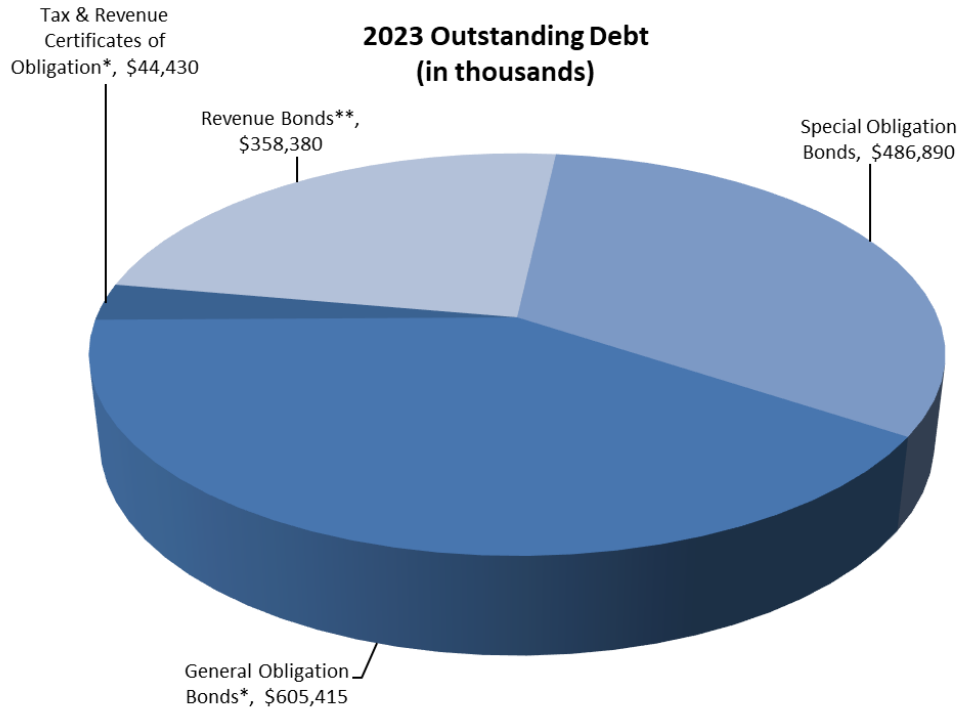
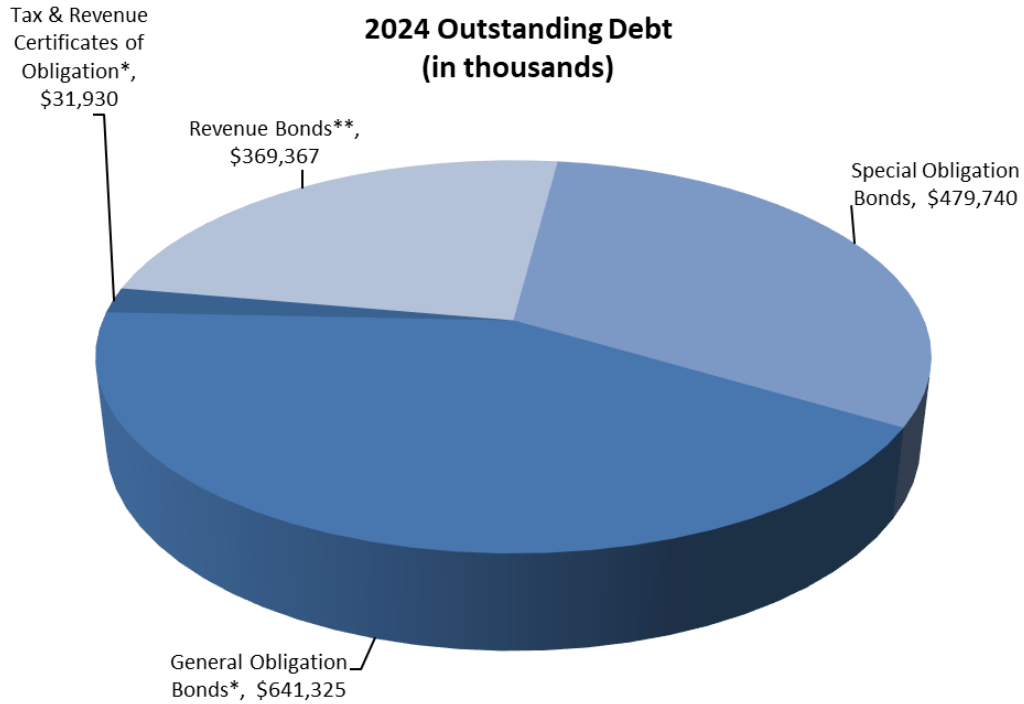
The City's business-type activities infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):



Asset	Book Value	Accumulated Depreciation	Net Value
Lake Arlington Dam and Reservoir	\$ 2,619	\$ (2,513)	\$ 106
Water System	779,731	(295,224)	484,507
Sewer System	400,469	(158,166)	242,303
	<u>\$ 1,182,819</u>	<u>\$ (455,903)</u>	<u>\$ 726,916</u>

## Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$1.52B, a slight increase from the prior year.



*\*Secured by City Tax Base*

*\*\*Secured by Water and Sewer or Drainage Revenue*



**City of Arlington's Outstanding Debt**  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2024	2023	2024	2023	2024
General obligation bonds (backed by the City)	\$ 605,415	\$ 641,325	\$ -	\$ -	\$ 605,415	\$ 641,325
Combination tax and revenue certificates of obligation (backed by the City)	44,430	31,930	-	-	44,430	31,930
Special tax revenue bonds	486,890	479,740	-	-	486,890	479,740
Revenue bonds (backed by fee revenues)	-	-	358,380	369,367	358,380	369,367
Total	\$ 1,136,735	\$ 1,152,995	\$ 358,380	\$ 369,367	\$ 1,495,115	\$ 1,522,362

During the current fiscal year, the City issued \$75.8M in Permanent Improvement Bonds, \$7.7M in Tax Increment Revenue Bonds, \$30M in Water and Wastewater System Revenue Bonds and \$9.5M in Stormwater Revenue Bonds. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2024, the City's debt ratings were as follows by type and agency:

	Fitch	S&P	Moody's
City GO/CO	AA+	AAA	Aa1
WWS Revenue	AAA	AAA	Aa1
Storm Water Revenue	AAA	AAA	Aa1
Venue Senior (Sales Tax/HOT/STMV) - Underlying (Series 2017/2018A & B)	AA+	AA	Aa1
Venue Senior (Sales Tax/HOT/STMV) - Insurance (Series 2017/2018A & B)		AA	
Venue Subordinate (Sales Tax/HOT/STMV) - Underlying (Series 2018C)			Aa2
Venue Subordinate (Sales Tax/HOT/STMV) - Insurance (Series 2018C)		AA	
Stadium (Ticket and Parking Tax)*	NR	NR	NR
Ballpark (Ticket and Parking Tax)*	NR	NR	NR

^ Venue Senior Lien (Series 2017, 2018A & B) – Insured by Assured Guaranty (AG)

^ Venue Subordinate Lien (Series 2018C) – Insured by Build America Mutual Assurance Corp (BAM)

\* AMBAC insured / AMBAC no longer rated

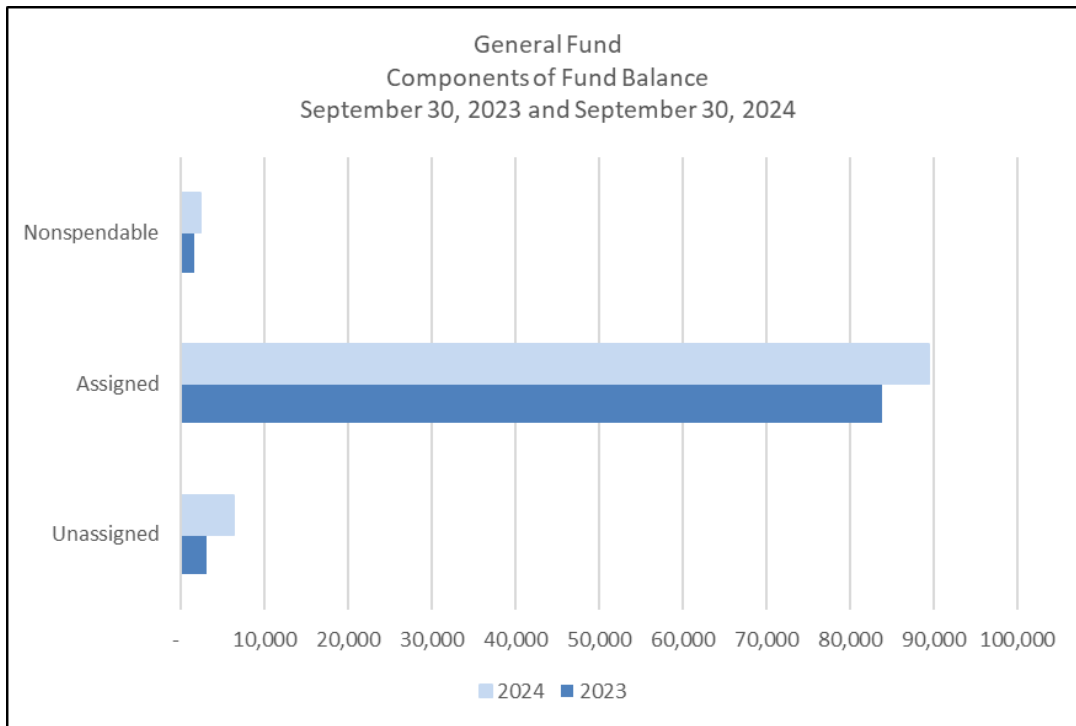
General bonded debt per capita increased from \$1,691 in 2023 to \$1,724 in 2024.

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 1.73%.

The City maintains a self-insurance program for bodily injury, property damage, personal injury, advertising injury, regulatory injury, and worker's compensation. Claims for worker's compensation over \$750,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors which can vary considerably from year to year. Total estimated claims liability on September 30, 2024 was \$11.4M.

## THE CITY'S FUNDS

The governmental funds of the City reported a combined fund balance of \$511.4M. The General Fund balance was \$97.8M, which changed \$11.3M from the previous year, primarily due to increased tax revenue. The Debt Service fund balance increased \$27.5M, ending the year with \$85.7M. The increase was a result of the reduced debt payments and increased sales taxes received during the fiscal year. Other changes in fund balances noted include:



- Street Capital Projects fund balance increased in fiscal year 2024, up from \$113M to \$137.6M.
- The City's water and sewer fund net position of \$858.9M increased by \$33M in the current year. The increase in net position is primarily due to operating revenues exceeding expenses by \$60.7M, capital contributions of \$6.7M and net transfers out of \$46.1M.
- The Storm Water Utility fund saw an increase of \$20.1M to net position in 2024. Storm water fee revenues exceeded fund expenses by \$18.6M and transfers out of \$3.2M were completed, increasing net position to \$195.8M at the end of the fiscal year.
- In 2024, the City entered an agreement with GKY Realty, Ltd. and Harrison Aviation, Ltd. to dissolve the FBO lease arrangement previously in effect, effective April 1, 2024, making the City the sole operator of Arlington Municipal Airport. The City owns most of the land, buildings, and hangars at the Airport and paid \$14 million for additional assets. Prior to this agreement, the Operators managed the Airport under a separate agreement with the City. As part of the new deal, the City also purchased business property from Harrison for \$3 million. Several subleases previously held by GKY were assigned to the City. During 2024, the City created the enterprise Aviation fund to account for the activity and operations of the Airport.

## GENERAL FUND BUDGET HIGHLIGHTS

During fiscal year 2024 there were two amendments to the general fund operating budget. The first, decreased expenditures by \$1.2M, increased expenditures by \$1M to support relocation expenses and lease payments, and decreased budgeted revenues by \$1.4M due to the creation of the enterprise Aviation Fund. The second, increased expenditures and revenues each by \$227,967 for building management and rental revenue related to new lease agreements for 401, 501, and 601 Sanford Street.

Actual expenditures on a budgetary basis of \$347.7M were less than budgeted expenditures of \$361.9M. Revenues on a budgetary basis were less than the budgeted amount of \$353.1M by \$1.5M. Taxes, licenses and permits, and other revenues were lower than budgeted and are attributable to the variance.

#### **ECONOMIC FACTORS AND FISCAL YEAR 2024**

Each year, the City Council identifies community priorities that guide how to allocate the City's resources. The annual Budget and Business Plan are developed to address the City Council's adopted priorities. Economic development continues to be a priority to capitalize on development throughout the region. The City must continue to look for ways to innovate, provide the highest value possible to residents, respond to challenges, and plan. The 2025 Budget also focuses on public safety funding, opening, and maintaining City facilities. General Fund property tax revenues are budgeted at \$152M and sales taxes increased to \$97.2M. Key budget priorities in 2025 are:

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

The City's total General Fund revenues and transfers for 2025 are budgeted at \$336.7M, and total General Fund expenditures are expected to be \$335.5M, an increase of \$13.1M over 2024.

The General Fund's largest single revenue source is property taxes. This revenue represents 46.7% of the General Fund budget. The property tax rate for 2025 is \$0.5998 per \$100 valuation. The tax rate is split out into two categories, operations, and maintenance, \$0.4146 per \$100 valuation, to the General Fund, and interest and sinking, \$0.1852 per \$100 valuation, for debt service. The General Fund property tax revenue for 2025 is estimated to be \$152M, up \$7.2M (1.05%) from last year's estimate.

The City's portion of the local 8.25 cent sales tax rate is two cents. The General Fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, one-quarter cent is dedicated to funding the City's Economic Development Corporation, and one-half cent provides for debt service for venue debt. Sales tax revenue for the General Fund for fiscal year 2025 is estimated at \$97.2M, an increase of \$4.1M from 2024 estimates.

The City's Water and Sewer Fund accounts for approximately 28.8% 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 \$100.8M and \$93M respectively for FY 2025. 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 2025 Operating Budget can be accessed on the City's website: <http://www.arlington-tx.gov/budget/>.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances and to show the City's fiscal accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Amy Mapes, Controller ([amy.mapes@arlingtontx.gov](mailto:amy.mapes@arlingtontx.gov)), in the Finance Department, at the City of Arlington, 500 E. Border St., 11th Floor, Arlington, TX 76010. The City is also an active member of MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington ACFR on file. Additionally, the ACFR can be found on the City's website at <http://www.arlington-tx.gov/finance/financial-reports/>.



**CITY OF ARLINGTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 514,334	\$ 69,428	\$ 583,762	\$ 95,528
Investments	-	-	-	91,892
Land held for resale	7,653	-	7,653	-
Receivables (net of allowance for uncollectibles):				
Taxes	8,139	-	8,139	-
Sales taxes	27,904	-	27,904	3,986
Trade accounts	-	16,490	16,490	-
Franchise fees	5,406	-	5,406	-
Unbilled trade accounts	-	14,138	14,138	-
Special assessments	122	-	122	-
Accrued interest	5,575	174	5,749	233
Lease	85,190	2,757	87,947	-
PPP receivable	58,133	-	58,133	-
Other	16,924	698	17,622	1,622
Internal balances	5,634	(5,634)	-	-
Due from component units	489	-	489	-
Due from other governments	13,251	-	13,251	-
Inventory of supplies	2,455	4,681	7,136	-
Prepaid expenses	124	-	124	370
Net pension asset	671	-	671	-
Net OPEB asset	186	-	186	-
Restricted assets-				
Bond contingency-				
Investments	-	32,350	32,350	-
Capital construction-				
Capital Investments	-	226,426	226,426	-
Escrow	-	14,530	14,530	-
Meter deposits-				
Investments	-	9,728	9,728	-
Capital and Lease Assets-				
Land	289,306	29,916	319,222	10,500
Buildings and improvements	2,663,971	64,282	2,728,253	934
Water and sewer system	-	1,182,819	1,182,819	-
Machinery and equipment	167,625	13,960	181,585	6,753
Infrastructure	1,129,939	-	1,129,939	-
Lease and SBITA assets	16,060	583	16,643	-
PPP Asset	207,446	-	207,446	-
Drainage systems	-	172,160	172,160	-
Construction in progress	214,445	235,117	449,562	-
Accumulated depreciation/amortization	(1,632,656)	(562,996)	(2,195,652)	(1,907)
<b>Total Assets</b>	<b>3,808,326</b>	<b>1,521,607</b>	<b>5,329,933</b>	<b>209,911</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on debt refunding	6,627	379	7,006	-
Pension items	74,968	4,672	79,640	-
OPEB items	14,458	884	15,342	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>3,904,379</b>	<b>1,527,542</b>	<b>5,431,921</b>	<b>209,911</b>

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, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	46,125	8,407	54,532	5,009
Unearned revenue	8,171	286	8,457	4,418
Retainage payable	6,441	-	6,441	-
Accrued interest	6,245	-	6,245	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	9,814	9,814	-
Retainage payable	-	5,996	5,996	-
Accrued interest	-	3,535	3,535	-
Meter deposits	-	9,728	9,728	-
Noncurrent liabilities:				
Due within one year:				
Estimated claims payable	5,822	-	5,822	-
General obligation and certificates	53,465	-	53,465	-
Special tax revenue debt	9,270	-	9,270	-
Accrued compensated absences	1,689	203	1,892	3
Revenue bonds	-	28,985	28,985	-
Leases and SBITA payable	3,901	392	4,293	-
Due in more than one year:				
Estimated claims payable	5,620	-	5,620	-
Rebatable arbitrage payable	2,114	318	2,432	-
Total other postemployment benefit liability	99,903	6,945	106,848	-
General obligation and certificates	657,868	-	657,868	-
Special tax revenue debt	506,448	-	506,448	-
Estimated pollution remediation	38	-	38	-
Accrued compensated absences	38,144	2,705	40,849	283
Revenue bonds	-	357,682	357,682	-
Net pension liability	42,057	2,924	44,981	-
Leases and SBITA payable	6,543	-	6,543	-
<b>Total Liabilities</b>	<b>1,499,864</b>	<b>437,920</b>	<b>1,937,784</b>	<b>9,713</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension items	7,590	-	7,590	-
OPEB items	28,075	1,842	29,917	-
PPP related	261,401	-	261,401	-
Leases related	83,355	2,710	86,065	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,880,285</b>	<b>442,472</b>	<b>2,322,757</b>	<b>9,713</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,998,472	845,640	2,844,112	10,564
Restricted for debt service	85,698	53,638	139,336	-
Restricted for special revenue	59,237	-	59,237	-
Restricted for use of impact fees	17,114	-	17,114	-
Restricted for net pension asset	671	-	671	-
Restricted for net OPEB asset	186	-	186	-
Restricted for housing assistance	-	-	-	142
Restricted for Arlington Economic Development	-	-	-	67,826
Unrestricted (deficit)	(137,284)	185,792	48,508	121,666
<b>Total Net Position</b>	<b>\$ 2,024,094</b>	<b>\$ 1,085,070</b>	<b>\$ 3,109,164</b>	<b>\$ 200,198</b>

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

CITY OF ARLINGTON, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2024  
(AMOUNTS EXPRESSED IN THOUSANDS)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 134,010	\$ 27,710	\$ 486	\$ -	\$ (105,814)	\$ -	\$ (105,814)	\$ -
Public safety	230,108	10,343	9,151	-	(210,614)	-	(210,614)	-
Public works	90,291	2,153	-	2,000	(86,138)	-	(86,138)	-
Public health	4,546	5,296	-	-	750	-	750	-
Parks and recreation	46,366	20,813	424	250	(24,879)	-	(24,879)	-
Public welfare	16,468	302	27,099	-	10,933	-	10,933	-
Convention and event services	22,155	4,868	-	-	(17,287)	-	(17,287)	-
Interest	38,217	-	-	-	(38,217)	-	(38,217)	-
<b>Total Governmental Activities</b>	<b>582,161</b>	<b>71,485</b>	<b>37,160</b>	<b>2,250</b>	<b>(471,266)</b>	<b>-</b>	<b>(471,266)</b>	<b>-</b>
<b>Business-Type Activities:</b>								
Water and sewer	143,308	196,590	-	6,713	-	59,995	59,995	-
Storm water utility	11,091	27,838	-	-	-	16,747	16,747	-
Aviation	9,039	5,327	-	-	-	(3,712)	(3,712)	-
<b>Total Business-Type Activities</b>	<b>163,438</b>	<b>229,755</b>	<b>-</b>	<b>6,713</b>	<b>-</b>	<b>73,030</b>	<b>73,030</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 745,599</b>	<b>\$ 301,240</b>	<b>\$ 37,160</b>	<b>\$ 8,963</b>	<b>\$ (471,266)</b>	<b>\$ 73,030</b>	<b>\$ (398,236)</b>	<b>\$ -</b>
<b>Component Units:</b>								
Arlington Housing Authority	\$ 52,290	\$ -	\$ 52,309	\$ -	\$ -	\$ -	\$ -	\$ 19
Arlington Convention and Visitors Bureau	12,696	7,250	5,242	-	-	-	-	(204)
Arlington Tomorrow Foundation	8,804	-	-	-	-	-	-	(8,804)
Arlington Housing Finance Corporation	622	368	-	-	-	-	-	(254)
Arlington Tourism Public Improvement District	3,728	3,737	-	-	-	-	-	9
Arlington Convention Center Development Corp	72	68	-	-	-	-	-	(4)
Arlington Economic Development Corp	14,726	24,555	-	-	-	-	-	9,829
<b>Total Component Units</b>	<b>\$ 92,938</b>	<b>\$ 35,978</b>	<b>\$ 57,551</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 591</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes					224,172	-	224,172	-
Sales taxes					165,531	-	165,531	-
Criminal justice tax					218	-	218	-
State liquor tax					2,777	-	2,777	-
Bingo tax					103	-	103	-
TIF/TIRZ					1,133	-	1,133	-
Occupancy tax					15,477	-	15,477	-
Franchise fee based on gross receipts					22,205	-	22,205	-
Intergovernmental revenues					-	3,500	3,500	-
Interest/Dividend revenue					23,233	15,162	38,395	5,923
Net increase (decrease) in fair value of investments					8,071	7,500	15,571	15,616
Other					12,949	-	12,949	15,440
Transfers					36,801	(36,801)	-	-
<b>Total General Revenues and Transfers</b>					<b>512,670</b>	<b>(10,639)</b>	<b>502,031</b>	<b>36,979</b>
<b>Changes in Net Position</b>					<b>41,404</b>	<b>62,391</b>	<b>103,795</b>	<b>37,570</b>
<b>Net Position - Beginning, Restated (See Note I.R.)</b>					<b>1,982,690</b>	<b>1,022,679</b>	<b>3,005,369</b>	<b>162,628</b>
<b>Net Position - Ending</b>					<b>\$ 2,024,094</b>	<b>\$ 1,085,070</b>	<b>\$ 3,109,164</b>	<b>\$ 200,198</b>

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

**CITY OF ARLINGTON, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AS OF SEPTEMBER 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	General	Debt Service	Streets Capital Projects	Convention and Event Services	Other Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 62,739	\$ 76,921	\$ 146,031	\$ 5,274	\$ 193,032	\$ 483,997
Land held for resale	-	-	-	-	7,653	7,653
Receivables (net of allowance for uncollectibles)						
Taxes	5,632	553	-	1,954	-	8,139
Sales taxes	15,945	7,973	-	-	3,986	27,904
Franchise fees	5,406	-	-	-	-	5,406
Special assessments	-	-	122	-	-	122
Accrued interest	5,221	288	-	49	-	5,558
Lease agreements	57,212	-	-	27,713	265	85,190
PPP receivable	58,133	-	-	-	-	58,133
Other	12,524	85	2	431	3,447	16,489
Due from component units	489	-	-	-	-	489
Due from other funds	10,015	-	-	-	-	10,015
Due from other governments	-	-	-	-	13,251	13,251
Prepaid Expenditures	124	-	-	-	-	124
Inventory of supplies, at cost	2,248	-	-	-	207	2,455
<b>Total Assets</b>	<b>\$ 235,688</b>	<b>\$ 85,820</b>	<b>\$ 146,155</b>	<b>\$ 35,421</b>	<b>\$ 221,841</b>	<b>\$ 724,925</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 17,223	\$ 2	\$ 5,907	\$ 172	\$ 19,650	\$ 42,954
Retainage payable	-	-	2,534	-	3,907	6,441
Unearned revenue	2,071	120	122	637	5,221	8,171
Due to other funds	-	-	-	-	10,015	10,015
<b>Total Liabilities</b>	<b>19,294</b>	<b>122</b>	<b>8,563</b>	<b>809</b>	<b>38,793</b>	<b>67,581</b>
<b>Deferred Inflows of Resources;</b>						
Taxes	4,858	-	-	-	-	4,858
Landfill	1,722	-	-	-	-	1,722
Lease agreements	55,953	-	-	27,212	190	83,355
PPP agreements	56,029	-	-	-	-	56,029
<b>Total Deferred Inflows of Resources</b>	<b>118,562</b>	<b>-</b>	<b>-</b>	<b>27,212</b>	<b>190</b>	<b>145,964</b>
<b>Fund Balances:</b>						
Nonspendable:						
Inventory	2,248	-	-	-	207	2,455
Prepaid items	124	-	-	-	-	124
Restricted for:						
Debt Service	-	85,698	-	-	-	85,698
Capital projects	-	-	137,592	-	102,891	240,483
Special revenue	-	-	-	-	59,237	59,237
Committed to:						
Capital projects	-	-	-	-	6,774	6,774
Special revenue	-	-	-	-	10,750	10,750
Assigned to:						
Working capital	29,887	-	-	-	-	29,887
Subsequent years' expenditures	21,063	-	-	-	-	21,063
Compensated absences	1,675	-	-	-	-	1,675
Other post employment benefits	1,718	-	-	-	-	1,718
Future initiatives	17,151	-	-	-	-	17,151
Dispatch	1,332	-	-	-	-	1,332
Information technology	4,212	-	-	-	-	4,212
Business Continuity	4,062	-	-	-	-	4,062
Park performance	-	-	-	-	2,181	2,181
Event Reserve Trust Fund	8,350	-	-	-	-	8,350
Special revenue	-	-	-	7,400	818	8,218
Unassigned	6,010	-	-	-	-	6,010
<b>Total fund balances</b>	<b>97,832</b>	<b>85,698</b>	<b>137,592</b>	<b>7,400</b>	<b>182,858</b>	<b>511,380</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 235,688</b>	<b>\$ 85,820</b>	<b>\$ 146,155</b>	<b>\$ 35,421</b>	<b>\$ 221,841</b>	<b>\$ 724,925</b>

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



**CITY OF ARLINGTON, TEXAS  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION OF GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2024  
(AMOUNTS EXPRESSED IN THOUSANDS)**

**Total fund balances per balance sheet** \$ 511,380

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

Capital, lease, SBITA, and PPP assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding \$22,025 recorded in the internal service funds). 3,034,112

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

Taxes 4,858

Internal service funds are used by management to charge the cost of fleet services, knowledge services, risk management, workers' compensation and group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 45,557

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

Bonds payable	\$	(1,152,995)	
Premium on bonds		(75,738)	
Discount on bonds		1,681	
Deferred outflow of resources (refunding)		6,627	
Accrued interest payable		(6,245)	
Estimated pollution remediation		(38)	
Compensated absences		(39,833)	
Lease and SBITA		(10,444)	
Rebatable arbitrage payable		(2,114)	
Pension:			
Net pension asset (liability)	\$	(41,386)	
Deferred inflow/outflow-actuarial gain,			
assumption changes and contributions		67,378	25,992
Other Post Employment Benefits (OPEB)			
Total OPEB liability		(99,717)	
Deferred inflow/outflow-actuarial gain,			
assumption changes and contributions		(13,617)	(113,334)
Deferred inflow of resources (PPP)		(205,372)	(1,571,813)

**Net position of governmental activities** \$ 2,024,094

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, 2024  
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Convention and Event Services	Other Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 234,944	\$ 123,356	\$ -	\$ 11,504	\$ 39,731	\$ 409,535
Licenses and permits	10,168	-	-	-	-	10,168
Utility franchise fees	22,205	-	-	-	-	22,205
Fines and forfeitures	5,918	-	-	-	-	5,918
Leases, rents and concessions	13,417	-	-	3,181	10	16,608
Service charges	10,208	-	1,297	1,687	23,273	36,465
Interest revenue	5,337	4,451	5,188	100	7,396	22,472
Net increase (decrease) in fair value of investments	949	11	2,887	31	3,676	7,554
Contributions	-	-	2,000	-	950	2,950
Intergovernmental revenues	426	60	-	-	35,974	36,460
Gas lease royalty	-	-	-	-	2,278	2,278
Other	41	-	-	351	11,081	11,473
<b>Total Revenues</b>	<b>303,613</b>	<b>127,878</b>	<b>11,372</b>	<b>16,854</b>	<b>124,369</b>	<b>584,086</b>
<b>EXPENDITURES</b>						
Current-						
General government	65,431	-	-	-	6,396	71,827
Public safety	193,488	-	-	-	28,835	222,323
Public works	26,864	-	-	-	44,716	71,580
Public health	2,841	-	-	-	1,617	4,458
Public welfare	-	-	-	-	16,398	16,398
Parks and recreation	18,605	-	-	-	18,471	37,076
Convention and event services	-	-	-	15,263	6,862	22,125
Capital outlay	-	-	48,367	-	48,401	96,768
Debt service-						
Principal retirement	-	67,367	-	-	-	67,367
Interest and fiscal charges	-	46,136	-	-	-	46,136
<b>Total Expenditures</b>	<b>307,229</b>	<b>113,503</b>	<b>48,367</b>	<b>15,263</b>	<b>171,696</b>	<b>656,058</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(3,616)</b>	<b>14,375</b>	<b>(36,995)</b>	<b>1,591</b>	<b>(47,327)</b>	<b>(71,972)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of bonds	-	-	57,051	-	18,798	75,849
Refunded bond principal	-	7,685	-	-	-	7,685
Bond premium	-	1,624	4,874	-	1,607	8,105
Transfers in	38,114	3,817	958	3,306	31,292	77,487
Transfers out	(23,204)	-	(1,319)	(3,347)	(24,425)	(52,295)
<b>Total Other Financing Sources (Uses)</b>	<b>14,910</b>	<b>13,126</b>	<b>61,564</b>	<b>(41)</b>	<b>27,272</b>	<b>116,831</b>
<b>Net Change in Fund Balances</b>	<b>11,294</b>	<b>27,501</b>	<b>24,569</b>	<b>1,550</b>	<b>(20,055)</b>	<b>44,859</b>
<b>Fund Balances, October 1, Restated (See Note I.R.)</b>	<b>86,538</b>	<b>58,197</b>	<b>113,023</b>	<b>5,850</b>	<b>202,913</b>	<b>466,521</b>
<b>Fund Balances, September 30</b>	<b>\$ 97,832</b>	<b>\$ 85,698</b>	<b>\$ 137,592</b>	<b>\$ 7,400</b>	<b>\$ 182,858</b>	<b>\$ 511,380</b>

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, 2024  
(AMOUNTS EXPRESSED IN THOUSANDS)**

**Net change in fund balances - total governmental funds** **\$ 44,859**

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. 111,600

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. (88,264)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 946

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of certificates of obligation	(83,535)	
Repayment of general obligation debt	67,275	
Proceeds from issuance of bonds - premiums	(8,104)	
Amortization of bond premium, deferred loss	7,788	
		(16,576)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Current year changes in:

Compensated absences	(18,592)	
Accrued interest expense	(289)	
Estimated pollution remediation	(3)	
Net pension asset (liability)	(4,365)	
Net OPEB liability	978	
Arbitrage liability	(2,114)	
Estimated settlement	1,900	
		(22,485)

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. 11,324

**Change in net position of governmental activities** **\$ 41,404**

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

CITY OF ARLINGTON, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2024  
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Storm Water Utility	Aviation - Non Major	Total	
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalent investments	\$ 52,239	\$ 14,121	\$ 3,068	\$ 69,428	\$ 30,337
Receivables (net of allowances for uncollectibles):					
Trade accounts	13,399	2,868	223	16,490	-
Accrued interest	151	-	23	174	17
Unbilled trade accounts	12,884	1,254	-	14,138	-
Leases receivable	2,722	-	35	2,757	-
Other	462	-	236	698	435
Inventory of supplies, at cost	4,681	-	-	4,681	-
Subtotal	86,538	18,243	3,585	108,366	30,789
Restricted Assets:					
Bond contingency-cash and cash-like investments	18,117	1,332	-	19,449	-
Capital construction-cash and cash-like investments	85,187	29,181	-	114,368	-
<b>Total Current Assets</b>	<b>189,842</b>	<b>48,756</b>	<b>3,585</b>	<b>242,183</b>	<b>30,789</b>
<b>Noncurrent Assets:</b>					
Restricted Assets:					
Bond contingency-					
Investments	11,595	1,306	-	12,901	-
Capital construction-					
Investments	83,467	28,591	-	112,058	-
Escrow	14,530	-	-	14,530	-
Meter deposit investments	9,728	-	-	9,728	-
Capital Assets:					
Land	7,956	15,828	6,132	29,916	-
Buildings and improvements	9,261	-	55,021	64,282	467
Water and sewer system	1,182,819	-	-	1,182,819	-
Machinery and equipment	13,706	23	231	13,960	67,327
Drainage system	-	172,160	-	172,160	-
Right to use asset - SBITA	522	61	-	583	-
Construction-in-progress	171,733	61,694	1,690	235,117	-
Accumulated depreciation and amortization	(471,759)	(61,712)	(29,525)	(562,996)	(45,769)
Total Capital Assets Net of Accumulated Depreciation and Amortization	914,238	188,054	33,549	1,135,841	22,025
<b>Total Noncurrent Assets</b>	<b>1,033,558</b>	<b>217,951</b>	<b>33,549</b>	<b>1,285,058</b>	<b>22,025</b>
<b>Total Assets</b>	<b>1,223,400</b>	<b>266,707</b>	<b>37,134</b>	<b>1,527,241</b>	<b>52,814</b>
<b>Deferred Outflows of Resources:</b>					
Deferred charges on debt refunding	243	136	-	379	-
Pension items	4,672	-	-	4,672	-
OPEB items	884	-	-	884	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,229,199</b>	<b>\$ 266,843</b>	<b>\$ 37,134</b>	<b>\$ 1,533,176</b>	<b>\$ 52,814</b>

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

(continued)

CITY OF ARLINGTON, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2024  
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Storm Water Utility	Aviation - Non Major	Total	
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 7,086	\$ 625	\$ 696	\$ 8,407	\$ 1,449
Accrued compensated absences	174	29	-	203	-
Revenue bonds payable from unrestricted assets	6,323	4,545	286	11,154	-
<b>Current Liabilities Payable From Restricted Assets:</b>					
Accounts payable and accrued liabilities	6,151	3,663	-	9,814	-
Retainage payable	5,284	712	-	5,996	-
Accrued interest	2,970	565	-	3,535	-
Estimated claims payable	-	-	-	-	5,822
Revenue bonds payable from restricted assets	18,117	-	-	18,117	-
Meter deposits	9,728	-	-	9,728	-
<b>Total Current Liabilities</b>	<u>55,833</u>	<u>10,139</u>	<u>982</u>	<u>66,954</u>	<u>7,271</u>
<b>Noncurrent Liabilities:</b>					
Estimated claims payable	-	-	-	-	5,618
Rebatable arbitrage payable	101	217	-	318	-
Compensated absences	2,241	382	82	2,705	13
Revenue bonds payable from unrestricted assets	297,416	60,266	-	357,682	-
Net pension liability	2,924	-	-	2,924	-
SBITA lease liability	351	41	-	392	-
OPEB liability	6,945	-	-	6,945	-
<b>Total Noncurrent Liabilities</b>	<u>309,978</u>	<u>60,906</u>	<u>82</u>	<u>370,966</u>	<u>5,631</u>
<b>Total Liabilities</b>	<u>365,811</u>	<u>71,045</u>	<u>1,064</u>	<u>437,920</u>	<u>12,902</u>
<b>Deferred Inflows of Resources:</b>					
Lease related	2,675	-	35	2,710	-
OPEB items	1,842	-	-	1,842	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>370,328</u>	<u>71,045</u>	<u>1,099</u>	<u>442,472</u>	<u>12,902</u>
<b>NET POSITION</b>					
Net investment in capital assets	659,904	152,187	33,549	845,640	22,025
Restricted for debt service	51,000	2,638	-	53,638	-
Unrestricted	147,967	40,973	2,486	191,426	17,887
<b>Total Net Position</b>	<u>\$ 858,871</u>	<u>\$ 195,798</u>	<u>\$ 36,035</u>	<u>1,090,704</u>	<u>\$ 39,912</u>
Reconciliation to government-wide statements of net position:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(5,634)	
Net position of business-type activities				<u>\$ 1,085,070</u>	

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

CITY OF ARLINGTON, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024  
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Aviation - Non Major	Total	
<b>Operating Revenues:</b>					
Water sales	\$ 97,257	\$ -	\$ -	\$ 97,257	\$ -
Sewer service	86,105	-	-	86,105	-
Storm water fee - commercial	-	12,431	-	12,431	-
Storm water fee - residential	-	13,266	-	13,266	-
FBO fuel	-	-	2,904	2,904	-
Rents and royalties	-	-	2,017	2,017	-
Service charges	-	-	-	-	48,158
Sundry	13,228	2,141	3,906	19,275	-
<b>Total Operating Revenues</b>	<b>196,590</b>	<b>27,838</b>	<b>8,827</b>	<b>233,255</b>	<b>48,158</b>
<b>Operating Expenses:</b>					
Purchase of water	22,686	-	-	22,686	-
Purchase of sewage treatment	46,377	-	-	46,377	-
Purchase of fuel	-	-	2,161	2,161	2,673
Salaries and wages	18,114	2,937	1,203	22,254	171
Benefits	5,199	837	353	6,389	25
Operations and maintenance	19,922	2,071	3,895	25,888	4,757
Claims (net of adjustments)	-	-	-	-	38,144
Depreciation	23,100	3,381	1,427	27,908	4,731
Miscellaneous services	451	-	-	451	-
<b>Total Operating Expenses</b>	<b>135,849</b>	<b>9,226</b>	<b>9,039</b>	<b>154,114</b>	<b>50,501</b>
<b>Operating Income (Loss)</b>	<b>60,741</b>	<b>18,612</b>	<b>(212)</b>	<b>79,141</b>	<b>(2,343)</b>
<b>Nonoperating Revenues (Expenses):</b>					
Interest revenue	12,626	2,352	184	15,162	780
Net increase in the fair value of investments	5,991	1,395	114	7,500	517
Gain on sale of assets	-	-	-	-	435
Interest expense and fiscal charges	(7,133)	(1,865)	-	(8,998)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>11,484</b>	<b>1,882</b>	<b>298</b>	<b>13,664</b>	<b>1,732</b>
Income (loss) before transfers and contributions	72,225	20,494	86	92,805	(611)
Contributions in aid of construction	6,713	-	-	6,713	-
Transfers in	170	2,800	10,588	13,558	11,609
Transfers out	(46,070)	(3,207)	(1,082)	(50,359)	-
<b>Change in Net Position</b>	<b>33,038</b>	<b>20,087</b>	<b>9,592</b>	<b>62,717</b>	<b>10,998</b>
<b>Total Net Position, October 1*</b>	<b>825,833</b>	<b>175,711</b>	<b>26,443</b>	<b>1,027,987</b>	<b>28,914</b>
<b>Total Net Position, September 30</b>	<b>\$ 858,871</b>	<b>\$ 195,798</b>	<b>\$ 36,035</b>	<b>\$ 1,090,704</b>	<b>\$ 39,912</b>
Net change in net position - total enterprise funds				\$ 62,717	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(326)	
Change in net position of business-type activities				<b>\$ 62,391</b>	

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

\* Aviation restated beginning balance (See Note I.R.).

**CITY OF ARLINGTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Aviation Nonmajor	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 194,487	\$ 26,488	\$ 8,333	\$ 229,308	\$ 48,098
Cash payments to suppliers	(87,929)	(1,740)	(5,073)	(94,742)	(43,486)
Cash payments to employees	(21,854)	(3,234)	(1,501)	(26,589)	(183)
<b>Net Cash Provided By Operating Activities</b>	<b>84,704</b>	<b>21,514</b>	<b>1,759</b>	<b>107,977</b>	<b>4,429</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in	170	2,800	10,588	13,558	11,609
Transfers out	(46,070)	(3,207)	(1,082)	(50,359)	-
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<b>(45,900)</b>	<b>(407)</b>	<b>9,506</b>	<b>(36,801)</b>	<b>11,609</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(55,445)	(18,283)	(15,128)	(88,856)	(12,133)
Increase/Decrease in escrow balance	11,844	-	-	11,844	-
Proceeds from sales of capital assets	-	-	-	-	544
Proceeds from issuance of long-term debt	30,045	10,191	-	40,236	-
Repayment of long-term debt	(25,150)	(4,115)	-	(29,265)	-
Interest payment long-term debt	(8,851)	(1,745)	-	(10,596)	-
<b>Net Cash Provided By Capital Related Financing Activities</b>	<b>(47,557)</b>	<b>(13,952)</b>	<b>(15,128)</b>	<b>(76,637)</b>	<b>(11,589)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from interest earnings	12,514	2,352	275	15,141	768
Purchase of investments	(140,518)	(36,263)	-	(176,781)	-
Maturities/sales of investments	167,023	48,529	-	215,552	-
<b>Net Cash Provided By Investing Activities</b>	<b>39,019</b>	<b>14,618</b>	<b>275</b>	<b>53,912</b>	<b>768</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>30,266</b>	<b>21,773</b>	<b>(3,588)</b>	<b>48,451</b>	<b>5,734</b>
<b>Cash and cash equivalents, October 1</b>	<b>125,277</b>	<b>22,861</b>	<b>6,656</b>	<b>154,794</b>	<b>24,603</b>
<b>Cash and cash equivalents, September 30</b>	<b>\$ 155,543</b>	<b>\$ 44,634</b>	<b>\$ 3,068</b>	<b>\$ 203,245</b>	<b>\$ 30,337</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 60,741	\$ 18,612	\$ (212)	\$ 79,141	\$ (2,343)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	23,100	3,381	1,427	27,908	4,731
Amortization of bond premium	2,594	431	-	3,025	-
Amortization of deferred loss on bond refunding	(91)	(20)	-	(111)	-
Provision for bad debts	3	46	-	49	-
(Increase) decrease in-					
Receivables	(2,106)	(1,349)	(492)	(3,947)	(61)
Inventory of supplies	(1,957)	-	-	(1,957)	-
Prepaid expenses	-	-	-	-	-
Increase (decrease) in-					
Accounts payable and accrued liabilities	(477)	(220)	981	284	537
Net pension/OPEB liability	562	61	35	658	-
Estimated claims payable	-	-	-	-	1,552
Retainage payable	696	339	-	1,035	-
Meter deposits	375	-	-	375	-
Accrued compensated absences	1,264	233	20	1,517	13
Total adjustments	23,963	2,902	1,971	28,836	6,772
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 84,704</b>	<b>\$ 21,514</b>	<b>\$ 1,759</b>	<b>\$ 107,977</b>	<b>\$ 4,429</b>
<b>Noncash investing, capital, and financing activities:</b>					
Contributions of capital assets from developers	6,713	-	-	6,713	-

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

**CITY OF ARLINGTON, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**AS OF SEPTEMBER 30, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Custodial Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 3,665
Investments		
Money market fund	352	-
Corporate bonds	2,529	-
Fixed income mutual bond funds	843	-
Common stock mutual bond funds	904	-
Total Investments	4,628	-
<b>Total Assets</b>	<b>\$ 4,628</b>	<b>\$ 3,665</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ -	\$ -
Restricted for individuals, organizations, and other governments	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>		
Restricted for pensions	3,393	-
Restricted for OPEB	1,235	-
Restricted for individuals, organizations, and other governments	-	3,665
<b>Total Net Position</b>	<b>\$ 4,628</b>	<b>\$ 3,665</b>

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, 2024**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Custodial Funds</b>
<b>ADDITIONS</b>		
Employer contributions	\$ 140	\$ -
Employee contributions	279	-
Net change in fair value of investments	672	-
Other additions (deductions)	-	12,903
Seizures	-	32
<b>Total Additions</b>	<b>1,091</b>	<b>12,935</b>
<b>DEDUCTIONS</b>		
Benefits	793	-
Plan administration	98	-
Other deductions	-	12,419
<b>Total Deductions</b>	<b>891</b>	<b>12,419</b>
<b>Increase (Decrease) in Net Position</b>	<b>200</b>	<b>516</b>
<b>Net Position, October 1</b>	<b>4,428</b>	<b>3,149</b>
<b>Net Position, September 30</b>	<b>\$ 4,628</b>	<b>\$ 3,665</b>

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



**CITY OF ARLINGTON, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Arlington, Texas (the "City") was incorporated April 19, 1884 and the city charter was adopted January 17, 1920, under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Council Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and sewer utilities, and general administrative services.

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

**A. Financial Statement Presentation**

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

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

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

**B. Reporting Entity**

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

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 39, 61, 80, 84 and 90, defines component units as legally separate entities that meet any one of the following tests:

- The City appoints the voting majority of the board of the component unit and:
  - Is able to impose its will on the component unit and/or
  - Is in a relationship of financial benefit or burden with the component unit
- The component unit is both:
  - fiscally dependent upon the City, and
  - there is a financial benefit or burden.
- The financial statements of the City would be misleading if data from the component unit were omitted.

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

#### Arlington Housing Authority

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

#### Arlington Convention and Visitors Bureau, Inc.

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

#### Arlington Tomorrow Foundation

The Arlington Tomorrow Foundation (the "ATF") oversees an endowment fund with a corpus of \$114 million created by natural gas revenues to be used for the benefit of the Arlington community. The City Council acts as the board of directors. The ATF's management is designated by the City, and City employees are responsible for the daily activities of the ATF; accordingly, the City has financial accountability over ATF's activities. Separate ATF component unit financial statements are not prepared.

#### Arlington Housing Finance Corporation

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

#### Arlington Convention Center Development Corporation

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

#### Arlington Economic Development Corporation

The Arlington Economic Development Corporation (the "EDC") was formed in 2015 to create a vibrant, globally connected and innovative community that fosters equitable growth for all. The EDC recruits business and industry, helps local companies grow and generates quality job opportunities throughout the Arlington metro area. The EDC also seeks to attract and retain community business partners, businesses, and workforce members to invest and make their home in Arlington. The board of directors is made up of the seven members appointed by the Mayor and City Council. The EDC's management is designated by the City and City employees are responsible for the daily activities of the EDC; accordingly, the City has financial accountability over the EDC's activities. Separate Arlington Economic Development Corporation component unit financial statements are not prepared.

#### Arlington Tourism Public Improvement District

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

#### Fiduciary Component Units

##### Part-Time, Seasonal and Temporary Employees Deferred Income Plan

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

The City's Retirement Committee administers the PSTDIP. The City's Retirement Committee consists of an odd number of persons, but not less than three, that are determined and appointed by the City acting through City Council. The Committee includes the Director of Human Resources appointed as Chair, the Chief Financial Officer, and a representative of the City Manager's Office. The Committee meets on a quarterly basis and has final approval for all administrative actions.

PSTDIP issues stand-alone financial statements with a June 30 year-end that can be obtained from the City of Arlington at 500 E. Border Street, 11th Floor, Arlington, TX 76010.

##### Disability Income Plan (DIP)

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

The City provides active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income Plan which had been funded by actuarially determined contributions. This plan had been accounted for in the DIP fund.

Benefits to employees who were disabled while participating under the previous plan will continue to be paid from the remaining assets of the DIP fund, a fiduciary fund of the City.

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

### C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

#### D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers taxes and other revenue to be available if they are collected within 60 days of the end of the current fiscal period, while grants typically are received within 90 days. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when the liability has matured, and payment is due. General capital asset acquisition, including entering into contracts giving the City of Arlington the right to use leased and subscription assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

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

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

1. Governmental Funds:

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

Major Funds:

- a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City.
- b. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. Street Capital Projects Fund (capital projects fund) accounts for the purchase of rights of way and land, construction of streets and related facilities, and to account for various other projects related to street construction. Funds are provided primarily through bond sales, interest earnings, and impact fees.
- d. Convention and Event Services Fund accounts for the operations of the Convention Center.
- e. Other Governmental Funds is a summarization of all the nonmajor governmental funds, including capital project and special revenue funds.

2. Proprietary Funds:

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

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The City's Enterprise Funds are the Water and Sewer Utility Fund, Storm Water Utility Fund (both of which are major funds) and the Aviation fund, a nonmajor Enterprise fund created in FY24. The Water and Sewer Utility Fund accounts for the administration, operation and maintenance of the water and sewer utility system, as well as billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the Fund. The City's solid waste function is contracted out. The billings for this function are done by the City as a conduit for the contractor. The fee for this service is accounted for in the Water Utility Fund, while revenues from solid waste franchise fees and landfill royalties are accounted for in the General Fund. The Storm Water Utility Fund accounts for the design, construction and maintenance of the City's storm water drainage systems. The Aviation fund accounts for all airport related activities including fuel sales and various leases.

The City created an additional business-type, the Aviation Enterprise Fund, to report and manage the activities of the Arlington Municipal Airport and its related activities. This change resulted from moving existing balances and activities that were previously reported in the City's existing non-major governmental funds that will be in the new Aviation Enterprise Fund. These funds include a gas lease fund, an airport grants fund, an airport capital project fund, and an airport bond fund. The existing aviation-related assets which were previously reported as aviation assets used in Governmental Activities showed a net book value of \$19,288,121. These assets will be recognized in the Aviation Enterprise Fund as non-depreciable and depreciable assets, as appropriate, within the newly created Aviation Enterprise Fund.



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

### 3. Fiduciary Fund Types:

The City additionally reports the following fiduciary fund types:

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

### E. Cash, Cash Equivalents and Investments

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

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

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

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

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

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

F. Inventories and Prepaid Items

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

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

G. Capital, Lease, SBITA, and PPP Assets

Capital, lease, SBITA, and PPP assets purchased or acquired are carried at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a services concession agreement are recorded in accordance with GASB 94. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital, lease, SBITA, and PPP assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	45-50
Improvements Other than Buildings	20-40
Equipment	5-10
Right-to-Use Assets	5-20
Drainage Improvements	35-50
Meters	10
Streets	20-25
Storm/sanitary sewer	50
System infrastructure	20-50

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

H. Arbitrage Liability

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

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

Lessee

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

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

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

- The City of Arlington uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City of Arlington generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City of Arlington is reasonably certain to exercise.

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

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

#### Lessor

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

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

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

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

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

#### J. Pensions and Other Postemployment Benefits (OPEB)

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

recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from PSTDIP audited financial statements and TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*, as amended.

Beginning in fiscal year 2015, and in accordance with GASB 68 and 71, the City's net pension liability/asset is recorded on the face of the financial statements. The City elected to allocate the net pension liability/asset among governmental and business type activities based on measurement year contribution percentages. The City elected to absorb fund allocations of less than 1.25% of total contributions to Governmental activities. Component units' contributions total 1.08% 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 \$487.1K. Detailed pension information is discussed in footnote 6.

Beginning in fiscal year 2017, and in accordance with GASB 75, the City's net OPEB liability/asset is recorded on the face of the financial statements. The City elected to allocate the total or net OPEB liability/asset among governmental and business type activities based on measurement year contribution percentages. The City elected to absorb fund allocations of less than 1.25% of total contributions. Detailed OPEB information is discussed in footnote 7.

#### K. Compensated Absences

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

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

Accumulated vacation and sick leave are 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 payables are reported net of the applicable bond premium or discount.

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

M. Nature and Purpose of Classifications of Fund Equity

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

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

N. Minimum Fund Balance Policy

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

O. Net Position

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

P. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items that qualify for reporting in this

category. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension, OPEB related items, and leases related deferrals are reported in the government-wide statement of net position and in fund level statements.

Q. New Accounting Pronouncements

During fiscal year 2024, the City adopted the following Governmental Accounting Standards Board ("GASB") Statement:

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

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

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

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

Statement No. 102, *Certain Risk Disclosures*, is effective for the City beginning in fiscal year 2025. This statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. These concentrations and constraints limit a government's ability to acquire resources or control spending. The objective is to provide users with timely information with which to understand and anticipate certain risks to a government's financial condition.

Statement No. 103, *Financial reporting Model Improvements*, is effective for the City beginning in fiscal year 2026. The objective of this statement is to provide an easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. This objective is met by increasing the focus on the explanations of the reasons for changes from year to year in the government wide financial statements and fund financial statements.

Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for the City beginning in fiscal year 2026. The Statement is to provide essential information about certain types of capital assets to be disclosed separately in the capital asset note disclosures. This objective will require disclosure of the ending balance of capital assets held for sale, historical cost and accumulated depreciation by major class of asset and carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

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

R. Restatement – Change within Financial Reporting Entity

At the beginning of fiscal year 2024, the City created a new business-type enterprise fund, the Aviation Fund. The purpose of this fund is to present the financial activity and account for the City's operations and activities related to the City of Arlington Municipal Airport (the "Airport"). Previously, the City accounted for the Airport's operations and activities in Other Nonmajor Governmental Funds. In accordance with GASB Statement No. 100, the City has restated the beginning net position/fund balance for the fiscal year ended September 30, 2024 to reflect this change within the financial reporting entity, as follows (amounts in thousands):

	Other Nonmajor Governmental Funds		Government-Wide	
		Aviation Fund	Governmental Activities	Business-Type Activities
<b>Beginning Net Position/Fund Balance as previously reported</b>	\$ 209,569	\$ -	\$ 2,009,133	\$ 996,236
Creation of Aviation Fund	\$ (6,656)	\$ 6,656	\$ (26,443)	\$ 26,443
<b>Net Position/Fund Balance, as restated</b>	<u>\$ 202,913</u>	<u>\$ 6,656</u>	<u>\$ 1,982,690</u>	<u>\$ 1,022,679</u>

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis, except for encumbrances which are treated as expenditures on the budgetary basis and interdepartmental expenses which are eliminated. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The schedules comparing budget and actual amounts for these governmental funds include adjustments to those budgetary basis for the differences noted above and for certain other revenue and expenditure items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States.

Budgetary level of control is exercised at the fund level. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures of the General Fund, Debt Service Fund, and certain Special Revenue funds must be approved by the City Council.

During Fiscal Year 2024, there were two (2) amendments to the Operating Budget, one to establish the Aviation Fund as an Enterprise fund within the City's annual operating budget and to authorize a decrease in full-time staff positions in the General Fund, a decrease in General Fund expenditure appropriations, and establish authorized full-time staff positions, expenditure appropriations, and proposed revenues in the Aviation Fund. The amendment also included adding one (1) full-time position in the Fire Department and will increase General Fund's authorized appropriations to cover relocation expenses and lease payments for temporary space for City Staff while the City Office Tower is being renovated. The other amendment authorized an increase in appropriations in the General Fund for expenses associated with taking over management of the buildings located at 401, 501, 601 Sanford Street, Arlington, Texas, and increase appropriations in the Street Maintenance Fund to provide additional resources for contracted street maintenance.

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

accounting for both budgetary purposes and actual results with the following exceptions:

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

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

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

General Fund	Street Capital Projects Fund	Convention & Event Services	Nonmajor Funds	Total
\$ 10,249	\$ 56	\$ 183	\$ 62,733	\$ 73,221

#### **B. Excess of expenditures over appropriations**

For the year ended September 30, 2024, there were no expenditures exceeding budget in the aggregate.

#### **C. Deficit fund equity**

There were no funds with a deficit fund balance as of September 30, 2024.

### **III. DETAILED NOTES ON ALL FUNDS**

#### **1. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Deposits - At September 30, 2024, the carrying amount of the City's demand deposits was \$3,779,377 (bank balance, \$4,834,408). The balance in cash on hand was \$36,265 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](http://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 \$514,334, Business-type Activities \$337,932, Custodial Funds \$3,665, Pension Trust Investment Funds \$4,628.

As of September 30, 2024, the City had the following investments (amounts in thousands):



<b>Cash, Cash-Like Investments</b>	<b>Fair Value</b>	<b>Avg Maturity (in days)</b>	<b>Credit Risk</b>
Treasury	3,109	506	AA+
Agency	593,638	501	AAA
Pools	160,484	1	AAA
Non-Texas Municipal	22,233	522	AA+
Certificates of Deposit	9,002	15	AAA
Money Market Fund	68,279	1	AAA
	<u>\$ 856,744</u>		

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum maturity of any single investment and the weighted average maturity of combined investments by fund groups. The above table lists Local Gov't Investment Pools and Money Market Funds with a 1 day weighted average maturity as the City only invests in government pools and funds that maintain a stable \$1 NAV (net asset value). While the interest income derived from these particular types of investments fluctuate based on market movements and the characteristics of the pools and funds, the value of the principal is not affected.

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

<b>Fund</b>	<b>Maximum Maturity</b>	<b>Maximum WAM</b>
General Operating	3 Years	18 Months
Capital Project	3 Years	18 Months
Working Capital Reserve	5 Years	4 Years
Venue Debt Service Reserve and Debt Service	7 Years	5 Years
Self Insurance	7 Years	5 Years
Closure/Post-closure Trust Fund	10 Years	8 Years

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

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

<u>Security</u>	<u>% of Portfolio</u>
United States Treasury	100% of portfolio per Issuer
U.S. Agencies and Instrumentalities	100% of portfolio 35% per Issuer
Other Obligations guaranteed by U.S.	100% of portfolio 10% per Issuer
Obligations of Texas and its subdivisions	10% of portfolio 2% per Issuer
Obligations of other states and its subdivisions	10% of portfolio 2% per Issuer
Certificates of Deposit	50% of portfolio 20% per Issuer
Repurchase Agreements	40% of portfolio 15% per counterparty
Guaranteed Investment Contract	100% of bond funds
Commercial Paper	20% of portfolio 5% per Issuer
Money Market Mutual Fund	100% of portfolio 15% per MMF
Local Government Investment Pools	100% of portfolio 25% per pool

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

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

The City's investments in local government investment pools include investments in TexPool Prime, TexPool, TexasDaily, TexStar and Texas Class Government and Texas Class. These are public funds investment pools operating as an SEC 2a-7 like pool in full compliance with the Public Funds Investment Act and are rated as AAA money market funds by Standard & Poor's. The City has Local Government Investment Pools of \$160,484 (amounts in thousands), recorded at amortized cost or net asset value (NAV).

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2024 (amounts in thousands):

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
9/30/2024			
<b>Investments by Fair Value Level</b>			
Treasury	3,009	-	3,009
Agency	593,638	-	593,638
Non-Texas Municipal	22,251	-	22,251
	618,898	-	618,898

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

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

## 2. PROPERTY TAXES

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

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Chief Appraiser. The total market value for FY24 was \$62,061,939,678 which encompasses all properties in Arlington, including real estate, personal, and mineral properties prior to any exemptions or abatements. The assessed value for the tax roll as of September 1, 2023, upon which the original FY24 levy was based, was \$40,985,244.

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, 2024, the City had a tax rate of \$0.5898 (\$0.4080 for general government and \$0.1818 for debt service) per \$100 assessed valuation with a tax margin of \$1.9102 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 \$682,654,115 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately \$40,985,244.

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

### **3. VENUE DEVELOPMENT PROJECT**

#### **Overview**

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

#### **The 2004 Venue Election and the Cowboys Project**

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

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

**Stadium Lease** - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") to lease 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 for guaranteed annual rental payments of \$1 million for the

first 10 years and \$1.25 million annually for all remaining renewals. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the Tenant, capped at \$500 thousand per year. The revenue for this fiscal year was \$500,000. The cost of the stadium is \$1,109,951,954, with accumulated depreciation of \$359,192,556.31. The Stadium Lease falls within the scope of GASB Statement No. 87, which governs lease accounting, and is further detailed in Note I, Section I and Note 14 of the financial statements.

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. On September 30, 2024, outstanding conduit debt was \$112,595,000.

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 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 renewal.

In July 2013, the Cowboys and AT&T reached an agreement for the stadium's naming rights. The City receives 5% of the revenue as additional rent from the naming rights deal, up to \$500,000 annually.

### **The 2016 Venue Election and the Rangers Project**

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

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Rangers Stadium Company LLC. (the "Tenant") for the lease of the Rangers Complex. The Lease Agreement calls for an initial term from commencing upon occupation through January 1, 2054. Monthly lease payments of \$166,666.67 began upon occupation for an annualized rental rate of \$2 million per year. The lease agreement contains several

renewal options for guaranteed annual rental payments of \$1 million per year for two successive renewal periods of five years each. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The cost of the stadium is \$1,284,106,396 with an accumulated depreciation of \$123,761,793.02.

Conduit Debt - In 2020, \$321,717,000 Rangers Baseball Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2020 (the "Rangers Admission and Parking Taxes Revenue Bonds") with a pledge of a 10% admissions tax and a \$3 parking tax for events held at the Complex were issued. The Rangers Admission and Parking Taxes Revenue Bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources and, accordingly, have not been reported as a liability in the City's financial statements but are disclosed here as conduit debt. On September 30, 2024, outstanding conduit debt was \$305,452,000.

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

#### Venue Project Debt

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

#### 4. RECEIVABLES

Receivables as of September 30, 2024 for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (amounts expressed in thousands):

	General	Debt Service	Storm Water Utility	Water & Sewer	Street Capital Projects	Convention & Event Services	Other Nonmajor Funds	Internal Service Funds	Total
Receivables:									
Taxes	\$ 9,108	\$ 553	\$ -	\$ -	\$ -	\$ 1,954	\$ -	\$ -	\$ 11,615
Franchise Fees	5,406	-	-	-	-	-	-	-	5,406
Trade Accounts	-	-	2,981	14,853	-	-	223	-	18,057
Unbilled Trade Account	-	-	1,254	13,351	-	-	-	-	14,605
Special Assessments	-	-	-	-	122	-	-	-	122
Sales Taxes	15,945	7,973	-	-	-	-	3,986	-	27,904
Lease agreements	57,212	-	-	2,722	-	27,713	300	-	87,947
PPP Receivable	58,133	-	-	-	-	-	-	-	58,133
Accrued Interest	5,221	288	-	151	-	49	23	17	5,749
Other	12,524	85	-	462	2	431	3,683	435	17,622
Gross Receivables	163,549	8,899	4,235	31,539	124	30,147	8,215	452	247,160
Less: Allowance for Uncollectibles	(3,476)	-	(113)	(1,921)	-	-	-	-	(5,510)
Net total Receivables	\$ 160,073	\$ 8,899	\$ 4,122	\$ 29,618	\$ 124	\$ 30,147	\$ 8,215	\$ 452	\$ 241,650

## 5. CAPITAL, LEASE, SBITA, and PPP ASSETS

Capital, lease, SBITA, and PPP asset activity for the year ended September 30, 2024 was as follows:

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year*	Additions	Retirements	Balance at End Of Year
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 288,197	\$ 1,109	\$ -	\$ 289,306
Construction in progress-other	135,547	112,582	(33,684)	214,445
Total capital assets, not being depreciated	423,744	113,691	(33,684)	503,751
Capital, lease, SBITA, & PPP assets, being depreciated/amortized:				
Buildings and improvements	2,655,077	8,894	-	2,663,971
Equipment	155,781	14,489	(2,645)	167,625
Right-to-Use buildings	1,319	3,075	(309)	4,085
Right-to-Use equipment	2,675	1,844	(1,640)	2,879
Right-to-Use SBITA assets	4,415	5,153	(472)	9,096
PPP assets	-	207,446	-	207,446
Infrastructure	1,109,595	20,344	-	1,129,939
Total capital, lease, SBITA & PPP assets, being depreciated/amortized	3,928,862	261,245	(5,066)	4,185,041
Less accumulated depreciation/amortization for:				
Buildings and improvements	608,602	62,217	-	670,819
Equipment	137,219	9,987	(2,535)	144,671
Right-to-Use buildings	437	1,201	(126)	1,512
Right-to-Use equipment	1,796	269	(1,177)	888
Right-to-Use SBITA assets	1,506	2,180	(148)	3,538
PPP assets	-	2,074	-	2,074
Infrastructure	788,362	20,792	-	809,154
Total accumulated depreciation/amortization	1,537,922	98,720	(3,986)	1,632,656
Total capital, lease, SBITA, & PPP assets, being depreciated/amortized, net	2,390,940	162,525	(1,080)	2,552,385
Governmental activities capital, lease, SBITA, & PPP assets, net	\$ 2,814,684	\$ 276,216	\$ (34,764)	\$ 3,056,136

\*As restated for change within the financial reporting entity - See Note I.R.

	Balance at Beginning Of Year*	Additions	Retirements	Balance at End Of Year
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 29,889	\$ 27	\$ -	\$ 29,916
Construction in progress	208,990	74,275	(48,148)	235,117
Total capital assets, not being depreciated	238,879	74,302	(48,148)	265,033
Capital and SBITA assets, being depreciated:				
Buildings and improvements	50,284	13,998	-	64,282
Drainage System	165,204	6,956	-	172,160
Water and sewer system	1,135,438	47,381	-	1,182,819
Machinery and equipment	13,463	497	-	13,960
Right-to-use SBITA assets	-	583	-	583
Total capital and SBITA assets, being depreciated	1,364,389	69,415	-	1,433,804
Less accumulated depreciation for:				
Buildings and improvements	30,343	1,584	-	31,927
Drainage System	58,293	3,361	-	61,654
Water and sewer system	433,484	22,419	-	455,903
Machinery and equipment	12,968	230	-	13,198
Right-to-use SBITA assets	-	314	-	314
Total accumulated depreciation	535,088	27,908	-	562,996
Total capital and SBITA assets, being depreciated/amortized, net	829,301	41,507	-	870,808
Business-type activities capital and SBITA assets, net	\$ 1,068,180	\$ 115,809	\$ (48,148)	\$ 1,135,841

\*As restated for change within the financial reporting entity - See Note I.R.

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

<b>Governmental activities:</b>	
General government	\$ 59,384
Public safety	4,934
Parks and recreation	8,169
Public works	21,501
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	4,732
Total depreciation and amortization expense – governmental activities	\$ 98,720
<b>Business-type activities:</b>	
Storm water utility	\$ 3,381
Water and sewer	23,100
Nonmajor fund - Aviation	1,427
Total depreciation expense – business-type activities	\$ 27,908

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	<u>Additions</u>	<u>Retirements</u>	Balance at End Of Year
<b>Arlington Housing Authority, Inc</b>				
Capital, lease and SBITA assets, being depreciated:				
Buildings and Improvements	\$ 677	\$ -	\$ -	677
Lease Assets	257	1,000	(257)	1,000
SBITA Assets	243	-	-	243
Furniture, equipment, and machinery	443	-	-	443
Total capital, lease, and SBITA assets, being depreciated/amortized	1,620	1,000	(257)	2,363
Less accumulated depreciation/amortization for:				
Furniture, buildings, lease and SBITA assets, machinery and equipment	(1,033)	(164)	164	(1,033)
Total accumulated depreciation/amortization	(1,033)	(164)	164	(1,033)
Arlington Housing Authority, Inc.				
Capital Assets, net	\$ 587	\$ 836	\$ (93)	\$ 1,330

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	Balance at End Of Year
<b>Arlington Convention and Visitors Bureau, Inc.</b>				
Capital assets, being depreciated:				
Property and fixtures	\$ 274	\$ 8	\$ -	282
Event fixtures	208	-	-	208
Computer equipment and software	198	24	(5)	217
Leasehold improvements	4,175	168	85	4,428
Construction in progress	85	-	(85)	-
Total capital assets, being depreciated	4,940	200	(5)	5,135
Less accumulated depreciation for:				
Machinery, equipment, construction in progress	(545)	(260)	4	(801)
Total accumulated depreciation	(545)	(260)	4	(801)
Arlington Convention and Visitors Bureau, Inc.				
Capital Assets, net	\$ 4,395	\$ (60)	\$ (1)	\$ 4,334

## 6. PENSION AND EMPLOYEE RETIREMENT PLANS

### Texas Municipal Retirement System

#### A. Plan Description

The City provides pension benefits for all its full-time employees through a nontraditional, joint contributory, hybrid defined benefit cash balance pension plan in the state-wide Texas Municipal Retirement System (TMRS), one of 909 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under



Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

#### B. Benefits Provided

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

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

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

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

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2,238
Inactive employees entitled to but not yet receiving benefits	1,558
Active Employees	<u>2,762</u>
	6,558

#### 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 actuarial 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 9.95% and 11.04% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$30,055,863.

#### D. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2023, and the Total Pension Liability (Asset) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date. Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75% per year

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvement. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and a 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 24 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

#### Discount Rate:

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

#### Changes in the Net Pension Liability (Asset)

Plan fiduciary net position as a percentage of the total pension liability	97.16%
Covered payroll	\$ 226,087,513

Net pension liability (asset) as a percentage of covered employee payroll

19.90%

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

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

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability (asset)	\$ 256,895,638	\$ 44,980,733	\$ (130,001,054)

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmr.com](http://www.tmr.com)

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

For the year ended September 30, 2024, the City recognized pension expense of \$30,055,863.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources
Differences between expected and actual economic experience	\$ 39,996,611
Changes of assumptions	66,820
Net difference between projected actual earnings on pension plan investments	12,851,494
Contributions subsequent to the measurement date	18,958,856
Total	\$ 71,873,781

\$18,958,856 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2025	\$ 17,500,242
2026	17,883,683
2027	31,299,009
2028	(13,768,009)
Total	\$ 52,914,925

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

### Total pension liability

Service Cost	\$ 37,485,310
Interest (on the Total Pension Liability)	101,455,419
Change in benefit terms including substantively automatic status	-
Difference between expected and actual experience	8,119,451
Changes in assumptions	(10,638,277)
Benefit payments, including refunds of employee contributions	<u>(75,851,511)</u>
Net change in plan fiduciary net position	60,570,392
Total pension liability - beginning	<u>1,522,226,340</u>
Total pension liability - ending	<u><u>\$ 1,582,796,732</u></u>

### Plan fiduciary net position

Contributions - employer	\$ 21,822,391
Contributions - employee	15,832,543
Net investment income	163,592,578
Benefit payments, including refunds of employee contribution	(75,851,511)
Administrative Expense	(1,040,740)
Other	<u>(7,272)</u>
Net change in plan fiduciary net position*	124,347,989
Plan fiduciary net position - beginning	<u>1,413,468,010</u>
Plan fiduciary net position - ending	<u><u>1,537,815,999</u></u>
<b>Net pension liability</b>	<b>\$ 44,980,733</b>

\*May be off due to rounding

### Part-Time, Seasonal and Temporary Employees Deferred Income Plan

The Part-Time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) provides a retirement benefit for those employees not eligible to participate in the Texas Municipal Retirement System. PSTDIP issues stand-alone financial statements at June 30<sup>th</sup> each year that can be obtained from the City of Arlington at 500 E. Border Street, 11th Floor, Arlington, TX 76010.

### Plan Description

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

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

**Contributions.** The Retirement Committee establishes rates based on an actuarial determined rate recommended by an independent actuary. The actuarial 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 actuarial determined rate and the contribution rate of plan members. For the year ended June 30, 2024, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 3 percent of annual payroll. The city's contributions to the plan for the year ended September 30, 2024, was \$88,659 and was equal to the required contributions.

At the June 30, 2024 valuation and measurement date, the following employees were covered by the terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	2,148
Active Employees	627
	<hr/> 2,809

#### **Net Pension Liability (Asset)**

The City's Net Pension Liability (Asset) was measured as of June 30, 2024 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions**

The Total Pension Liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions:

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

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

Discount Rate:

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

### Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at 10/01/2023	\$ 3,365,544	\$ 3,354,192	\$ 11,352
Changes for the year:			
Service Cost	181,855	-	181,855
Interest	163,810	-	163,810
Change of benefit term	(256,386)	-	(256,386)
Difference between expected and actual experience	(389,446)	-	(389,446)
Changes of assumptions	(13,942)	-	(13,942)
Contributions-employer	-	129,174	(129,174)
Contributions-employee	-	101,406	(101,406)
Net investment income	-	216,291	(216,291)
Benefit payments, including refunds of employee contributions	(360,541)	(360,541)	-
Administrative expense	-	(78,820)	78,820
Other changes	-	-	-
Net changes	(674,650)	7,510	(682,160)
Balance at 9/30/24	\$ 2,690,894	\$ 3,361,702	\$ (670,808)

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

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

	Discount Rate (4.00%)	Discount Rate (5.00%)	Discount Rate (6.00%)
City's net pension asset	\$ (452,285)	\$ (670,808)	\$ (855,429)

### Pension Plan Fiduciary Net Position

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

For the year ended September 30, 2024, the City recognized pension expense of \$438,937.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources
Differences between expected and actual economic experience	-
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	176,061
Contributions subsequent to the measurement date	-
Total	\$ 176,061

\$0 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2025	\$ 79,919
2026	110,372
2027	(3,469)
2028	(10,761)
Total	\$ 176,061

### **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, 2024, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$356,327,000.

The City's total payroll during fiscal 2024 was \$250,203,000. The current year contribution was calculated based on a covered payroll of \$217,213,000, resulting in a required and actual employer contribution of \$4,639,000 and actual employee contributions of \$11,609,000. The employer contribution represents 2.14 percent of the covered payroll. The employee contribution represents approximately 5.34 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2024. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

City contributions for the above plans for the year ended September 30, 2024, are as follows (amounts in thousands):

TMRS	\$ 30,056
THRIFT	4,639
PSTDIP	129
	<u>\$ 34,824</u>

## **7. OTHER EMPLOYEE AND POSTEMPLOYMENT BENEFITS**

### **Disability Income Plan**

#### **Plan Description**

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

*Plan Description.* DIP is a single-employer defined benefit disability income plan that covers the employees of the City. The plan originally provided in-service death benefits and long term disability benefits commencing upon disablement. The plan was amended to eliminate the in-service death benefit and to start disability payments at

age 65. The plan contemplates that long term disability benefits will be provided through a separate LTD insurance contract prior to age 65. The retired life liability for current disabled employees (many of whom are under age 65) is retained under the plan.

The Disability Income Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2024. (amounts in thousands):

STATEMENT OF FIDUCIARY NET POSITION		STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	
<b>ASSETS</b>		<b>ADDITIONS</b>	
Cash and cash-like investments	\$ -	Employer contributions	\$ 68
Investments:		Employee contributions	-
Money market fund	30	Net appreciation in fair value of investments	173
Corporate bonds	712	Other additions	-
Fixed income mutual funds	238	<b>Total Additions</b>	<u>241</u>
Common stock mutual funds	255		
Total investments	<u>1,235</u>		
<b>Total Assets</b>	<u>1,235</u>	<b>DEDUCTIONS</b>	
		Benefits	95
<b>LIABILITIES</b>		Plan administration	16
Accounts payable	-	Other deductions	-
<b>Total Liabilities</b>	<u>-</u>	<b>Total Deductions</b>	<u>111</u>
<b>NET POSITION</b>		<b>Increase (Decrease) in Net Position</b>	130
Restriction for Pensions	-	<b>Net Position, October 1</b>	<u>1,105</u>
Restricted for OPEB	1,235		
<b>Total Net Position</b>	<u>\$ 1,235</u>	<b>Net Position, September 30</b>	<u>\$ 1,235</u>

#### Benefits Provided

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

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

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

Because the amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City's active employees. At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	11
Inactive, Nonretired Members	-
Active Members	-
	<u>11</u>

#### 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, 2024, the City contributed \$68,298 to the plan. Administrative costs of DIP are financed through investment earnings.

#### Net Disability Income Plan Liability

The City's Total Disability Income Plan Liability was measured as of December 31, 2023.



Actuarial assumptions:

The Total Disability Income Plan Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	5%
Inflation	2.5%
Salary Increases	N/A; no active employees
Cost of Living Adjustment	The offsets are assumed to increase by 1.38% per annum. The offsets are assumed to increase in January.
Commencement of Plan Benefits	Age 65 for participants on the LTD plan

### Changes in the Net Disability Income Plan Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at 10/01/2023	\$ 1,071,120	\$ 1,170,896	\$ (99,776)
Changes for the year:			
Service Cost	-	-	-
Interest on total OPEB liability	50,846	-	50,846
Change of benefit term	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions or other inputs	(13,020)	-	(13,020)
Employer contributions	-	26,082	(26,082)
Net investment income	-	104,442	(104,442)
Benefit payments	(108,413)	(108,413)	-
Administrative expense	-	(6,484)	6,484
Net changes	(70,587)	15,627	(86,214)
<b>Balance at 9/30/24</b>	<b>\$ 1,000,533</b>	<b>\$ 1,186,523</b>	<b>\$ (185,990)</b>

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

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

	Discount Rate (4.00%)	Discount Rate (5.00%)	Discount Rate (6.00%)
City's net OPEB liability (asset)	\$ (111,367)	\$ (185,990)	\$ (251,402)

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to disability income plan from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -
Changes of assumptions and other inputs	-
Contributions subsequent to the measurement date	45,794
Net difference between projected and actual earnings on OPEB plan investments	106,303
Total	\$ 152,097

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

Year Ended September 30:	
2025	\$ 28,593
2026	46,238
2027	41,094
2028	(9,622)
Total	\$ 106,303

### Retiree Health Insurance

The City of Arlington administers a single-employer self-funded health care plan. The plan provides post-retirement health care benefits to eligible retirees and their dependents. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

To be eligible for retiree health insurance, an employee must be eligible to retire from the City of Arlington based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer-based coverage terminates. As of December 31, 2023, there were 283 retired employees who met this requirement.

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

#### Benefits Provided

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

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

## Retiree Health Insurance City Benefit Payments

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

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

*Benefit Payments* The City Council through the budget process has the authority to establish and amend payment requirements of the plan. Currently the plan is funded on a pay-as-you-go basis. The City's payments for the year ended September 30, 2024 were \$5,505,000.

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	918
Inactive employees entitled to but not yet receiving benefits	283
Active Employees	<u>2,710</u>
	3,911

Net OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2023.

## Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.77%
Inflation	2.50% per year
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rate in the MP -2021 table to account for future mortality improvements
Health Care Trend Rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.25% after 14 years; Post-65: Initial rate of 6.10% declining to an ultimate rate of 4.25% after 10 years
Participation Rates	Following rates apply for retirees that are eligible for a subsidy and retire between the ages of 50 and 65: 45% for retirees with 10-14 years of service; 55% for retirees with 15-19 years of service; 65% for retirees with 20-24 years of service; 75% for retirees with 25-29 years of service; 80% for retirees with 30 or more years; 70% for retirees that are eligible for a subsidy and retire after the age of 65; 20% for retirees that are not eligible for a subsidy from the City; 10% for retirees that are eligible for a subsidy and retire before the age of 50

## Discount Rate:

The discount rate used to measure the Total OPEB Liability was changed from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. The discount rate was based on Fidelity index's "20-Year Municipal GO AA Index" rate.

## Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/2023	\$ 99,350,789
Changes for the year:	
Service Cost	2,079,711
Interest on total OPEB liability	3,954,412
Change of benefit term	-
Difference between expected and actual experience	(4,076,064)
Changes of assumptions or other inputs	1,205,084
Benefit payments	(5,501,705)
Net changes	(2,338,562)
<b>Balance at 9/30/24</b>	<b>\$ 97,012,227</b>

Covered-employee payroll	\$226,087,513
Total OPEB liability as a percentage of covered payroll	42.91%

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	Discount Rate (2.77%)	Discount Rate (3.77%)	Discount Rate (4.77%)
City's total OPEB liability	\$ 106,427,208	\$ 97,012,227	\$ 88,802,775

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
City's total OPEB liability	\$ 92,992,042	\$ 97,012,227	\$ 101,654,362

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,079,623	\$ 12,765,869
Changes of assumptions and other inputs	7,106,715	15,509,890
Benefit payments subsequent to the measurement date	3,562,964	-
Total	\$ 14,749,302	\$ 28,275,759

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

Year Ended September 30:	
2025	\$ (2,181,189)
2026	(2,116,860)
2027	(2,601,498)
2028	(4,942,624)
2029	(4,809,030)
Thereafter	(438,220)
Total	\$ (17,089,421)

### Supplemental Death Benefits Plan

#### Plan Description

Texas Municipal Retirement System ("TMRS") administers a single-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an

other post-employment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB75).

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

#### Benefits Provided

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

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,767
Inactive employees entitled to but not yet receiving benefits	451
Active Employees	<u>2,762</u>
	4,980

#### Contributions

The total contribution rate is for .30% of employee gross earnings, with .13% of that rate being the retiree portion. The City’s contributions to TMRS for the year ended September 30, 2024, were \$638,418.

#### Total OPEB Liability

The City’s Total OPEB Liability was measured as of December 31, 2023.

#### Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% - 11.85% per year
Discount Rate	3.77%

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. Actuarial assumptions used in the December 31, 2021, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period ending December 31,2022.

#### Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%, down from 4.05% in the previous year. The discount rate was based on Fidelity index’s “20-Year Municipal GO AA Index” rate as of December 31, 2023.

## Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/2023	\$ 8,999,753
Changes for the year:	
Service Cost	248,696
Interest on total OPEB liability	363,574
Change of benefit term	-
Difference between expected and actual experience	12,329
Changes of assumptions or other inputs	504,626
Benefit payments	(293,914)
Net changes	835,311
Balance at 9/30/24	\$ 9,835,064

Covered payroll \$226,087,513

Total OPEB liability as a percentage of covered payroll 4.35%

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, 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 (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	Discount Rate (2.77%)	Discount Rate (3.77%)	Discount Rate (4.77%)
City's total OPEB liability	\$ 11,755,462	\$ 9,835,064	\$ 8,332,761

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 65,256
Changes of assumptions and other inputs	-	1,576,121
Benefit subsequent to the measurement date	441,310	-
Total	\$ 441,310	\$ 1,641,377

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

Year Ended September 30:	
2024	\$ (200,493)
2025	(423,233)
2026	(667,017)
2027	(399,329)
2028	48,695
Total	\$ (1,641,377)

### Expenses (Reduction of Expenses)

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

HEALTH	4,609,927
DIP	(2,403)
Death Benefit	342,940
	<u>4,950,464</u>

## **8. DEBT AND LIABILITIES**

### General Obligation Bonds

On June 18, 2024, the City issued Permanent Improvement Bonds, Series 2024A of \$75,850,000 with an interest rate of 4.00 to 5.00 percent and serial maturities on August 15 from 2025 through 2044. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2025. The bonds were issued to provide funds for: (i) designing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including fire station facilities, police administrative facilities and evidence storage facilities, including the acquisition of land therefor; (ii) renovating, repairing, improving, and equipping existing City service and administrative facilities, including repair, replacement, and improvement of roofs, mechanical, electrical, plumbing, air conditioning, heating and ventilation equipment and systems, façade improvements, and improvements required by the Americans with Disabilities Act and other applicable laws; (iii) acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; (iv) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetlighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of way in connection therewith; (v) paying the costs of issuance of the 2024A Bonds. Total interest requirements for the Series 2024A bonds at a rate from 4.00 to 5.00 percent is \$38,382,527 in the aggregate.

On June 18, 2024, the City issued Permanent Improvement Refunding Bonds, Series 2024B of \$7,685,000 with an interest rate of 3.50 to 5.00 percent and serial maturities on August 15 from 2025 through 2034. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2024. The bonds were issued to provide funds for: (i) refund certain currently outstanding revenue obligations of the City, to achieve debt service savings; and (ii) pay costs of issuance associated with the sale of the 2024B Bonds. Total interest requirements for the Series 2024B bonds at a rate from 3.50 to 5.00 percent is \$3,268,500 in the aggregate. The current refunding resulted in the reacquisition price exceeding the net carrying amount of the old debt by \$35,306. As a result of the transaction, the City reduced total debt service by \$589,085 and resulted in an economic gain of \$412,159.

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

Governmental activities	2-5%	\$	388,570
Governmental activities refunding	1-5%		113,725
Total Governmental		\$	<u>502,295</u>



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

Year Ending September 30	Principal	Interest
2025	\$ 38,415	\$ 21,529
2026	38,495	19,156
2027	37,750	17,469
2028	35,215	15,731
2029	33,095	14,231
2030-2034	158,955	50,258
2035-2039	111,695	21,711
2040-2044	48,675	4,925
	<u>\$ 502,295</u>	<u>\$ 165,010</u>

General obligation debt authorized and unissued as of September 30, 2024, amounted to \$229,435,000.

#### General Obligation Pension Bonds

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

Year Ending September 30	Principal	Interest
2025	\$ 9,090	\$ 2,262
2026	9,155	2,198
2027	9,245	2,109
2028	9,345	2,010
2029	9,465	1,888
2030-2034	49,595	7,175
2035-2039	43,135	2,284
	<u>\$ 139,030</u>	<u>\$ 19,926</u>

#### Certificates of Obligation

Annual debt service requirements to maturity for certificates of obligation of the primary government as of September 30, 2024 are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2025	\$ 5,960	\$ 1,036
2026	5,975	863
2027	4,595	647
2028	4,020	487
2029	3,545	348
2030-2034	6,240	654
2035-2039	1,595	72
	<u>\$ 31,930</u>	<u>\$ 4,107</u>

## Special Tax Revenue Debt

Annual debt service requirements to maturity for special tax revenue of the primary government as of September 30, 2024 are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2025	\$ 9,270	\$ 22,801
2026	10,300	22,327
2027	11,705	21,788
2028	13,215	21,178
2029	13,880	20,512
2030-2034	88,935	90,414
2035-2049	332,435	112,109
	<u>\$ 479,740</u>	<u>\$ 311,129</u>

## Revenue Bonds

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

On June 20, 2024, the City issued \$30,045,000 in Water and Wastewater System Revenue Improvement and Refunding Bonds, Series 2024 which partially refunded Water and Wastewater System Revenue Bonds, Series 2014A of \$1,330,000. Proceeds from the sale of the Bonds are being used to provide funds for the purpose of improving and extending the System and paying the costs of issuing the Bonds. These bonds mature June 1 over a period from 2025 to 2044. Interest, at a rate of 4.00 to 5.00 percent, is \$14,566,155 in the aggregate. The current refunding resulted in the reacquisition price exceeding the net carrying amount of the old debt by \$1,130. As a result of the transaction, the City reduced total debt service payments by \$105,251 and resulted in an economic gain of \$69,923.

Also on June 20, 2024, the City issued \$9,490,000 in Municipal Drainage Utility System Revenue Bonds, Series 2024. Proceeds from the sale of the Bonds will be used for the purpose of providing funds to pay the costs of drainage improvements, including the acquisition and construction of equipment and facilities for the System and to pay costs of issuance associated with the sale of the Bonds. These bonds mature June 1 over a period from 2025 to 2044. Interest, at a rate of 4.00 to 5.00 percent, is \$4,528,405 in the aggregate.

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

Year Ending September 30	Business Activities					
	Water/Wastewater		Water/Wastewater TWDB		Storm Water Utility	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 18,170	\$ 8,734	\$ 6,270	\$ 337	\$ 4,545	\$ 2,243
2026	18,075	8,061	6,270	319	4,510	2,096
2027	18,080	7,245	6,270	299	4,480	1,931
2028	16,925	6,450	6,260	277	4,445	1,763
2029	15,160	5,701	6,255	253	4,410	1,591
2030-2034	71,900	19,269	28,505	914	18,185	5,630
2035-2039	49,030	7,255	24,205	308	14,600	2,587
2040-2044	16,070	1,403	-	-	6,030	526
	<u>\$ 223,410</u>	<u>\$ 64,118</u>	<u>\$ 84,035</u>	<u>\$ 2,707</u>	<u>\$ 61,205</u>	<u>\$ 18,367</u>

Net revenues of the City's water operations have been pledged for repayment of the City's Water & Wastewater revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for

these bonds, which were all originally issued to provide funding for construction of the water and wastewater systems. The pledge continues for the life of the bonds. For the year ended September 30, 2024, net pledged revenues for the water enterprise fund were \$96,467,000 and debt service on the revenue bonds was \$23,820,000.

Gross revenues of the City's storm water utility have been pledged for repayment of the City's Storm Water Utility revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for these bonds, which were all originally issued to provide funding for drainage improvements of the City's Storm Water infrastructure. The pledge continues for the life of the bonds. For the year ended September 30, 2024, gross pledged revenues for the City's Storm Water Utility were \$24,325,000 and debt service on the revenue bonds was \$4,115,000.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2024 (amounts expressed in thousands):

	10/1/2023	Increases	Reductions	9/30/2024	Due Within One Year
<b>Governmental activities:</b>					
General obligation debt	\$ 605,415	\$ 83,535	\$ (47,625)	\$ 641,325	\$ 47,505
Certificates of obligation	44,430	-	(12,500)	31,930	5,960
Special tax revenue debt	486,890	-	(7,150)	479,740	9,270
Premium on special bonds	40,097	-	(3,341)	36,756	-
Premium on general bonds	36,578	8,104	(5,920)	38,762	-
Discount on general bonds	(765)	-	83	(682)	-
Discount on special bonds	(916)	-	136	(780)	-
<b>Net governmental bonds payable</b>	<b>1,211,729</b>	<b>91,639</b>	<b>(76,317)</b>	<b>1,227,051</b>	<b>62,735</b>
Compensated absences	21,289	21,455	(2,911)	39,833	1,689
Claims	11,790	6,425	(6,773)	11,442	5,822
Estimated pollution remediation	35	38	(35)	38	-
Net pension liability	101,702	-	(59,645)	42,057	-
Net other post-employment benefit liability	101,308	-	(1,405)	99,903	-
Rebateable abitrage payable	-	2,114	-	2,114	-
<b>Total governmental long-term liabilities</b>	<b>\$ 1,447,853</b>	<b>\$ 121,671</b>	<b>\$ (147,086)</b>	<b>\$ 1,422,438</b>	<b>\$ 70,246</b>
<b>Business-type activities:</b>					
Water and sewer bonds	\$ 302,550	\$ 30,762	\$ (25,150)	\$ 308,162	\$ 24,440
Premium on water and sewer bonds	13,852	1,878	(2,036)	13,694	-
Storm water utility bonds	55,830	9,490	(4,115)	61,205	4,545
Premium/Discount on storm water utility bonds	3,336	640	(370)	3,606	-
<b>Net water and sewer bonds payable</b>	<b>375,568</b>	<b>42,770</b>	<b>(31,671)</b>	<b>386,667</b>	<b>28,985</b>
Compensated Absences	1,328	1,858	(278)	2,908	203
Net pension liability	7,069	-	(4,145)	2,924	-
Net other postemployment benefit liability	7,043	-	(98)	6,945	-
Rebatable arbitrage payable	891	-	(573)	318	-
<b>Total business-type long term liabilities</b>	<b>\$ 391,899</b>	<b>\$ 44,628</b>	<b>\$ (36,765)</b>	<b>\$ 399,762</b>	<b>\$ 29,188</b>

**Net Pension Liability/Asset and OPEB Liability/Asset** – The net pension and OPEB liability represents the actuarially-determined liability for employees' projected pension and OPEB benefit payments to be provided to current active and inactive employees; that is attributed to those employees' past periods of service, less the pension plans and OPEB plan's fiduciary net position. The City allocates pension and OPEB items between governmental activities and business type activities based on employee payroll funding.

## 9. PRIOR YEAR BOND REFUNDINGS

In FY24 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, 2024, previously defeased debt still outstanding amounted to \$0.

<u>Bond</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>
Permanent Improvement and Refunding Bonds, Series 2014			
Serials	8/15/2031	3.500%	\$ 725,000
	8/15/2032	4.000%	725,000
	8/15/2033	4.000%	720,000
	8/15/2034	4.000%	<u>720,000</u>
			<u>\$ 2,890,000</u>
Combination Tax and Revenue Certificate of Obligation, Series 2014			
Serials	8/15/2031	3.000%	\$ 1,445,000
	8/15/2032	4.000%	1,445,000
Term 2034	8/15/2033	4.000%	1,445,000
	8/15/2034	4.000%	<u>1,445,000</u>
			<u>\$ 5,780,000</u>
			<u><u>\$ 8,670,000</u></u>

<u>Bond</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>
Water and Wastewater System Revenue Bonds, Series 2014A	6/1/2033	4.000%	\$ 665,000
Term 2034	6/1/2034	4.000%	<u>665,000</u>
			<u>\$ 1,330,000</u>

## 10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2024, is as follows (amounts in thousands):

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 10,015	\$ -
Nonmajor Funds	-	10,015
	<u>\$ 10,015</u>	<u>\$ 10,015</u>

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2025. Transfers between funds during the year were as follows (amounts in thousands):

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	\$ 23,204	\$ 38,114
Street Capital Projects	1,319	958
Convention and Event Services	3,347	3,306
Debt Service Fund	-	3,817
Total Major Governmental Funds	27,870	46,195
Major Enterprise Fund-Water and Sewer	46,070	170
Major Enterprise Fund-Storm Water Utility	3,207	2,800
Other Funds:		
Nonmajor Governmental Funds	24,425	31,292
Nonmajor Enterprise Funds	1,082	10,588
Internal Service Funds	-	11,609
Total All Funds	\$ 102,654	\$ 102,654

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred \$6,119,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred \$8,165,000 to Street Maintenance Fund and Special Transportation (Handitrans) to cover budgeted operating expenses.

The Enterprise Funds transferred \$19,124,000 to General Fund to cover their budgeted operating costs.

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

## 11. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

State and federal laws and regulations require the City to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City historically reported a portion of the closure and post-closure care costs as a liability on the Statement of Net Position in each period based on landfill capacity used as of each balance sheet date.

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

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

amounts are in addition to the potential increase in revenue from landfill operations due to changes in the usage and royalty fee structure.

## 12. COMMITMENTS AND CONTINGENCIES

### Trinity River Authority

The City entered into a 50-year contract dated October 10, 1973, with the Trinity River Authority (TRA) whereby the TRA agrees to provide supplemental sewage treatment for consideration. Beyond the initial 50-year period, the contract states that it shall continue in effect until any outstanding bonds or any bonds issued to refund same, if any, have been paid in full. 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, 2024. The projects include construction in streets, parks, traffic, library, and water and sewer facilities. At year-end, the City's significant commitments with contractors are as follows (amounts in thousands):

Project	Spent-to-Date	Remaining Commitment
Street Construction	\$ 88,862	\$ 56,152
Park Construction	64,912	23,289
Traffic Construction	7,750	562
Fire Construction	10,276	10,668
Storm Water Utility Construction	61,694	27,971
Water and Sewer Construction	198,408	40,770
	<u>\$ 431,902</u>	<u>\$ 159,412</u>

The street and traffic construction projects are funded primarily by permanent improvement bonds proceeds. The park construction projects are funded by permanent improvement bond proceeds, certificate of obligation proceeds, and park fee revenues. Water, sewer and storm water utility construction projects are funded by revenue bond proceeds and cash from operating revenues of the water, 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, 2024, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at \$250,000.

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

## 13. RISK MANAGEMENT

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

### Risk Management Fund (RMF)

The RMF was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by ordinance or resolution of the City Council. In October 1986, the City Council adopted an ordinance

to establish the City's Self-Insurance and Risk Management Program (the "Program"). The purpose of the Program is to provide the City a defined and funded self-insurance program for bodily injury, property damage, personal injury, advertising injury, and regulatory injury.

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

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

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

#### Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation coverage through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of \$750,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. Over the past five years there have been four claims for which payments have been received totaling \$114,136.52 through the commercial insurance. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

#### Group Health

Group medical benefits are paid through the Group Health Fund. Revenues are recognized from payroll deductions and from City contributions for employee and dependent coverage. Changes in the balances of claims liabilities during fiscal 2024 and 2023 were as follows (amounts in thousands):

	<b>Workers Compensation</b>		<b>Health</b>		<b>Self Insurance Risk Management</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Unpaid claims, Oct. 1	\$ 3,377	\$ 3,385	\$ 2,758	\$ 2,587	\$ 5,655	\$ 4,243
Incurring Claims (including IBNRs and changes in estimates)	3,734	1,426	32,197	28,290	1,863	2,037
Claim payments	(2,920)	(1,434)	(31,957)	(28,119)	(3,267)	(625)
Unpaid claims, Sept. 30	<u>\$ 4,191</u>	<u>\$ 3,377</u>	<u>\$ 2,998</u>	<u>\$ 2,758</u>	<u>\$ 4,251</u>	<u>\$ 5,655</u>

## **14. LEASES AND SBITA**

### Leases

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

### Lessee

The City, as a lessee, has entered into lease agreements involving office buildings, facility space, a natatorium, radio communications equipment, parking lots, and wireless service agreements. The terms and conditions for these leases vary. Some leases are fixed, periodic payments over the lease term, which ranges between 2-10 years. The City uses the interest rate charged by the lessor as the discount rate. When the interest charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and the associated lease asset is recognized on the government-wide Statement of Net Position.

The City did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment.

As of September 30, 2024, the City had minimum principal and interest payment requirements for its leasing activities, with a remaining term more than one year, as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2025	\$ 2,129,906	\$ 50,113	\$ 2,180,019
2026	1,108,100	25,663	1,133,763
2027	507,392	16,495	523,887
2028	726,798	6,724	733,522
2029	114,280	1,811	116,091
Thereafter	70,095	738	70,833
	<u>\$ 4,656,571</u>	<u>\$ 101,544</u>	<u>\$ 4,758,115</u>

The following is a summary of lease liability transactions of the City for the year ended September 30, 2024 (amounts expressed in thousands):

	Balance Beginning of the Year	Increases	Reductions	Balance at the End of the Year	Due within One Year
Governmental activities:					
Leases payable	<u>\$ 1,838</u>	<u>\$ 4,919</u>	<u>\$ (2,100)</u>	<u>\$ 4,657</u>	<u>\$ 2,130</u>

### Lessor

The City of Arlington is the Lessor related to Globe Life Field with Rangers Baseball, LLC. This lease was in existence as of the beginning of the fiscal year and has 29 years remaining on the contract. The City received combined annual payments of \$2,000,000. The City recognized net Lease and Interest Revenue of \$691,906 in the fiscal year related to this lease. There were no inflows of resources recognized during the year ended September 30, 2024 for variable or other payments not previously included in the measurement of the lease receivable. As of September 30, 2024, the City's receivable for lease payments was \$48,916,059. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2024, the balance of the deferred inflow of resources was \$47,975,298.



The City of Arlington is the Lessor related to Cowboy's Stadium with Cowboys Stadium, LP. This lease was in existence as of the beginning of the fiscal year and has 14 years remaining on the contract. The City received combined annual payments of \$2,000,000. The City recognized net Lease and Interest Revenue of \$381,222 in the fiscal year related to this lease. There were no inflows of resources recognized during the year ended September 30, 2024 for variable or other payments not previously included in the measurement of the lease receivable. As of September 30, 2024, the City's receivable for lease payments was \$26,533,946. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2024, the balance of the deferred inflow of resources was \$26,004,186.

Additionally, as the Lessor, the City leases City-owned properties such as buildings, office spaces, land, and water pump stations. These leases all had varying terms between 5 and 20 years. The City recognized \$164,631 in net lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2024, the City's receivable for lease payments was \$12,497,089. Also, the City has deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2024, the balance of deferred inflow of resources was \$12,085,364.

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

#### **Aviation Enterprise Fund**

The City dissolved its Fixed Based Operator (FBO) lease agreement with operators in 2024, making the City the sole operator of the Arlington Municipal Airport. An FBO is a commercial enterprise that provides aeronautical services such as fueling, aircraft parking and storage to the general aviation community. The City purchased various assets worth approximately \$14 million and assumed several subleases as part of the transaction.

#### **Airport Leases**

The Aviation Department has entered into lease agreements with various individuals and companies for the lease of various items which include buildings, hangar, terminal building leases, and tie-down. These contracts have various leases dates ranging from 1984 to 2052. The annual amount expected to be received from these various leases is \$303,485. The City recognized net lease and interest revenue of \$202,325 in the fiscal year related to these leases.

#### **Excluded Leases – Regulated**

The Aviation Department does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. As part of the purchase of the FBO, the City assumed various regulated leases. The annual amount expected to be received from these regulated leases is \$2,009,801. The City recognized net lease and interest revenue of \$1,336,309 in the fiscal year related to these leases.

### **Subscription-Based Information Technology Arrangements**

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

As of September 30, 2024, the City had minimum principal and interest payment requirements for its governmental subscription activities, with a remaining term more than one year, as follows:

<b>Fiscal Year Ending</b>					
<b>September 30</b>		<b>Principal</b>		<b>Interest</b>	<b>Total</b>
2025	\$	1,771,349	\$	58,775	\$ 1,830,124
2026		799,373		41,927	841,300
2027		726,080		31,569	757,649
2028		701,421		21,494	722,915
2029		725,881		11,360	737,241
Thereafter		1,062,970		876	1,063,846
	\$	5,787,074	\$	166,001	\$ 5,953,075

The following is a summary of SBITA liability transactions of the City for the year ended September 30, 2024 (amounts expressed in thousands):

	Balance beginning of year	Increases	Reductions	Balance at End of Year	Due Within One Year
Governmental activities:					
SBITA payable	\$ 2,934	\$ 5,153	\$ (2,300)	\$ 5,787	\$ 1,771
Business activities:					
SBITA payable	-	583	(191)	392	392
Total SBITA payable	<u>\$ 2,934</u>	<u>\$ 5,736</u>	<u>\$ (2,491)</u>	<u>\$ 6,179</u>	<u>\$ 2,163</u>
Total Leases and SBITA payable	<u>\$ 4,772</u>	<u>\$ 10,655</u>	<u>\$ (4,591)</u>	<u>\$ 10,836</u>	<u>\$ 4,293</u>

## 15. 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, 2024, for all discretely presented component units is as follows (amounts in thousands):

### Condensed Schedule of Net Position

	Arlington Tomorrow Foundation	Housing Authority	Arlington Economic Development Corporation	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Current and other assets	\$ 114,579	\$ 8,432	\$ 62,329	\$ 8,291	\$ 193,631
Capital assets	-	1,330	5,846	9,104	16,280
Total assets	<u>114,579</u>	<u>9,762</u>	<u>68,175</u>	<u>17,395</u>	<u>209,911</u>
Other liabilities and deferred inflows of resources	<u>1,010</u>	<u>2,959</u>	<u>349</u>	<u>5,395</u>	<u>9,713</u>
Total liabilities	<u>1,010</u>	<u>349</u>	<u>349</u>	<u>5,395</u>	<u>9,713</u>
Net position:					
Net investment in capital assets	-	268	5,846	4,450	10,564
Restricted	-	142	61,980	-	62,122
Unrestricted	<u>113,569</u>	<u>6,393</u>	<u>-</u>	<u>7,550</u>	<u>127,512</u>
Total net position	<u>\$ 113,569</u>	<u>\$ 6,803</u>	<u>\$ 67,826</u>	<u>\$ 12,000</u>	<u>\$ 200,198</u>

### Condensed Schedule of Activities

	Arlington Tomorrow Foundation	Housing Authority	Arlington Economic Development Corporation	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	\$ 8,804	\$ 52,290	\$ 14,726	\$ 17,118	\$ 92,938
Program Revenues:					
Charges for services	-	-	24,555	11,423	35,978
Operating grants and contributions	-	52,309	-	5,242	57,551
Capital grants and contributions	-	-	-	-	-
Net Program (Expense) Revenue	<u>(8,804)</u>	<u>19</u>	<u>9,829</u>	<u>(453)</u>	<u>591</u>
Interest/dividend/change in FMV revenues	<u>18,127</u>	<u>79</u>	<u>2,964</u>	<u>369</u>	<u>21,539</u>
Other non tax general revenues	<u>14,857</u>	<u>465</u>	<u>4</u>	<u>114</u>	<u>15,440</u>
Changes in Net Position	<u>24,180</u>	<u>563</u>	<u>12,797</u>	<u>30</u>	<u>37,570</u>
Net position, October 1	<u>89,389</u>	<u>6,240</u>	<u>55,029</u>	<u>11,970</u>	<u>162,628</u>
Net position, September 30	<u>\$ 113,569</u>	<u>\$ 6,803</u>	<u>\$ 67,826</u>	<u>\$ 12,000</u>	<u>\$ 200,198</u>

## 16. TAX ABATEMENTS

As of September 30, 2024, the City of Arlington (City) provides for tax abatements and tax rebates through two mechanisms – Tax Abatement Agreements and Chapter 380 Agreements. The City's Tax Abatements are authorized under Chapter 312 of the Texas Tax Code and the City's Policy Statement for Tax Abatement. Under a tax abatement agreement, the taxable value is reduced by a specific percentage, and the amount of the abatement is deducted from the recipient's tax bill. The City's tax abatements are administered by Tarrant Appraisal District. Chapter 380 agreements are authorized under VTCA Local Government Code Chapter 380 and the City's Chapter 380 Economic Development Programs Policies and Procedures. Under a 380 agreement, the recipient pays the total taxes due to the City, and the City rebates a portion of taxes paid based on the terms of the agreement.

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

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

### Development and Redevelopment

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

### Recruitment

The City offers recruitment tax abatement agreements to attract and incentivize new business to the City. Abatements may be granted to a company agreeing to relocate to the City or to establish new business in the City; the project must meet requirements of the Tax Code and the City's policy statements to be considered for an abatement. The City may grant tax abatements for recruitment if the City Council finds the abatement is in the public interest because it will facilitate one or more of the following objectives: (1) increase tax base, (2) provide quality employment, and (3) contribute to the diversity and quality of Arlington's business community. The value and duration of the tax abatement is determined by the degree to which the project meets the objectives of the City's Economic Development Strategic Plan, number and types of jobs to be created, and sales taxes, hotel taxes or other incomes that would be generated. Additional levels of abatement are considered based upon the project's employment numbers, industry type, and wages. Applicants undergo the same application and evaluation process

required for development/redevelopment abatements. The City abates up to 100% percent of the additional property taxes (*i.e.*, real estate, business personal property, or both) resulting from the increased taxable value of the project. The City may also rebate a portion of the sales, hotel occupancy, and mixed beverage taxes generated by a project. A portion of the City's local tax collections generated by the recipient's purchase or sale of taxable items associated with the project and consummated in the City may be rebated for a specified period. In exchange for the abatement/rebatements(s), the recipient commits to comply with the terms of the agreement, such as project completion deadlines, added value requirements, job creation, etc. If the recipient fails to comply, the same breach and recapture provisions described above may apply. Based on the economic impact of the project, the City may make other commitments to the recipient in addition to the tax abatement/rebate. Additional incentives include development fee waivers, infrastructure improvements, and grants for hiring Arlington residents.

#### Retention

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

<b>Tax Abatement Program</b>						
<b>Program</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Hotel Occupancy Tax</b>	<b>Mixed Beverage Taxes</b>	<b>Other Commitments</b>	
Development/Redevelopment	\$ 1,211,518	\$ 336,181	\$ 1,806,677	\$ 478,766	\$ 4,787,222	
Recruitment	1,027,339	6,165,797	-	-	524,000	
Retention	3,912,238	-	-	-	248,893	
<b>Total Tax Abated</b>	<b>\$ 6,151,095</b>	<b>\$ 6,501,978</b>	<b>\$ 1,806,677</b>	<b>\$ 478,766</b>	<b>\$ 5,560,115</b>	

For the fiscal year ended September 30, 2024, the City's property tax revenues were reduced by \$6,151,095 under active tax abatement and Chapter 380 agreements for Development/Redevelopment, Recruitment, and Retention. Sales tax revenues were reduced by a total of \$6,501,978 for Development/Redevelopment and Recruitment abatements. Hotel occupancy tax revenues were reduced by \$1,806,677 and mixed beverage taxes were reduced by \$478,766 for Development/Redevelopment abatements. In addition to tax abatements/rebatements, recipients qualified for \$5,560,115 in other commitments from the City in the form of fee waivers, hiring grants, relocation and retention incentives, and reimbursements for infrastructure improvements.

As a result of the City's tax abatement/rebate program, the property tax base increased by more than \$1.8 billion with property value growth of more than 2,063% above the base year value. The projects receiving abatements/rebatements of the City's sales tax, hotel occupancy tax, and mixed beverage taxes generated more than \$17 million in local tax revenue, of which 52% was rebated.

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

## **17. PUBLIC-PRIVATE PARTNERSHIPS (PPP)**

The City is the transferor in a service concession arrangement PPP with Republic Waste Services of Texas, LTD as operator for the operation of the City of Arlington Landfill. The agreement conveys to the operator the right, either through licenses or permits, to operate and maintain the City of Arlington Landfill in compliance with the Landfill permits which includes, but is not limited to, operating and maintaining the scales and scale house, determining the disposal rate for any waste or material to be accepted at or disposed of in the Landfill, and disposal of all waste acceptable for disposal at the City of Arlington Landfill. To the extent the agreement remains in full force and effect and the City is in material compliance with the terms and conditions of the agreement, Republic shall pay to the City a lump-sum payment of \$3,000,000 on or prior to May 2, 2045, in addition to monthly usage fees. The total receivable associated with the above PPP Arrangement is \$58.1 million as of September 30, 2024, and the deferred inflows resulting from such arrangements are \$56 million as of September 30, 2024. The discount rate applied to the measurement of the receivable for installment payments was 1.4%. There were no variable payments received under the arrangement.

The City (transferor) has entered into a public-private partnership (PPP) arrangement with the Arlington Convention Center Hotel Owner, LLC (operator) for the construction and operation of a convention center and parking facility (leased premises). During fiscal year 2024, the leased premises were completed and placed into service. Under the agreements, the City retains ownership of the land and leased premises, and the operator leases the leased premises for a nominal fee of \$10 per year. The agreement includes an option for the operator to purchase the leased premises after 30 years for \$100 million, less lease payments, all operating costs paid by the operator as described in the agreements, and all project costs as defined by the agreements. As of September 30, 2024, the City has recognized a PPP asset in the amount of \$207.5M and a deferred inflow of resources in the amount of \$205.4M for the transfer of the leased premises. This PPP asset is included in governmental capital and lease assets on the Statement of Net Position.

## **18. POLLUTION REMEDIATION**

The City is responsible for following all applicable environmental rules when managing sites with environmental clean-up or management requirements. The Texas Commission on Environmental Quality (TCEQ) requires that the City conduct groundwater monitoring of the leaking petroleum storage tanks. The liability is calculated using the current value of outlays to remediate the properties – the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. The liability is an estimate and is subject to revision as a result of price increases or reductions, changes in technology, or changes in applicable laws or regulations. As of September 30, 2024, the environmental remediation liability is \$38,000.

## **19. SUBSEQUENT EVENTS**

### Water & Wastewater System Revenue Bonds, Series 2025 (TWDB)

On February 25, 2025, the City of Arlington issued \$16,585,000 of water and wastewater system bonds to the Texas Water Development Board to fund various water projects.

### Risks and Uncertainties

On January 27, 2025, Office of Management and Budget (OMB) issued M 25-13, pausing all activities related to obligation or disbursement of all federal financial assistance with certain exceptions. The memo has since been rescinded; however, it is unclear whether future assistance could be at risk. The potential impacts of the executive orders on the City's future federal financial assistance have not been evaluated.

**APPENDIX D**

**FORM OF BOND COUNSEL'S OPINION**

Form of Bond Counsel Opinion

[Date]

\$ \_\_\_\_\_  
ARLINGTON ECONOMIC DEVELOPMENT CORPORATION  
SALES TAX REVENUE BONDS, TAXABLE SERIES 2025

WE HAVE represented the Arlington Economic Development Corporation (the "Issuer") as its bond counsel in connection with an issue of sales tax revenue bonds (the "Bonds") described as follows:

ARLINGTON ECONOMIC DEVELOPMENT CORPORATION SALES TAX REVENUE BONDS,  
TAXABLE SERIES 2025, dated September 15, 2025, 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 resolution (the "Resolution") adopted by the Board of Directors of the Issuer authorizing their issuance and the pricing certificate (the "Pricing Certificate") authorized therein. The Pricing Certificate and the Resolution are together referred to herein as the "Resolution".

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. We have not been requested to investigate or verify and have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; and customary certificates of officers, agents and representatives of the Issuer, the City of Arlington, Texas (the "City") and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have also examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Resolution.



In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Resolution.

BASED ON SUCH EXAMINATION AND IN RELIANCE ON SUCH REPRESENTATIONS, CERTIFICATIONS, AND ASSUMPTIONS, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Issuer; and
- (B) The Bonds are payable from and secured by a lien on and pledge of the Pledged Revenues and Pledged Funds, which includes the proceeds of a 1/4 of 1% sales and use tax levied within the City for the benefit of the Issuer, as defined and described in the Resolution.

THE BONDS are not and do not create a debt of the State of Texas, of the City of Arlington, Texas, or of any other political subdivision or governmental agency of the State of Texas. The Bonds are not secured by any mortgage or other lien on any real or personal property constituting the Project.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We observe that the Issuer has taken no action to cause interest on the Bonds to be excludable from gross income for the purposes of federal income taxation. We express no opinion regarding any federal, state or local tax consequence resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

**Financial Advisory Services  
Provided By**

**ESTRADA  HINOJOSA**  
A DIVISION OF TRB CAPITAL MARKETS