



## PRELIMINARY OFFICIAL STATEMENT

Dated \_\_\_\_\_, 2018

### Ratings:

S&P: Applied for

Fitch: Applied for

See "Other Information – Ratings" herein

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds." See "Tax Matters" herein for a discussion of the opinion of Bond Counsel.

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

**\$13,660,000\***

**CITY OF FARMERS BRANCH, TEXAS**

**(Dallas County)**

**GENERAL OBLIGATION BONDS, SERIES 2018**

**Dated Date: Date of Delivery**

**Due: February 15, as shown on Page 2**

**Interest to Accrue From Date of Delivery**

**PAYMENT TERMS** . . . Interest on the \$13,660,000\* City of Farmers Branch, Texas, General Obligation Bonds, Series 2018 (the "Bonds") will accrue the date of the initial delivery of the Bonds and will be payable February 15 and August 15 of each year commencing February 15, 2019, 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. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1331, Texas Local Government Code, as amended, elections held on May 10, 2014 and November 7, 2017, the City's Home Rule Charter and an ordinance to be adopted by the City Council of the City (the "Bond Ordinance") and constitute direct obligations of the City of Farmers Branch, Texas (the "City"), payable from the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Bond Ordinance (see "The Obligations - Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Bonds will be used for (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; (ii) park and open space improvements, including trails, sidewalks and nature preserves; continuing an economic development fund to finance the City's programs for economic development for single-family residential redevelopment and revitalization in the City; and (iv) paying the costs associated with the issuance of the Bonds.

**CUSIP PREFIX: 309495**

**MATURITY SCHEDULE & 9 DIGIT CUSIP**

**See Schedule on Page 2**

**SEPARATE ISSUES** . . . The Bonds are being offered by the City concurrently with the "City of Farmers Branch, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2018" (the "Certificates"), under a common Official Statement, and the Bonds and the Certificates are hereinafter sometimes referred to as the "Obligations". The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C – Form of Bond Counsel's Opinion").

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on May 1, 2018.

**BIDS DUE TUESDAY, APRIL 3, 2018 AT 10:00 A.M. CDT**

\* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Bonds shown on the Maturity Schedule on page 2.

**MATURITY SCHEDULE\***

| <u>15-Feb<br/>Maturity</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Initial<br/>Price or<br/>Yield</u> | <u>CUSIP<br/>Suffix<sup>(1)</sup></u> |
|----------------------------|-----------------------------|--------------------------|---------------------------------------|---------------------------------------|
| 2019                       | \$ 70,000                   |                          |                                       |                                       |
| 2020                       | 155,000                     |                          |                                       |                                       |
| 2021                       | 150,000                     |                          |                                       |                                       |
| 2022                       | 120,000                     |                          |                                       |                                       |
| 2023                       | 120,000                     |                          |                                       |                                       |
| 2024                       | 120,000                     |                          |                                       |                                       |
| 2025                       | 710,000                     |                          |                                       |                                       |
| 2026                       | 735,000                     |                          |                                       |                                       |
| 2027                       | 765,000                     |                          |                                       |                                       |
| 2028                       | 800,000                     |                          |                                       |                                       |
| 2029                       | 830,000                     |                          |                                       |                                       |
| 2030                       | 865,000                     |                          |                                       |                                       |
| 2031                       | 900,000                     |                          |                                       |                                       |
| 2032                       | 935,000                     |                          |                                       |                                       |
| 2033                       | 975,000                     |                          |                                       |                                       |
| 2034                       | 1,010,000                   |                          |                                       |                                       |
| 2035                       | 1,045,000                   |                          |                                       |                                       |
| 2036                       | 1,080,000                   |                          |                                       |                                       |
| 2037                       | 1,120,000                   |                          |                                       |                                       |
| 2038                       | 1,155,000                   |                          |                                       |                                       |

**(Interest Accrues from Date of Delivery)**

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of \$5,000 or integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Obligations - Optional Redemption”).

**MANDATORY SINKING FUND REDEMPTION** . . . In the event any of the Bonds are structured by the Initial Purchaser as “term” Bonds, such term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond, which provisions will be included in the final Official Statement.

\* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Bonds shown on the Maturity Schedule above.



## PRELIMINARY OFFICIAL STATEMENT

Dated \_\_\_\_\_, 2018

Ratings:  
S&P: Applied for  
Fitch: Applied for  
See "Other Information –  
Ratings" herein

In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes and the Certificates are not "private activity bonds." See "Tax Matters" herein for a discussion of the opinion of Bond Counsel.

### THE CERTIFICATES **WILL NOT BE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

**\$10,640,000\***

**CITY OF FARMERS BRANCH, TEXAS  
(Dallas County)**

**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018**

**Dated Date: Date of Delivery  
Interest to Accrue From Date of Delivery**

**Due: February 15, as shown on Page 4**

**PAYMENT TERMS** . . . Interest on the \$10,640,000\* City of Farmers Branch, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates") will accrue the date of the initial delivery of the Certificates and will be payable February 15 and August 15 of each year commencing February 15, 2019, 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 Certificates 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 Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance to be adopted by the City Council of the City (the "Certificate Ordinance") and constitute direct obligations of the City of Farmers Branch, Texas (the "City"), payable from a combination of (i) the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge, in an amount not to exceed \$1,000, of the Surplus Revenues of the City's Waterworks and Sewer System (the "System") as provided in the Certificate Ordinance (see "The Obligations - Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for (i) designing, constructing, renovating, improving and equipping Farmers Branch Fire Station No. 2, (ii) designing, developing, constructing improving, extending and expanding landfill facilities for the City's Camelot Landfill, including streets and roads in connection therewith and (iii) paying the costs associated with the issuance of the Certificates.

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**CUSIP PREFIX: 309495  
MATURITY SCHEDULE & 9 DIGIT CUSIP  
See Schedule on Page 4**

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**SEPARATE ISSUES** . . . The Certificates are being offered by the City concurrently with the "City of Farmers Branch, Texas, General Obligation Bonds, Series 2018" (the "Bonds"), under a common Official Statement, and the Bonds and the Certificates are hereinafter sometimes referred to as the "Obligations". The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C – Form of Bond Counsel's Opinion").

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through DTC on May 1, 2018.

**BIDS DUE TUESDAY, APRIL 3, 2018 AT 10:00 A.M. CDT**

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\* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Certificates shown on the Maturity Schedule on page 4.

**MATURITY SCHEDULE\***

| <u>15-Feb<br/>Maturity</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Initial<br/>Price or<br/>Yield</u> | <u>CUSIP<br/>Suffix<sup>(1)</sup></u> |
|----------------------------|-----------------------------|--------------------------|---------------------------------------|---------------------------------------|
| 2019                       | \$ 920,000                  |                          |                                       |                                       |
| 2020                       | 1,170,000                   |                          |                                       |                                       |
| 2021                       | 1,150,000                   |                          |                                       |                                       |
| 2022                       | 1,250,000                   |                          |                                       |                                       |
| 2023                       | 1,315,000                   |                          |                                       |                                       |
| 2024                       | 100,000                     |                          |                                       |                                       |
| 2025                       | 265,000                     |                          |                                       |                                       |
| 2026                       | 280,000                     |                          |                                       |                                       |
| 2027                       | 290,000                     |                          |                                       |                                       |
| 2028                       | 300,000                     |                          |                                       |                                       |
| 2029                       | 310,000                     |                          |                                       |                                       |
| 2030                       | 320,000                     |                          |                                       |                                       |
| 2031                       | 330,000                     |                          |                                       |                                       |
| 2032                       | 340,000                     |                          |                                       |                                       |
| 2033                       | 350,000                     |                          |                                       |                                       |
| 2034                       | 365,000                     |                          |                                       |                                       |
| 2035                       | 375,000                     |                          |                                       |                                       |
| 2036                       | 390,000                     |                          |                                       |                                       |
| 2037                       | 405,000                     |                          |                                       |                                       |
| 2038                       | 415,000                     |                          |                                       |                                       |

**(Interest Accrues from Date of Delivery)**

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of \$5,000 or integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Obligations - Optional Redemption”).

**MANDATORY SINKING FUND REDEMPTION . . .** In the event any of the Certificates are structured by the Initial Purchaser as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Certificate, which provisions will be included in the final Official Statement.

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\* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Certificates shown on the Maturity Schedule above.

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as an Official Statement with respect to the Obligations described herein deemed “final” by the City as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of Rule 15c2-12.

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

No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any 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 City. This Official Statement does not constitute an offer to sell Obligations in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the City 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 City or other matters described herein since the date hereof. See “Continuing Disclosure of Information” for a description of the City’s undertaking to provide certain information on a continuing basis.

THE OBLIGATIONS 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 OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKES 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 FURNISHED 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 agreements of the City and others related to the Obligations are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer of sale of the Obligations is to be construed as constituting an agreement with the purchasers of the Obligations. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

## OFFICIAL STATEMENT SUMMARY

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

|   |   |
|---|---|
| <b>THE CITY</b> .....                             | The City of Farmers Branch (the “City”) is a political subdivision and home rule municipal corporation of the State, located in Dallas County, Texas. The City covers approximately 12.1 square miles (see “Introduction - Description of the City”).   |
| <b>THE BONDS</b> .....                            | The \$13,660,000* General Obligation Bonds, Series 2018 are issued as serial bonds maturing 2019 through 2038, inclusive, unless the Initial Purchaser designates one or more maturities as Term Bonds (see “The Obligations – Description of the Obligations” and “The Obligations – Optional Redemption”).  |
| <b>THE CERTIFICATES</b> .....                     | The \$10,640,000* Combination Tax and Revenue Certificates of Obligation, Series 2018 are issued as serial certificates maturing 2019 through 2038, inclusive, unless the Initial Purchaser designates one or more maturities as a Term Certificate (see “The Obligations - Description of the Obligations” and “The Obligations – Optional Redemption”).   |
| <b>PAYMENT OF INTEREST</b> .....                  | <p>Interest on the Bonds accrues from the date of the initial delivery of the Bonds, and is payable February 15, 2019, and each August 15 and February 15 thereafter until maturity or prior redemption (see “The Obligations - Description of the Obligations” and “The Obligations – Optional Redemption”).</p> <p>Interest on the Certificates accrues from the date of the initial delivery of the Certificates, and is payable February 15, 2019, and each August 15 and February 15 thereafter until maturity or prior redemption (see “The Obligations - Description of the Obligations” and “The Obligations – Optional Redemption”).</p>   |
| <b>AUTHORITY FOR ISSUANCE</b> .....               | <p>The Bonds are issued pursuant to the general laws of the State, particularly Chapter 1331, Texas Local Government Code, as amended, elections held on May 10, 2014 and November 7, 2017, the City’s Home Rule Charter and an ordinance to be adopted by the City Council of the City (the “Bond Ordinance”).</p> <p>The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Certificate Ordinance to be adopted by the City Council of the City (see “The Obligations - Authority for Issuance”).</p>  |
| <b>SECURITY FOR THE OBLIGATIONS</b> .....         | <p>The Bond constitute direct obligations of the City, payable from the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City (see “The Obligations – Security and Source of Payment”).</p> <p>The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge, in an amount not to exceed \$1,000, of Surplus Revenues of the Waterworks and Sewer System of the City (see “The Obligations - Security And Source Of Payment”).</p> |
| <b>NON-QUALIFIED TAX-EXEMPT OBLIGATIONS</b> ..... | The City will not designate the Obligations as “qualified tax-exempt obligations” for financial institutions.   |
| <b>REDEMPTION</b> .....                           | The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Obligations – Optional Redemption”). Additionally, the Obligations may be subject to mandatory redemption in the event the Initial Purchaser elects to aggregate one or more maturities as a Term Obligations (see “The Obligations – Mandatory Sinking Fund Redemption”).  |
| <b>TAX MATTERS</b> .....                          | In the opinion of Bond Counsel, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes and the Obligations are not “private activity bonds.” See “Tax Matters” for a discussion of the opinion of Bond Counsel.  |

\* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Obligations shown on the Maturity Schedule on pages 2 and 4.

**USE OF PROCEEDS** ..... Proceeds from the sale of the Bonds will be used (i) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; (ii) park and open space improvements, including trails, sidewalks and nature preserves; continuing an economic development fund to finance the City's programs for economic development for single-family residential redevelopment and revitalization in the City; and (iv) paying the costs associated with the issuance of the Bonds.

Proceeds from the sale of the Certificates will be used (i) designing, constructing, renovating, improving and equipping Farmers Branch Fire Station No. 2, (ii) designing, developing, constructing improving, extending and expanding landfill facilities for the City's Camelot Landfill, including streets and roads in connection therewith and (ii) for paying the costs associated with the issuance of the Certificates.

**RATINGS** ..... The presently outstanding tax-supported debt of the City is rated "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "AA+" by Fitch Ratings, Inc. ("Fitch"), without regard to credit enhancement (see "Other Information - Ratings"). Applications have been made to S&P and Fitch for contract ratings on the Obligations.

**BOOK-ENTRY-ONLY**

**SYSTEM** ..... The definitive Obligations 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 Obligations may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of and interest on the Obligations 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 Obligations (see "The Obligations - Book-Entry-Only System").

**PAYMENT RECORD** ..... The City has never defaulted in payment of its general obligation tax debt.

**SELECTED FINANCIAL INFORMATION**

| Fiscal Year Ended | Estimated City Population <sup>(1)</sup> | Taxable Assessed Valuation <sup>(2)</sup> | Per Capita Taxable Assessed Valuation | General Obligation (G.O.) Tax Debt <sup>(3)</sup> | Per Capita G. O. Tax Debt <sup>(3)</sup> | Ratio G.O. Tax Debt to Taxable Assessed Valuation <sup>(3)</sup> | % of Total Tax Collections |
|-------------------|--|---|---------------------------------------|---|--|--|----------------------------|
| 2014              | 29,660                                   | \$ 3,845,391,617                          | \$ 129,649                            | \$ 42,720,000                                     | \$ 1,440                                 | 1.11%  | 99.17%                     |
| 2015              | 30,350                                   | 4,216,240,665                             | 138,921                               | 39,720,000  | 1,309                                    | 0.94%  | 99.15%                     |
| 2016              | 30,480                                   | 4,539,598,200                             | 148,937                               | 39,165,000  | 1,285                                    | 0.86%  | 99.21%                     |
| 2017              | 31,560                                   | 4,852,809,226                             | 153,765                               | 35,850,000  | 1,136                                    | 0.74%  | 97.07%                     |
| 2018              | 31,560                                   | 5,101,985,597                             | 161,660                               | 56,705,000 <sup>(4)</sup>                         | 1,797 <sup>(4)</sup>                     | 1.11% <sup>(4)</sup>   | 96.55% <sup>(5)</sup>      |

(1) Based on North Central Texas Council of Governments original population estimates.

(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt of the City (see Tables 1 and 10 for a description of the City's self-supporting debt).

(4) Includes the Obligations. Preliminary, subject to change.

(5) Collections as of February 28, 2018.

**GENERAL FUND CONSOLIDATED STATEMENT SUMMARY**

|                    | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|--------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|                    | 2017                            | 2016                 | 2015                 | 2014                 | 2013                 |
| Beginning Balance  | \$ 12,888,605                   | \$ 12,716,178        | \$ 11,339,156        | \$ 12,007,878        | \$ 11,599,826        |
| Total Revenue      | 53,119,304                      | 50,301,754           | 48,198,308           | 45,595,717           | 44,408,266           |
| Total Expenditures | 57,471,704                      | 54,480,339           | 51,096,794           | 49,938,574           | 48,575,095           |
| Net Transfers      | 5,794,273                       | 4,351,012            | 4,275,508            | 3,674,135            | 4,574,881            |
| Ending Balance     | <u>\$ 14,330,478</u>            | <u>\$ 12,888,605</u> | <u>\$ 12,716,178</u> | <u>\$ 11,339,156</u> | <u>\$ 12,007,878</u> |

For additional information regarding the City, please contact:

|                               |    |                         |
|-------------------------------|----|-------------------------|
| Charles S. Cox                |    | W. Boyd London, Jr.     |
| City Manager                  |    | Marti Shew              |
| City of Farmers Branch, Texas | or | Hilltop Securities Inc. |
| City Hall Plaza               |    | 1201 Elm Street         |
| 13000 William Dodson Parkway  |    | Suite 3500              |
| Farmers Branch, TX 75234      |    | Dallas, Texas 75270     |
| (972) 919-2518                |    | (214) 953-4000          |

**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

| City Council                                      | Length of<br>Service | Term<br>Expires | Occupation   |
|---|----------------------|-----------------|--|
| Robert C. Dye<br>Mayor                            | 8 Months             | May 2020        | Developer  |
| Ana Reyes<br>Councilmember - Place 1              | 4.75 Years           | May 2019        | District Manager for Texas State<br>Representative Rafael Anchia |
| Bronson Blackson<br>Councilmember - Place 2       | 8 Months             | May 2020        | Business Owner<br>Brick Company                                  |
| John Norwood<br>Mayor Pro Tem - Place 3           | 2.75 Years           | May 2018        | College Professor  |
| Terry Lynne<br>Councilmember - Place 4            | 1.75 Years           | May 2019        | Salesman   |
| Mike Bomgardner<br>Deputy Mayor Pro Tem - Place 5 | 2.75 Years           | May 2018        | Business Owner: Sales/Marketing                                  |

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**SELECTED ADMINISTRATIVE STAFF**

| <u>Name</u>           | <u>Position</u>                        | <u>Years of Service</u> |
|-----------------------|--|-------------------------|
| Charles S. Cox        | City Manager                           | 25 Years                |
| John Land             | Deputy City Manager                    | 16 Years                |
| Sherrelle Evans-Jones | Director of Finance                    | 1 Year                  |
| Amy Piukana           | City Secretary                         | 3 Years                 |
| Tom Bryson            | Communications Director                | 19 Years                |
| Hugh Pender           | Community Services Director            | 12 Years                |
| Kevin Muenchow        | Fleet & Facilities Management Director | 11 Years                |
| Steve Parker          | Fire Chief                             | 18 Years                |
| Jeff Harting          | Parks & Recreation Director            | 33 Years                |
| Tina Firgens          | Planning Director                      | 2 Months                |
| David Hale            | Police Chief                           | 24 Years                |
| Marc Bentley          | Public Works Director                  | 4 Years                 |
| Brian Beasley         | Human Resources Director               | 5 Years                 |

**CONSULTANTS AND ADVISORS**

Auditors .....Grant Thornton L.L.P.  
Dallas, Texas

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

Financial Advisor..... Hilltop Securities Inc.  
Dallas, Texas

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**PRELIMINARY OFFICIAL STATEMENT**  
**RELATING TO**  
**\$13,660,000\***  
**CITY OF FARMERS BRANCH, TEXAS**  
**GENERAL OBLIGATION BONDS, SERIES 2018**

**\$10,640,000\***  
**CITY OF FARMERS BRANCH, TEXAS**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$13,660,000\* City of Farmers Branch Texas, General Obligation Bonds, Series 2018 (the “Bonds”) and \$10,640,000\* City of Farmers Branch, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2018 (the “Certificates” and together with the Bonds, the “Obligations”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances to be adopted on the date of sale of the Obligations which will authorize the issuance of the Obligations (respectively, the “Bond Ordinance” and the “Certificate Ordinance” and collectively, the “Ordinance”).

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

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

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and home rule municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1946, and first adopted its Home Rule Charter in 1956. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is three years with the terms of two members expiring every year. The City Manager is the Chief Executive Officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 U.S. Census population for the City was 28,616, while the estimated 2018 population is 31,560. The City covers approximately 12.1 square miles.

**THE OBLIGATIONS**

**DESCRIPTION OF THE OBLIGATIONS . . .** The Obligations are dated as of the delivery date, and mature on February 15 in each of the years and in the amounts shown on pages 2 and 4 hereof. Interest will accrue from the date of their 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, commencing with respect to the Bonds and commencing February 15, 2019 with respect to the Obligations, until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of and interest on the Obligations 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 Obligations. See “The Obligations - Book-Entry-Only System” herein.

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\* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Bonds and the Certificates shown on the Maturity Schedules on pages 2 and 4.

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Chapter 1331, Texas Local Government Code, as amended, elections held on May 10, 2014 and November 7, 2017, the City’s Home Rule Charter and the Bond Ordinance.

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Certificate Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .**

*The Bonds . . .* constitute direct obligations of the City and are payable from the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City.

*The Certificates . . .* constitute direct obligations of the City and are payable from and secured by a combination of (i) the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge, in the amount not to exceed \$1,000, of Surplus Revenues of the Waterworks and Sewer System of the City as provided in the Certificate Ordinance.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (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 . . .** In the event any of the Obligations are structured as “term” Obligations, such term Obligations will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

**NOTICE OF REDEMPTION . . .** Not less than thirty (30) days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the Owners of the Obligations to be redeemed at the address of the 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.

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

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 AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE CITY IN THE NOTICE, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Obligations will send any notice of redemption or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligations called for redemption or any other action premised on any such notice.

Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Obligations held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Obligations from the beneficial owners. Any such selection of Obligations to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Obligations or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Obligations for redemption. See "The Obligations - Book-Entry-Only System" herein.

**DEFEASANCE . . .** The Ordinances provide that the City may discharge its obligations to the registered owners of any or all of the Obligations 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 City payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Obligations; 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 City 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 City 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. 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 Obligations. If any of such Obligations are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinances.

Under current Texas law, upon the making of a deposit as described above, such Obligations 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 Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations 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 Obligations. Because the Ordinances do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Obligations is to be transferred and how the principal of and interest on the Obligations are to be paid to and accredited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, 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 Obligations), 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.*

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered Obligations 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 Obligations, 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 issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC 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 has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations 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 Obligations 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 Obligations unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Obligations held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City 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 depository with respect to the Obligations at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

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

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

***Use of Certain Terms in Other Sections of this Official Statement . . .*** In reading this Official Statement it should be understood that while the Obligations 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 Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

***Effect of Termination of Book-Entry-Only System . . .*** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Obligations - Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Obligations at stated maturity or earlier redemption will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to 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 Obligations, all payments will be made as described under "The Obligations - Book-Entry-Only System" herein. Interest on the Obligations will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "The Obligations - Record Date for Interest Payment" herein), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Obligations is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment as due. So long as Cede & Co. is the registered owner of the Obligations, payments of principal and interest on the Obligations will be made as described in "Book-Entry-Only System" herein.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, printed Obligations will be issued to the owners of the Obligations and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar 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. Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations 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 Obligations issued in an exchange or transfer of Obligations 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 Obligations 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 Obligations 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 Obligations surrendered for exchange or transfer. See "The Obligations - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation 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 an Obligation.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the fifteenth calendar 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 City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**OBLIGATIONHOLDERS' REMEDIES . . .** The Ordinances establish as "events of default" (i) the failure to make payment of principal of or interest on any of the Obligations when due and payable; or (ii) default in the performance of observance of any other covenant, agreement or obligation of the City, which default materially and adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City. Under State law, there is no right to the acceleration of maturity of the Obligations upon the failure of the City to observe any covenant under the Ordinances. If an Owner of an Obligation does not receive payment of principal of or interest on the Obligations when due, the Owner may seek a writ of mandamus from a court of competent jurisdiction. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance under the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinances do not provide for the appointment of a trustee to represent the interest of the Owners of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

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

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

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions with respect to the rights of the Owners of the Obligations are subject to the applicable provisions of 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.

**SOURCES AND USES OF PROCEEDS . . .** Proceeds from the sale of the Obligations are expected to be expended as follows:

|                         | <u>The Bonds</u> | <u>The Certificates</u> |
|-------------------------|------------------|-------------------------|
| <b>SOURCES OF FUNDS</b> |                  |                         |
| Principal Amount        | \$ -             | \$ -                    |
| Net Premium             |                  |                         |
| <b>TOTAL SOURCES</b>    | <u>\$ -</u>      | <u>\$ -</u>             |
| <b>USES OF FUNDS</b>    |                  |                         |
| Deposit to Project Fund | \$ -             | \$ -                    |
| Underwriter's Discount  |                  |                         |
| Cost of Issuance        |                  |                         |
| <b>TOTAL USES</b>       | <u>\$ -</u>      | <u>\$ -</u>             |

### **TAX INFORMATION**

**AD VALOREM TAX LAW . . .** The appraisal of property within the City is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required under Title I, Texas Tax Code, as amended (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Senate Joint Resolution 1 ("Senate Joint Resolution 1"), passed during the 84th Texas Legislature, proposed a constitutional amendment increasing the mandatory homestead exemption for school districts from \$15,000 to \$25,000 and requiring that the tax limitation for taxpayers who are age 65 and older or disabled be reduced to reflect the additional exemption. While Senate Joint Resolution 1 was not directly applicable to counties and municipalities, Senate Bill 1, which was also passed by the 84th



Legislature, provided that if Senate Joint Resolution 1 was approved by the voters on November 3, 2015, then the governing body of a school district, municipality, or county would be prohibited from reducing the amount of or repealing an optional homestead exemption that was in place for the 2014 tax year (fiscal year 2015) for a period running through December 31, 2019. Senate Joint Resolution 1 was approved by voters on November 3, 2015, and therefore the prohibition is in effect.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) an exemption of no less than \$5,000 and up to 20% of the market value of residence homesteads.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established such freeze cannot be repealed or rescinded. The City can make no representations or predictions concerning the impact such tax limitation would have on the City's tax rate, financial condition or ability to make debt service payments.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that a disabled veteran who receives 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability from the United States Department of Veteran Affairs, or its successor, is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead; additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit” is defined by Section 11.253 of the Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

The City may create one or more tax increment financing districts (“TIF”) within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the “frozen values” to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the “frozen” value are not available for general city use but are restricted to paying or financing “project costs” within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has two tax increment financing zones for tax increment financing purposes (see “Tax Information - City Application of Tax Code”).

The City is authorized, pursuant to Chapter 380, Texas Local Government Code (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public fund for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

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

**EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . .** The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60<sup>th</sup> day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its “effective tax rate” and “rollback tax rate”. A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City’s website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

“Effective tax rate” means the rate that will produce last year’s total tax levy (adjusted) from this year’s total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of last year’s taxes and new values are not included in this year’s taxable values.

“Rollback tax rate” means the rate that will produce last year’s maintenance and operation tax levy (adjusted) from this year’s values (adjusted) multiplied by 1.08 plus a rate that will produce this year’s debt service from this year’s values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Disabled taxpayers and taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1.

**PENALTIES AND INTEREST . . .** Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

| Month    | Cumulative<br>Penalty | Cumulative<br>Interest | Total |
|----------|-----------------------|------------------------|-------|
| February | 6%                    | 1%                     | 7%    |
| March    | 7                     | 2                      | 9     |
| April    | 8                     | 3                      | 11    |
| May      | 9                     | 4                      | 13    |
| June     | 10                    | 5                      | 15    |
| July     | 12                    | 6                      | 18    |

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. A delinquent tax continues to incur the penalty as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY APPLICATION OF TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$65,000; the disabled are also granted an exemption of \$60,000. As a result of the passage of Senate Joint Resolution No. 1 in November 2015, the City is prohibited from reducing this additional exemption for a period running through December 31, 2019.

The City has granted an additional exemption of 20% of the market value of residence homesteads; the minimum exemption that may be granted being \$5,000.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax non-business personal property and Dallas County collects taxes for the City.

The City does not permit split payments of taxes, and discounts for early payment of taxes are not allowed.

The City Council approved an exemption for freeport property which took effect on January 1, 2004.

The City does tax "Goods-in-Transit."

See Table 1 for a listing of the amounts of the exemptions described above.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not established a freeze on the taxes on residence homesteads of persons 65 years of age or who are disabled, as may be done on a local option basis.

The City has adopted a tax abatement policy, as described below.

**TAX ABATEMENT POLICY . . .** The City of Farmers Branch enters into tax abatement agreements with local residents and businesses under Chapter 380 of the Texas Local Government Code. Under this chapter, the City may provide incentives consisting of loans and grants of city funds, use of city personnel, facilities and services with or without charge, for the promotion of economic development.

The City has three categories of economic development agreements:

- **Residential Demolition/Rebuild Incentive Program** – This program provides property tax abatements to encourage redevelopment of existing housing stock in the City. The program may include a demolition incentive grant up to \$30,000 and annual incentive grants (between three and seven years) equal to the difference between the City property taxes assessed and paid for the new improvements (new residential structure excluding the land) for a given tax year and the City property taxes for the residential structure prior to demolition (excluding the land) for the tax year in which the structure was demolished (the “Base Year”). The amounts and number of years the incentive will be paid vary depending on the value of the residential structure and the program in place at the effective date of the agreement. Abatements are obtained through application prior to beginning the improvements and commence when the City issues a certificate of occupancy or certificate of completion for the new residence. The property owner commits to demolition of the existing residence and the construction of a new residence within 24 months of the effective date of the agreement. If construction is not completed as agreed, the City has the option to terminate the agreement and seek reimbursement of the demolition cost reimbursement incentive. No other commitments were made by the City as part of those agreements. For the fiscal year ended September 30, 2017, the City abated property taxes totaling \$99,164 for 28 properties under this program.
- **Economic Development Agreements** - The purpose of these agreements is for the promotion of the expansion of existing businesses within the City and the recruitment of new business enterprises to the City. These agreements include repayment provisions should the recipient fail to fully meet its commitments. The names of businesses receiving sales tax rebates are not disclosed as they are made confidential by Texas Tax Code Section 151.027. For fiscal year ended September 30, 2017, the City abated property taxes totaling \$581,639 under the 5 agreements.
- **Tax Increment Financing** - The City has adopted three Tax Increment Financing districts (TIFs) under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payment to developers and represent obligations over the life of the TIF. Each district has a base year, and incremental property tax revenues exceeding the base year amount are collected into a CIP or special revenue fund. Additionally, other taxing entities may participate in the TIF districts. Each participating entity’s governing body sets the percentage of increment that they will contribute to the TIF fund.

The City Council, upon recommendation of the Council-appointed TIF Board for each district, can enter into economic grant agreements with developers which utilize TIF funds. Unlike other contractual obligations, TIF grants are subject to availability of TIF funds, and any balance owed to a developer at the termination of the TIF district will no longer be considered an obligation of the City.

Additionally, the City enters into general economic development agreements under Chapter 380 of the Texas Local Government Code which are funded with TIF resources. The City made \$1,392,718 in payments for TIF obligations, \$475,000 in incentive payments, and \$587,789 in property tax rebates from general TIF resources.

**TAX INCREMENT FINANCING ZONES . . .** The City has established three reinvestment zones (“TIF No. 1”, TIF No. 2”, and “TIRZ No. 3”) for the purpose of tax increment financing of infrastructure. In accordance with State law pertaining to tax increment reinvestment zones, the costs of public infrastructure improvements in the zone are repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property. The City contributes 35% of the incremental tax revenues generated from the City’s ad valorem tax associated with the growth of the tax base in TIF No. 1 and 100% of the incremental tax revenues associated with the growth of the tax base in TIF No. 2 to a special fund to pay costs of infrastructure in the zones. There are \$247,265,322 of infrastructure improvements in the TIF No. 1 project plan, including streets, water, sewer, lighting, and landscaping. There are \$43,540,210 of infrastructure improvements in the TIF No. 2 project plan, including streets, water and sewer projects. TIF No. 1 and TIF No. 2 are scheduled to terminate in 2018 and 2019 respectively. The TIF No. 1 increment for Tax Year 2017 is \$86,542,859.

For years 2017 and 2018, the City will contribute 1% of the incremental tax revenues generated from the City’s ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the public improvement district assessments within the zone. For years 2019 through and including 2050, the City will contribute 40% of the incremental tax revenue generated by the City’s ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the public improvement district associated with the zone. There are \$22,461,798 of infrastructure improvements in the TIRZ No. 3 project plan and the TIRZ No. 3 increment for Tax Year 2017 is \$224,614. The TIRZ No. 3 is scheduled to terminate in 2052.

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

|   |                |                  |
|---|----------------|------------------|
| 2017/18 Market Valuation Established by Dallas Central Appraisal District |                | \$ 6,280,683,550 |
| Less Exemptions/Reductions at 100% Market Value                           |                |                  |
| Totally Exempt Parcels  | \$ 490,608,200 |                  |
| Homestead   | 226,886,152    |                  |
| Freeport  | 204,291,034    |                  |
| Over 65   | 143,712,976    |                  |
| Capped Value Loss   | 57,810,531     |                  |
| Agricultural  | 43,185,858     |                  |
| Disabled Persons  | 8,319,824      |                  |
| Veteran 100%  | 2,063,785      |                  |
| Disabled Veterans   | 825,313        |                  |
| Prorated Total Exempt   | 806,103        |                  |
| Pollution Control   | 144,397        |                  |
| Properties Valued Under \$500   | 42,380         |                  |
| Mineral Rights  | 1,400          | \$ 1,178,697,953 |
| 2017/18 Net Taxable Assessed Valuation                                    |                | \$ 5,101,985,597 |
| City Funded Debt Payable From Ad Valorem Taxes (as of 2/1/18)             |                |                  |
| Outstanding General Obligation Debt                                       | \$ 35,850,000  |                  |
| The Bonds <sup>(1)</sup>  | 13,660,000     |                  |
| The Certificates <sup>(1)</sup>   | 10,640,000     |                  |
| City Funded Debt Payable From Ad Valorem Taxes                            |                | \$ 60,150,000    |
| Less: Self Supporting Debt  |                |                  |
| Series 2011 General Obligation Refunding Bonds <sup>(2)</sup>             | \$ 4,625,000   |                  |
| The Certificates <sup>(1)(3)</sup>  | 5,160,000      |                  |
| Net General Obligation Debt Payable from Ad Valorem Taxes                 |                | \$ 50,365,000    |
| General Obligation Interest and Sinking Fund (as of 12/31/17)             |                | \$ 1,216,216     |
| Ratio Gross General Obligation Tax Debt to Taxable Assessed Valuation     |                | 1.179%           |
| Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation       |                | 0.987%           |

2018 Estimated Population - 31,560

Per Capita Taxable Assessed Valuation - \$161,660

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$1,596

(1) Preliminary, subject to change.

(2) This debt consists of General Obligation Refunding Bonds, Taxable Series 2011, which are self-supporting based upon amounts received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., with respect to the Dallas Stars Ice Skating facility located in the City. Payments under the Lease are not pledged to the payment of the bonds. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the bonds, the City will be required to assess an ad valorem tax to pay such obligations. See "Table 10 – Computation of Self-Supporting Debt".

(3) Debt service related to the Camelot Landfill project is expected to be self-supported from an increase in royalty revenue from the landfill.

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

|   | Taxable Appraised Value for Fiscal Year Ended September 30, |            |                         |            |                         |            |
|---|---|------------|-------------------------|------------|-------------------------|------------|
|   | 2018  |            | 2017                    |            | 2016                    |            |
|   | Amount  | % of Total | Amount                  | % of Total | Amount                  | % of Total |
| Real, Residential, Single-Family          | \$ 1,539,465,050  | 24.51%     | \$ 1,395,614,810        | 23.07%     | \$ 1,272,752,460        | 22.02%     |
| Real, Residential, Multi-Family           | 534,056,470   | 8.50%      | 458,368,110             | 7.58%      | 430,845,050             | 7.45%      |
| Real, Vacant Lots/Tracts                  | 176,784,830   | 2.81%      | 143,621,570             | 2.37%      | 144,057,380             | 2.49%      |
| Real, Commercial                          | 2,681,541,630   | 42.70%     | 2,648,485,190           | 43.78%     | 2,438,358,260           | 42.18%     |
| Real, Industrial                          | 32,224,060  | 0.51%      | 31,169,630              | 0.52%      | 29,620,730              | 0.51%      |
| Real, Oil, Gas and Other Mineral Reserves | 1,400   | 0.00%      | 1,400                   | 0.00%      | 1,400                   | 0.00%      |
| Real and Tangible Personal, Utilities     | 106,363,970   | 1.69%      | 100,864,550             | 1.67%      | 104,438,580             | 1.81%      |
| Tangible Personal, Commercial             | 1,070,555,300   | 17.05%     | 1,078,783,290           | 17.83%     | 1,051,389,880           | 18.19%     |
| Tangible Personal, Industrial             | 139,690,840   | 2.22%      | 192,833,620             | 3.19%      | 308,979,470             | 5.35%      |
| Total Appraised Value Before Exemptions   | \$ 6,280,683,550  | 100.00%    | \$ 6,049,742,170        | 100.00%    | \$ 5,780,443,210        | 100.00%    |
| Less: Total Exemptions/Reductions         | 1,178,697,953   |            | 1,196,932,944           |            | 1,240,845,010           |            |
| Taxable Assessed Value                    | <u>\$ 5,101,985,597</u>                                     |            | <u>\$ 4,852,809,226</u> |            | <u>\$ 4,539,598,200</u> |            |

  

|   | Taxable Appraised Value for Fiscal Year Ended September 30, |            |                         |            |
|---|---|------------|-------------------------|------------|
|   | 2015  |            | 2014                    |            |
|   | Amount  | % of Total | Amount                  | % of Total |
| Real, Residential, Single-Family          | \$ 1,210,895,940  | 22.82%     | \$ 1,167,517,830        | 24.20%     |
| Real, Residential, Multi-Family           | 350,905,990   | 6.61%      | 259,748,470             | 5.38%      |
| Real, Vacant Lots/Tracts                  | 130,138,330   | 2.45%      | 116,387,530             | 2.41%      |
| Real, Commercial                          | 2,303,324,340   | 43.40%     | 2,095,038,740           | 43.43%     |
| Real, Industrial                          | 26,230,580  | 0.49%      | 25,309,120              | 0.52%      |
| Real, Oil, Gas and Other Mineral Reserves | 1,400   | 0.00%      | 1,400                   | 0.00%      |
| Real and Tangible Personal, Utilities     | 103,200,440   | 1.94%      | 98,555,060              | 2.04%      |
| Tangible Personal, Commercial             | 917,947,180   | 17.30%     | 846,821,690             | 17.56%     |
| Tangible Personal, Industrial             | 264,104,780   | 4.98%      | 214,414,800             | 4.44%      |
| Total Appraised Value Before Exemptions   | \$ 5,306,748,980  | 100.00%    | \$ 4,823,794,640        | 100.00%    |
| Less: Total Exemptions/Reductions         | 1,090,508,315   |            | 978,403,023             |            |
| Taxable Assessed Value                    | <u>\$ 4,216,240,665</u>                                     |            | <u>\$ 3,845,391,617</u> |            |

NOTE: Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

| Fiscal Year Ended | Estimated Population <sup>(1)</sup> | Taxable Assessed Valuation <sup>(2)</sup> | Taxable Assessed Valuation Per Capita | General Obligation (G.O.) Tax Debt <sup>(3)</sup> | Ratio of G.O. Tax Debt to Taxable Assessed Valuation <sup>(3)</sup> | G.O. Tax Debt Per Capita <sup>(3)</sup> |
|-------------------|-------------------------------------|---|---------------------------------------|---|---|---|
| 2014              | 29,660                              | \$ 3,845,391,617                          | \$ 129,649                            | \$ 42,720,000                                     | 1.11%   | \$ 1,440                                |
| 2015              | 30,350                              | 4,216,240,665                             | 138,921                               | 39,720,000  | 0.94%   | 1,309                                   |
| 2016              | 30,480                              | 4,539,598,200                             | 148,937                               | 39,165,000  | 0.86%   | 1,285                                   |
| 2017              | 31,560                              | 4,852,809,226                             | 153,765                               | 35,850,000  | 0.74%   | 1,136                                   |
| 2018              | 31,560                              | 5,101,985,597                             | 161,660                               | 56,705,000 <sup>(4)</sup>                         | 1.11% <sup>(4)</sup>  | 1,797 <sup>(4)</sup>                    |

(1) Based on North Central Texas Council of Governments original population estimates.

(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt of the City (see Tables 1 and 10 for a description of the City's self-supporting debt).

(4) Includes the Obligations. Preliminary, subject to change.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

| Fiscal Year Ended | Tax Rate  | General Fund | Interest and Sinking Fund | Tax Levy      | % Current Collections | % Total Collections   |
|-------------------|-----------|--------------|---------------------------|---------------|-----------------------|-----------------------|
| 2014              | \$ 0.5531 | \$ 0.4987    | \$ 0.0544                 | \$ 21,183,370 | 99.66%                | 99.17%                |
| 2015              | 0.6023    | 0.5076       | 0.0947                    | 25,054,786    | 99.50%                | 99.15%                |
| 2016              | 0.6023    | 0.5139       | 0.0884                    | 26,946,983    | 99.16%                | 99.21%                |
| 2017              | 0.6023    | 0.5153       | 0.0870                    | 29,226,896    | 97.07%                | 97.07%                |
| 2018              | 0.6023    | 0.5177       | 0.0846                    | 30,804,347    | 96.33% <sup>(1)</sup> | 96.55% <sup>(1)</sup> |

(1) Collections as of February 28, 2018.

**TABLE 5 - TEN LARGEST TAXPAYERS**

| Name of Taxpayer                    | Nature of Property                     | FYE 2017/18 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|-------------------------------------|--|--|---------------------------------------|
| 70 Washington Street LP             | Office Tower - Class A                 | \$ 138,560,000                         | 2.72%                                 |
| Southern Glazers Wine and Spirits   | Spirit and Wine Distribution Warehouse | 116,008,338                            | 2.27%                                 |
| EOS Properties at Providence Towers | Office Tower - Class A                 | 81,500,000                             | 1.60%                                 |
| 5005 LBJ Tower LLC                  | Office Tower - Class A                 | 80,633,200                             | 1.58%                                 |
| Garden Centura LP                   | Office Tower - Class A                 | 76,100,000                             | 1.49%                                 |
| Mercer Acquisition LLC              | Apartment Complex                      | 63,216,030                             | 1.24%                                 |
| Lakeview at Parkside                | Apartment Complex                      | 62,500,000                             | 1.23%                                 |
| CH Realty VI HC MF Dallas           | Real Estate - Office/Showroom          | 58,138,870                             | 1.14%                                 |
| GPIF International Plaza III LLC    | Office Tower - Class A                 | 57,015,000                             | 1.12%                                 |
| AT&T Mobility LLC                   | Telecommunications Company             | 53,068,170                             | 1.04%                                 |
|                                     |  | <u>\$ 786,739,608</u>                  | <u>15.42%</u>                         |

**GENERAL OBLIGATION DEBT LIMITATION . . .** No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (however, see "The Obligations - Tax Rate Limitation").

**TABLE 6 - TAX ADEQUACY<sup>(1)</sup>**

|   |    |           |
|---|----|-----------|
| 2018 Net Principal and Interest Requirements                      | \$ | 4,096,178 |
| \$0.0811 Tax Rate at 99% Collection Produces                      | \$ | 4,096,333 |
| Average Annual Net Principal and Interest Requirements, 2018-2038 | \$ | 3,199,700 |
| \$0.0639 Tax Rate at 99% Collection Produces                      | \$ | 3,202,312 |
| Maximum Annual Net Principal and Interest Requirements, 2019      | \$ | 4,253,212 |
| \$0.0843 Tax Rate at 99% Collection Produces                      | \$ | 4,257,964 |

(1) Includes the Obligations; excludes self-supporting debt. See "Table 10 – Computation of Self-Supporting Debt" for a discussion of the City's self-supporting debt. Preliminary, subject to change.

**TABLE 7 - ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

| Taxing Jurisdiction  | 2017/18<br>Taxable<br>Assessed<br>Value | 2017/18<br>Tax<br>Rate | G.O. Tax<br>Debt<br>as of 2/1/18 | Estimated<br>%<br>Applicable | City's<br>Overlapping<br>G.O.<br>Tax Debt<br>as of 2/1/18 |
|--|---|------------------------|----------------------------------|------------------------------|---|
| Direct:  |   |                        |                                  |                              |   |
| City of Farmers Branch   | \$ 5,101,985,597                        | \$ 0.6023              | \$ 50,365,000 <sup>(1)</sup>     | 100.00%                      | \$ 50,365,000   |
| Overlapping:   |   |                        |                                  |                              |   |
| Carrollton-Farmers Branch ISD  | 19,428,986,804                          | \$ 1.3810              | 211,775,000                      | 16.38%                       | 34,688,745  |
| Dallas County  | 224,416,323,244                         | 0.2430                 | 199,545,000                      | 2.50%                        | 4,988,625   |
| Dallas County Comm College District  | 231,510,039,944                         | 0.1240                 | 263,140,000                      | 2.50%                        | 6,578,500   |
| Dallas County Hospital District  | 225,319,083,792                         | 0.2794                 | 703,770,000                      | 2.50%                        | 17,594,250  |
| Dallas County Schools  | 207,228,323,960                         | 0.0100                 | 36,600,000                       | 2.50%                        | 915,000   |
| Dallas Independent School District   | 109,626,365,195                         | 1.2820                 | 2,923,745,000                    | 1.67%                        | 48,826,542  |
| Valwood Improvement Authority  | 1,988,269,901                           | 0.2200                 | 13,247,994                       | 40.65%                       | 5,385,310   |
| Total  |   |                        | <u>\$ 4,402,187,994</u>          |                              | <u>\$ 169,341,971</u>                                     |
| Total Direct and Overlapping G. O. Tax Debt                                  |   |                        |                                  |                              | \$ 169,341,971  |
| Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation |   |                        |                                  |                              | 3.32%   |
| Per Capita Direct and Overlapping G. O. Tax Debt                             |   |                        |                                  |                              | \$ 5,366  |

(1) Excludes self-supporting debt. Includes the Obligations. Preliminary, subject to change.



## DEBT INFORMATION

**TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal<br>Year<br>Ended | Outstanding Debt <sup>(1)</sup> |                     |                      | The Bonds <sup>(2)</sup> |                     | The Certificates <sup>(3)</sup> |                     | Total<br>Outstanding<br>Debt | Less: Self-<br>Supporting<br>Debt <sup>(4)</sup> | Net<br>Debt Service<br>Requirements | % of<br>Principal<br>Retired |
|-------------------------|---------------------------------|---------------------|----------------------|--------------------------|---------------------|---------------------------------|---------------------|------------------------------|--|-------------------------------------|------------------------------|
| 9/30                    | Principal                       | Interest            | Total                | Principal                | Interest            | Principal                       | Interest            |                              |  |                                     |                              |
| 2018                    | \$ 3,445,000                    | \$ 1,249,115        | \$ 4,694,115         | \$ -                     | \$ -                | \$ -                            | \$ -                | \$ 4,694,115                 | \$ 597,937                                       | \$ 4,096,178                        |                              |
| 2019                    | 2,700,000                       | 1,131,671           | 3,831,671            | 70,000                   | 649,142             | 920,000                         | 565,015             | 6,035,828                    | 1,782,616  | 4,253,212                           |                              |
| 2020                    | 2,805,000                       | 1,028,680           | 3,833,680            | 155,000                  | 501,238             | 1,170,000                       | 380,969             | 6,040,887                    | 1,788,642  | 4,252,245                           |                              |
| 2021                    | 2,915,000                       | 918,257             | 3,833,257            | 150,000                  | 497,438             | 1,150,000                       | 322,969             | 5,953,663                    | 1,787,981  | 4,165,682                           |                              |
| 2022                    | 3,035,000                       | 799,952             | 3,834,952            | 120,000                  | 493,388             | 1,250,000                       | 262,969             | 5,961,308                    | 1,783,270  | 4,178,038                           | 33.06%                       |
| 2023                    | 3,160,000                       | 673,689             | 3,833,689            | 120,000                  | 489,788             | 1,315,000                       | 198,844             | 5,957,320                    | 1,784,286  | 4,173,034                           |                              |
| 2024                    | 2,955,000                       | 547,387             | 3,502,387            | 120,000                  | 485,588             | 100,000                         | 163,969             | 4,371,943                    | 601,146  | 3,770,797                           |                              |
| 2025                    | 1,905,000                       | 456,956             | 2,361,956            | 710,000                  | 468,988             | 265,000                         | 156,669             | 3,962,613                    | 599,900  | 3,362,713                           |                              |
| 2026                    | 1,970,000                       | 392,131             | 2,362,131            | 735,000                  | 440,088             | 280,000                         | 145,769             | 3,962,988                    | 601,800  | 3,361,188                           |                              |
| 2027                    | 1,425,000                       | 337,331             | 1,762,331            | 765,000                  | 410,088             | 290,000                         | 134,369             | 3,361,788                    | -  | 3,361,788                           | 59.85%                       |
| 2028                    | 1,465,000                       | 292,616             | 1,757,616            | 800,000                  | 378,788             | 300,000                         | 122,569             | 3,358,972                    | -  | 3,358,972                           |                              |
| 2029                    | 1,515,000                       | 245,125             | 1,760,125            | 830,000                  | 346,188             | 310,000                         | 111,919             | 3,358,231                    | -  | 3,358,231                           |                              |
| 2030                    | 1,575,000                       | 193,963             | 1,768,963            | 865,000                  | 312,288             | 320,000                         | 102,469             | 3,368,719                    | -  | 3,368,719                           |                              |
| 2031                    | 1,215,000                       | 147,813             | 1,362,813            | 900,000                  | 276,988             | 330,000                         | 92,513              | 2,962,313                    | -  | 2,962,313                           |                              |
| 2032                    | 1,255,000                       | 106,906             | 1,361,906            | 935,000                  | 240,288             | 340,000                         | 82,044              | 2,959,238                    | -  | 2,959,238                           | 81.39%                       |
| 2033                    | 1,295,000                       | 64,150              | 1,359,150            | 975,000                  | 202,088             | 350,000                         | 71,044              | 2,957,281                    | -  | 2,957,281                           |                              |
| 2034                    | 895,000                         | 27,200              | 922,200              | 1,010,000                | 165,544             | 365,000                         | 59,425              | 2,522,169                    | -  | 2,522,169                           |                              |
| 2035                    | 160,000                         | 9,600               | 169,600              | 1,045,000                | 130,866             | 375,000                         | 47,166              | 1,767,631                    | -  | 1,767,631                           |                              |
| 2036                    | 160,000                         | 4,800               | 164,800              | 1,080,000                | 95,006              | 390,000                         | 34,256              | 1,764,063                    | -  | 1,764,063                           |                              |
| 2037                    | -                               | -                   | -                    | 1,120,000                | 57,881              | 405,000                         | 20,841              | 1,603,722                    | -  | 1,603,722                           | 97.39%                       |
| 2038                    | -                               | -                   | -                    | 1,155,000                | 19,491              | 415,000                         | 7,003               | 1,596,494                    | -  | 1,596,494                           | 100.00%                      |
|                         | <u>\$ 35,850,000</u>            | <u>\$ 8,627,342</u> | <u>\$ 44,477,342</u> | <u>\$ 13,660,000</u>     | <u>\$ 6,661,154</u> | <u>\$ 10,640,000</u>            | <u>\$ 3,082,787</u> | <u>\$ 78,521,283</u>         | <u>\$ 11,327,578</u>                             | <u>\$ 67,193,705</u>                |                              |

(1) "Outstanding Debt" does not include lease/purchase obligations.

(2) Average life of the Bonds – 13.335 years. Interest calculated at an average rate of 3.656% for purposes of illustration. Preliminary, subject to change.

(3) Average life of the Certificates – 12.420 years. Interest calculated at an average rate of 3.422% for purposes of illustration. Preliminary, subject to change.

(3) See "Table 10 – Computation of Self-Supporting Debt" for a discussion of the City's self-supporting debt.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION**

|   |            |                   |
|---|------------|-------------------|
| Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-18 |            | \$ 4,694,115      |
| Interest and Sinking Fund, 9-30-17                                  | \$ 488,376 |                   |
| Budgeted Interest and Sinking Fund Tax Levy                         | 4,121,300  |                   |
| Transfer from Stars Center Fund                                     | 600,000    | 5,209,676         |
| Estimated Balance, 9-30-18  |            | <u>\$ 515,561</u> |

**TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT**

|   |                |
|---|----------------|
| Fiscal Year 2017 Stars Center Revenues <sup>(1)</sup> | \$ 600,000     |
| Less: Requirements for the Taxable Series 2011 Bonds  | <u>597,937</u> |
| Balance Available for Other Purposes                  | \$ 2,063       |

- (1) The General Obligation Refunding Bonds, Taxable Series 2011 refunded the Combination Tax and Revenue Certificates of Obligation, Taxable Series 2004 which were self-supporting general obligation debt based upon amounts received under the terms of a Ground Lease Agreement (the "Lease") between the City and the lessee, the Dallas Stars L.P. (the "Dallas Stars"), which Lease relates to the community-style recreational ice-skating and conference facility financed in part with the proceeds of the Series 2004 Taxable Certificates. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the bonds is dependent on the satisfaction of certain ongoing requirements in the Lease. The City currently transfers Lease payments to the debt service fund to pay debt service on the bonds and anticipates it will continue to do so. If the City discontinues such transfers, the City will be required to assess an ad valorem tax for the payment of the Taxable Series 2011 Bonds.

**TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

| Purpose                  | Date Authorized | Amount Authorized    | Amount Previously Issued | Amount Being Issued  | Unissued Balance     |
|--------------------------|-----------------|----------------------|--------------------------|----------------------|----------------------|
| Street and Drainage      | 5/10/2014       | \$ 23,500,000        | \$ 14,500,000            | \$ 9,000,000         | \$ -                 |
| Infrastructure           | 11/7/2017       | 4,000,000            | -                        | -                    | 4,000,000            |
| Park and Open Space      | 11/7/2017       | 7,000,000            | -                        | 4,000,000            | 3,000,000            |
| Neighborhood Development | 11/7/2017       | 4,000,000            | -                        | 1,000,000            | 3,000,000            |
|                          |                 | <u>\$ 38,500,000</u> | <u>\$ 14,500,000</u>     | <u>\$ 14,000,000</u> | <u>\$ 10,000,000</u> |

- (1) Includes premium to be generated on the Bonds and allocated to voted authorization.

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT** . . . The City does not anticipate the issuance of additional general obligation debt within the next 12 months.

**TABLE 12 – OTHER OBLIGATIONS**

As of January 31, 2018 the City has no other outstanding obligations payable from ad valorem taxes.

**PENSION FUND** . . . The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS. The City does not participate in the Social Security system.

**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 payments 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.

City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 200% of the employee's accumulated contributions. Beginning in 1996 the City granted, on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically computing the member's account balance by assuming that the current member deposit rate of 7% and City matching ratio of 2 to 1 has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the 2 to 1 City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Additionally initiated in 1996, the City provides, on an annually repeating basis, increases for retirees equal to 70% of the change in the Consumer Price Index (CPI).

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years.

#### **Employees covered by benefit terms:**

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 305        |
| Inactive employees entitled to but not yet receiving benefits    | 295        |
| Active employees   | 380        |
| Total  | <u>980</u> |

**Contributions** - The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings and the City matching percentages are either 100%, 150%, or 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) cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.75% and 18.37% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$5,042,680.

**Net Pension Liability** - The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions:**

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Overall payroll growth    | 3.0% per year  |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables and Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment of younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

| Asset Class           | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return<br>(Arithmetic) |
|-----------------------|----------------------|--|
| Domestic Equity       | 17.5%                | 4.55%  |
| International Equity  | 17.5%                | 6.35%  |
| Core Fixed Income     | 10.0%                | 1.00%  |
| Non-Core Fixed Income | 20.0%                | 4.15%  |
| Real Return           | 10.0%                | 4.15%  |
| Real Estate           | 10.0%                | 4.75%  |
| Absolute Return       | 10.0%                | 4.00%  |
| Private Equity        | 5.0%                 | 7.75%  |
| Total                 | 100.0%               |  |

**Discount rate:**

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

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Changes in the net pension liability:

|   | Increase (Decrease)     |                             |                       |
|---|-------------------------|-----------------------------|-----------------------|
|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|   | (a)                     | (b)                         | (a)-(b)               |
| Balance at 12/31/2015   | \$ 236,830,239          | \$ 202,763,784              | \$ 34,066,455         |
| Changes for the year:   |                         |                             |                       |
| Service cost  | 4,616,826               | -                           | 4,616,826             |
| Interest  | 15,747,728              | -                           | 15,747,728            |
| Change of benefit terms                                       | -                       | -                           | -                     |
| Difference between expected and actual experience             | 1,000,031               | -                           | 1,000,031             |
| Changes of assumption   | -                       | -                           | -                     |
| Contributions - employer                                      | -                       | 4,776,281                   | (4,776,281)           |
| Contributions - employee                                      | -                       | 1,920,471                   | (1,920,471)           |
| Net investment income   | -                       | 13,701,366                  | (13,701,366)          |
| Benefit payments, including refunds of employee contributions | (11,677,954)            | (11,677,954)                | -                     |
| Administrative expense  | -                       | (154,760)                   | 154,760               |
| Other changes   | -                       | (8,338)                     | 8,338                 |
| Net changes   | 9,686,631               | 8,557,066                   | 1,129,565             |
| Balance at 12/31/2016   | \$ 246,516,870          | \$ 211,320,850              | \$ 35,196,020         |

**Sensitivity of the net pension liability to changes in the discount rate:**

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

|                              | 1% Decrease in<br>Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in<br>Discount Rate (7.75%) |
|------------------------------|---|-----------------------|---|
| City's net pension liability | \$ 69,053,659                           | \$ 35,196,020         | \$ 7,380,121                            |

**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).

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:**

For the year ended September 30, 2017, the City recognized pension expense of \$7,558,520.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Contributions subsequent to the measurement date            | \$ 3,818,246                      | \$ -                             |
| Difference between projected and actual investment earnings | 9,510,991                         | -                                |
| Changes in actuarial assumptions                            | 322,602                           | -                                |
| Differences between expected and actual economic experience | -                                 | 762,290                          |
| Total   | \$ 13,651,839                     | \$ 762,290                       |

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The amount of \$3,818,246 reported as deferred inflows 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, 2017. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: |              |
|-------------------------|--------------|
| 2017                    | \$ 2,637,895 |
| 2018                    | 3,287,117    |
| 2019                    | 3,056,279    |
| 2020                    | 90,012       |
| 2021                    | -            |
| Thereafter              | -            |
| Total                   | \$ 9,071,303 |

### ***Other Post-Employment Benefits***

**Plan Description** – The City administers a single-employer defined contribution healthcare plan (the “Retiree Health Care Plan”). The plan contributes to postemployment healthcare benefits through the City’s group health insurance plan, which covers both active and retired members. Contributions are established through City policy as approved by City Council. The Retiree Health Care Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years which do not need to be concurrent;
- Must meet the eligibility requirements of the TMRS and retire from the City; and,
- Must be on the City’s health plan at the time of retirement, and for dependents to be carried on the health plan, they must also be on the plan at that time.

**Funding Policy** – The City contributes \$575 per month toward the cost of a health reimbursement account (HRA) administered through CONEXIS, plus an annual lump sum funding of \$500 to the HRA, and the full premium for life insurance coverage of \$12,000. The City’s contribution for future health insurance premiums is capped at a maximum of \$575 per month. As an alternative, to the HRA, retirees may be provided an age-adjusted high deductible health insurance plan with no contribution from the City.

In fiscal year 2017, the City contributed \$485,055 to the plan. Plan members receiving benefits contribute the full group premium for dental or vision plans selected. They also pay the full premium for age-adjusted life insurance coverage if they choose coverage after they turn 65. In fiscal year 2017, total member contributions were \$50,287.

**Annual OPEB Cost and Net OPEB obligation** – The City’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost for the fiscal year ending September 30, 2017 is as follows:

|  |                            |
|--|----------------------------|
| Annual required contribution (ARC)     | \$ 751,059                 |
| Interest on net OPEB obligation        | 68,823                     |
| Adjustment to the ARC                  | (207,998)                  |
| Annual OPEB cost                       | \$ 611,884                 |
| Net Employer Contributions             | (485,055)                  |
| Increase in net OPEB obligation        | \$ 126,829                 |
| Net OPEB obligation, beginning of year | 1,720,569                  |
| Net OPEB obligation, end of year       | <u><u>\$ 1,847,398</u></u> |

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017 and the preceding two years were as follows:

| Fiscal Year Ending | Annual OPEB Cost | Actual Contribution Made | % of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------|------------------|--------------------------|-----------------------------------|---------------------|
| 2015               | \$ 647,576       | \$ 462,175               | 71%                               | \$ 1,505,369        |
| 2016               | 633,011          | 417,801                  | 66%                               | 1,720,569           |
| 2017               | 611,884          | 485,055                  | 79%                               | 1,847,398           |

**Funded Status** – The funded status of the City's retiree benefit plan under GASB Statement No. 45 as of December 31, 2016 is as follows:

| Fiscal Year | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-------------|--------------------------|---------------------------|-----------------------------------|---------------------|--------------|------------------------|---|
| 2017        | 12/31/2016               | \$ -                      | \$ 5,363,259                      | \$ 5,363,259        | 0.0%         | \$ 12,839,573          | 41.8%                                   |

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with an estimated actuarial liability exceeding actuarial assets by \$5,363,259 at December 31, 2016. As of the most recent valuation, the ratio of unfunded actuarial accrued liability to annual covered payroll is 41.8%.

**Actuarial Methods and Assumptions** – The projected unit credit actuarial cost method is used to calculate the GASB ARC for the City's retiree benefit plan. Using the plan benefits, the present health premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

#### **Actuarial Methods and Assumptions**

|                           |  |
|---------------------------|--|
| Inflation rate            | 2.50% per annum  |
| Investment rate of return | 4.00%, per annum, net of expenses                            |
| Actuarial cost method     | Individual Entry Age Normal Cost Method                      |
| Amortization method       | Level dollar   |
| Amortization period       | 10-year open amortization                                    |
| Payroll growth            | N/A  |
| Medical trend             | The City's subsidy is not expected to increase in the future |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions to the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the City's Annual Financial Report" - Notes #2 and #3.

# FINANCIAL INFORMATION

**TABLE 13 - CHANGES IN NET POSITION**

|  | Governmental<br>Activities<br>2017 | Governmental<br>Activities<br>2016 | Governmental<br>Activities<br>2015 <sup>(1)</sup> | Governmental<br>Activities<br>2014 | Governmental<br>Activities<br>2013 |
|--|------------------------------------|------------------------------------|---|------------------------------------|------------------------------------|
| REVENUES:  |                                    |                                    |   |                                    |                                    |
| Program Revenues:                                    |                                    |                                    |   |                                    |                                    |
| Charges for services                                 | \$ 10,968,502                      | \$ 10,129,251                      | \$ 10,075,529                                     | \$ 8,740,882                       | \$ 8,923,838                       |
| Operating grants and contributions                   | 600,602                            | 349,473                            | 335,647   | 552,131                            | 781,993                            |
| Capital grants and contributions                     | 560,197                            | 253,844                            | 401,271   | 98,600                             | 303,998                            |
| General Revenues:                                    |                                    |                                    |   |                                    |                                    |
| Taxes  |                                    |                                    |   |                                    |                                    |
| Property taxes, levied for general purposes          | 24,509,410                         | 22,191,443                         | 20,727,595  | 18,886,710                         | 17,707,657                         |
| Property taxes, levied for debt service              | 4,291,764                          | 3,926,612                          | 3,903,953   | 2,075,008                          | 1,284,446                          |
| Sales and use taxes                                  | 13,936,336                         | 13,639,841                         | 13,363,544  | 13,430,485                         | 13,689,917                         |
| Hotel/motel taxes                                    | 2,892,655                          | 2,959,667                          | 2,728,631   | 2,396,399                          | 2,253,459                          |
| Franchise taxes                                      | 4,224,063                          | 4,314,745                          | 4,429,370   | 4,472,748                          | 4,420,712                          |
| Tax increment financing                              | 3,484,012                          | 2,183,186                          | 1,350,636   | 855,286                            | 797,278                            |
| Investment income                                    | 1,447,475                          | 1,664,659                          | 1,591,991   | 1,872,535                          | 1,386,221                          |
| Miscellaneous  | 59,927                             | -                                  | 124,938   | 36,873                             | 4,862                              |
| Total Revenues                                       | <u>\$ 66,974,943</u>               | <u>\$ 61,612,721</u>               | <u>\$ 59,033,105</u>                              | <u>\$ 53,417,657</u>               | <u>\$ 51,554,381</u>               |
| EXPENSES:  |                                    |                                    |   |                                    |                                    |
| General government                                   | 16,573,789                         | 14,578,536                         | 12,623,901  | 13,133,503                         | 10,914,452                         |
| Public safety  | 26,982,151                         | 25,223,791                         | 22,025,873  | 22,147,916                         | 22,772,965                         |
| Public works   | 304,447                            | 9,262,380                          | 9,414,374   | 11,683,321                         | 8,875,224                          |
| Culture and recreation                               | 14,415,728                         | 14,084,036                         | 12,588,417  | 11,820,723                         | 12,739,313                         |
| Interest on long-term debt                           | 2,217,026                          | 2,359,900                          | 2,344,088   | 2,141,082                          | 1,887,714                          |
| Unallocated depreciation                             | 277,305                            | 273,962                            | 126,464   | 126,464                            | 126,464                            |
| Total Expenditures                                   | <u>\$ 60,770,446</u>               | <u>\$ 65,782,605</u>               | <u>\$ 59,123,117</u>                              | <u>\$ 61,053,009</u>               | <u>\$ 57,316,132</u>               |
| Increase (decrease) in net position before transfers | \$ 6,204,497                       | \$ (4,169,884)                     | \$ (90,012)                                       | \$ (7,635,352)                     | \$ (5,761,751)                     |
| Transfers  | 3,616,184                          | 4,174,000                          | 3,469,420   | 5,232,600                          | 3,073,500                          |
| Increase (decrease) in net position                  | \$ 9,820,681                       | \$ 4,116                           | \$ 3,379,408                                      | \$ (2,402,752)                     | \$ (2,688,251)                     |
| Beginning net position                               | 73,535,259                         | 73,531,143                         | 85,789,895  | 88,192,647                         | 90,880,898                         |
| Restatement of beginning net position                | -                                  | -                                  | (15,638,160)                                      | -                                  | -                                  |
| Net position-beginning, as restated                  | <u>73,535,259</u>                  | <u>73,531,143</u>                  | <u>70,151,735</u>                                 | <u>88,192,647</u>                  | <u>90,880,898</u>                  |
| Ending net position                                  | <u>\$ 83,355,940</u>               | <u>\$ 73,535,259</u>               | <u>\$ 73,531,143</u>                              | <u>\$ 85,789,895</u>               | <u>\$ 88,192,647</u>               |

(1) Restated with implementation of GASB Statement 68 and 71.

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**TABLE 13 -A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

|   | Fiscal Years Ended September 30, |                       |                       |                       |                       |
|---|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2017                             | 2016                  | 2015                  | 2014                  | 2013                  |
| <u>Revenues:</u>                            |                                  |                       |                       |                       |                       |
| Property, Sales and Franchise Taxes         | \$ 42,287,059                    | \$ 40,260,831         | \$ 38,333,869         | \$ 36,856,882         | \$ 35,934,981         |
| Licenses and Permits                        | 2,024,453                        | 1,427,801             | 1,680,095             | 930,443               | 1,015,017             |
| Charges for Services                        | 5,487,380                        | 5,407,761             | 5,001,160             | 4,522,186             | 4,539,757             |
| Fine and Forfeitures                        | 2,253,046                        | 2,255,213             | 2,200,215             | 2,363,647             | 2,121,697             |
| Investment Income                           | 677,892                          | 733,970               | 707,195               | 616,125               | 600,333               |
| Intergovernmental                           | 150,000                          | 150,000               | 200,000               | 250,196               | 111,456               |
| Miscellaneous                               | 239,474                          | 66,178                | 75,774                | 56,238                | 85,025                |
| Total Revenues                              | <u>\$ 53,119,304</u>             | <u>\$ 50,301,754</u>  | <u>\$ 48,198,308</u>  | <u>\$ 45,595,717</u>  | <u>\$ 44,408,266</u>  |
| <u>Expenditures:</u>                        |                                  |                       |                       |                       |                       |
| Current:                                    |                                  |                       |                       |                       |                       |
| General Government                          | \$ 14,056,036                    | \$ 13,259,030         | \$ 12,197,959         | \$ 12,007,232         | \$ 10,538,652         |
| Public Safety                               | 24,668,699                       | 23,309,501            | 22,351,409            | 21,983,787            | 21,640,592            |
| Public Works                                | 7,624,993                        | 6,898,308             | 6,473,060             | 6,473,144             | 5,717,415             |
| Culture and Recreation                      | 11,121,976                       | 11,013,500            | 10,074,366            | 9,474,411             | 10,678,436            |
| Total Expenditures                          | <u>\$ 57,471,704</u>             | <u>\$ 54,480,339</u>  | <u>\$ 51,096,794</u>  | <u>\$ 49,938,574</u>  | <u>\$ 48,575,095</u>  |
| Deficiency of Revenues                      |                                  |                       |                       |                       |                       |
| Under Expenditures                          | <u>\$ (4,352,400)</u>            | <u>\$ (4,178,585)</u> | <u>\$ (2,898,486)</u> | <u>\$ (4,342,857)</u> | <u>\$ (4,166,829)</u> |
| <u>Other Financing Sources (Uses):</u>      |                                  |                       |                       |                       |                       |
| Transfers In                                | \$ 6,604,107                     | \$ 5,748,574          | \$ 4,780,744          | \$ 4,659,600          | \$ 3,777,500          |
| Transfers Out                               | (1,125,000)                      | (1,485,000)           | (1,115,000)           | (1,100,000)           | -                     |
| Sale of Capital Assets/Insurance Recoveries | 315,166                          | 87,438                | 609,764               | 114,535               | 797,381               |
| Total Other Financing Sources (Uses)        | <u>\$ 5,794,273</u>              | <u>\$ 4,351,012</u>   | <u>\$ 4,275,508</u>   | <u>\$ 3,674,135</u>   | <u>\$ 4,574,881</u>   |
| Net Change in Fund Balance                  | \$ 1,441,873                     | \$ 172,427            | \$ 1,377,022          | \$ (668,722)          | \$ 408,052            |
| Fund Balances, Beginning of Year            | <u>\$ 12,888,605</u>             | <u>\$ 12,716,178</u>  | <u>\$ 11,339,156</u>  | <u>\$ 12,007,878</u>  | <u>\$ 11,599,826</u>  |
| Fund Balances, End of Year                  | <u>\$ 14,330,478</u>             | <u>\$ 12,888,605</u>  | <u>\$ 12,716,178</u>  | <u>\$ 11,339,156</u>  | <u>\$ 12,007,878</u>  |

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**TABLE 14 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City (which, combined with sales taxes levied by other governmental entities, total 8.25%); the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

| Fiscal<br>Year<br>Ended | Total<br>Collected       | % of<br>Ad Valorem<br>Tax Levy | Equivalent<br>of<br>Ad Valorem<br>Tax Rate | Per<br>Capita |
|-------------------------|--------------------------|--------------------------------|--|---------------|
| 2014                    | \$ 13,430,485            | 63.40%                         | \$ 0.3493                                  | \$ 452.81     |
| 2015                    | 13,363,544               | 53.34%                         | 0.3170                                     | 440.31        |
| 2016                    | 13,639,841               | 50.62%                         | 0.3005                                     | 447.50        |
| 2017                    | 13,936,336               | 47.68%                         | 0.2872                                     | 441.58        |
| 2018                    | 4,691,050 <sup>(1)</sup> | 15.23%                         | 0.0919                                     | 148.64        |

(1) Collections as of January 31, 2018, which represents a 45 day lag.

#### **FINANCIAL POLICIES**

*Basis of Presentation* . . . While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The *street improvement bond fund* is used to provide funds for permanent public improvements, to wit: engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including streetscape improvements, public utility improvements, storm drainage facilities, and the acquisition of land therefor.

The City reports the following major proprietary fund:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *stormwater utility fund* is used to account for the City's drainage management program.

The City reports the following internal service funds:

The *internal service funds* are used to account for facilities and fleet management services and the City's workers' compensation and medical self-insurance programs for the departments of the City on a cost reimbursement basis.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

*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 refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time 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. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of long-term debt is reported as an other financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when the government receives cash.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Fund Balance/Operating Position Concepts* . . . In the General Fund, the City will strive to maintain an unassigned fund balance to be used for unanticipated emergencies within a target range of approximately 15% (low end) and 20% (high-end) of the actual GAAP basis expenditures and other financing sources and uses. A net current assets balance of \$2.0 million is targeted for the Water & Sewer Fund. "Net current assets" is an amount derived by subtracting current liabilities from current assets. This amount is the best approximation in an enterprise type fund of spendable resources, which are available for appropriation. These monies will be used to avoid cash-flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining an investment-grade rating. Each fund may borrow internally from other funds to provide for cash flow requirements. These loans will be on a short-term basis. Funds of the City will not be operated on a deficit basis.

*Debt Service* . . . The City's goal for debt service is to limit general obligation annual debt service requirements to 20 percent of general governmental expenditures.

*Use of Bond Proceeds, Grants, etc* . . . Long-term debt shall not be used for operating purposes. The life of bonds shall not exceed the useful life of the projects.

**Budgetary Procedures** . . . The City Council follow these procedures in establishing the budgets reflected in the general purpose financial statements:

1. By August 1 of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
2. Public hearings are conducted, at which time all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. After adoption by City Council, a budget may be amended by ordinance any time during the fiscal year to account for unusual or unforeseen conditions that occurred subsequent to the original budget adoption. The budget ordinance gives specific authority to the City Manager to: a) transfer unencumbered appropriations from one account classification to another account classification within the same department, b) transfer appropriations from designated appropriations from one department or activity to another department or activity within the same fund, and c) transfer appropriations within a department.
5. Annual operating budgets are prepared on a budgetary basis for all governmental funds, whereby year-end encumbrances are recognized as expenditures in the current year.
6. Budgetary data for the Capital Projects Funds are not presented in the City's combined financial statements, as such funds are budgeted over the life of the respective project and not on an annual basis.
7. Budgeted amounts are as amended by the City Council. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.
8. Since encumbrances are included in budgeted expenditures the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual are reported using both the budget basis of accounting and the GAAP (Generally Accepted Accounting Principles) basis of accounting.

## **INVESTMENTS**

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

**LEGAL INVESTMENTS** . . . Available City funds are invested as authorized by State law and in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities including obligation that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (i) a broker that has its main office or branch office in this state and is selected from a list adopted by the City; (ii) a depository institution that has a main office or branch office in this state and that is selected by the City; (b) the broker or depository institution selected by the City arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; and (d) the City appoints the depository institution acts as a custodian for the City with respect to the certificates of deposit, an entity described by 2257.041(d) Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R., section 240.15c3-3); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its

equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the governmental body or a third party designated by the governmental body; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City 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 City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

**INVESTMENT POLICIES . . .** Under State law, the City 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 City funds, maximum allowable stated maturity of any individual investment and the 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 Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's 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 State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS . . .** Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict its investment in mutual funds in the aggregate to no more than 15

percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually, review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**TABLE 15 - CURRENT INVESTMENTS**

As of January 31, 2018, the City's investable funds were invested in the following categories:

| Description                           | % of<br>Portfolio | Purchase<br>Price    | Market<br>Value      |
|---------------------------------------|-------------------|----------------------|----------------------|
| Certificates of Deposit               | 12.34%            | \$ 6,700,000         | \$ 6,700,000         |
| Federal National Mortgage Association | 11.50%            | 6,269,086            | 6,248,476            |
| Federal Home Loan Bank Notes          | 6.33%             | 3,518,437            | 3,438,574            |
| Municipal Obligations                 | 44.95%            | 24,562,135           | 24,412,302           |
| TexPool                               | 24.88%            | 13,516,302           | 13,516,302           |
|                                       | <u>100.00%</u>    | <u>\$ 54,565,960</u> | <u>\$ 54,315,653</u> |

## TAX MATTERS

**TAX EXEMPTION . . .** In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Obligations is excludable from gross income for federal income tax purposes and (ii) the Obligations are not “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and, as such, interest on the Obligations is not subject to the alternative minimum tax on individuals.

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

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

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

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

## **ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS**

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

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

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

**TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT OBLIGATIONS . . .** The issue price of all or a portion of the Obligations may be less than the stated redemption price payable at maturity of such Obligations (the “Original Issue Discount Obligations”). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation constitutes original issue discount with respect to such Original Issue Discount Obligation in the hands of any owner who has purchased such Original Issue Discount Obligation in the initial public offering of the Obligations. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Obligation continues to be owned by such owner.

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

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

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

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

**TAX LEGISLATIVE CHANGES** . . . Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Obligations, was signed into law on December 22, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Obligations from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Obligations. Prospective purchasers of the Obligations should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

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## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations unless the City amends or repeals the agreement as described below. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be made available to investors by the MSRB through its Electronic Municipal Market Access System (“EMMA”) free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 (the “Annual Operating Report”). The City will update and provide the Annual Operating Report within six months after the end of each fiscal year ending in and after 2018. The City will additionally provide audited financial statements of the City (the “Financial Statements”) and such Financial Statements will be provided when and if available, but in any event within 12 months after the end of each fiscal year ending in or after 2018. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will 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. Any such Financial Statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”).

The City’s current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced Tables must be provided 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) must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

**EVENTS NOTICES. . .** The City shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of the event, of any of the following events with respect to the Obligations: (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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Obligations, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City<sup>(1)</sup>; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. . . In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with its agreement described above under “Annual Reports.”

**AVAILABILITY OF INFORMATION. . .** All information and documentation filings required to be made by the City in accordance with its undertaking made for the Obligations will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at [www.emma.msrb.org](http://www.emma.msrb.org).

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

- (1) For the purposes of the event identified in (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS** . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

## **OTHER INFORMATION**

### **RATINGS**

The presently outstanding tax-supported debt of the City are rated “AA+” by S&P and “AA+” by Fitch, without regard to credit enhancement. Applications have been made to S&P and Fitch for contract ratings on the Obligations. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

### **LITIGATION**

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse impact upon the City or its operations

### **REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE**

The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

## **LEGAL MATTERS**

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Obligation and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes and the Obligations are not private activity bonds, subject to the matters described under "Tax Matters" herein. The forms of Bond Counsel's opinions are attached hereto as Appendix C. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement or Notice of Sale, 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 Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

## **FINANCIAL ADVISOR**

Hilltop Securities is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Hilltop Securities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

## **FORWARD-LOOKING STATEMENTS DISCLAIMER**

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

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

## **INITIAL PURCHASER**

After requesting competitive bids for the Bonds, the City accepted the bid of \_\_\_\_\_ (the "Initial Purchaser") to purchase the Bonds at the prices shown on page 2 of the Official Statement. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

After requesting competitive bids for the Certificates, the City accepted the bid of \_\_\_\_\_ (the "Initial Purchaser") to purchase the Certificates at the prices shown on page 4 of the Official Statement. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

## **CERTIFICATION OF THE OFFICIAL STATEMENT**

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

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

The Ordinances authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Initial Purchaser.

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Mayor  
City of Farmers Branch, Texas

ATTEST:

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City Secretary

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

## THE CITY

The City of Farmers Branch (the "City") is conveniently located on Dallas' northern border, in the heart of an 11-county area that has emerged as a premier commercial, financial and trading center. This favorable business climate is driven by the City's location, as it is bordered by two major interstate highways and the Dallas North Tollway, and is minutes from the Dallas/Fort Worth International Airport, Dallas Love Field, and downtown Dallas. The City's broadly diversified economic base supports home furnishings, financial, high-tech, insurance, and telecommunications industries and includes many of the nation's foremost businesses. Some of the reasons that these enterprises chose the City as a local or regional business center include: the City's strategic Southwest location, convenience to local and worldwide transportation, low municipal tax rate, abundant labor, educational and cultural resources, and overall quality of life.

Three creeks traverse the City and there are more than 20 parks filled with picnic areas, bridges, playgrounds, walking areas and natural surroundings dependent upon where a family resides. Farmers Branch has preserved history in its 22-acre Historical Park which takes visitors on a "walk back through time" to the days of the early settlers in the 1800s. The Historical Park is also the site for many of the City's special events and may be reserved for weddings, parties, family reunions or other special gatherings.

## EDUCATION

Education for the school age children in Farmers Branch is provided by two different school districts dependent upon where the family resides. The City is served by the Carrollton-Farmers Branch and Dallas Independent School Districts. The majority of the City's residents are part of the Carrollton-Farmers Branch Independent School District, which encompasses a 53.42 square mile area and provides a quality educational system that believes in the importance of a strong community-school relationship. This belief combined with a strong financial base makes the Carrollton-Farmers Branch Independent School District a star attraction in the Dallas-Fort Worth Metroplex. The District created the R.L. Turner High School Academies for Biomedical Professions and Media Arts & Technology to serve growing demand for these professions.

Nine major Texas universities and colleges are located within easy driving distance of Farmers Branch. They include Brookhaven Community College, the University of Dallas, Texas Christian University, Texas Woman's University, Southern Methodist University, the University of North Texas, the University of Texas at Arlington, the University of Texas Southwest Medical Center, and the University of Texas at Dallas.

## PRINCIPAL EMPLOYERS

| Employer                                      | Product/Service                              | Number of Employees |
|---|--|---------------------|
| IBM Corporation                               | Office Products                              | 1,870               |
| Federal Government - Internal Revenue Service | Government                                   | 1,200               |
| Monitronics Securities                        | Security Systems Alarm Monitoring            | 1,100               |
| Anserteam LLC                                 | Staffing Company                             | 1,001               |
| Telvista                                      | Telecommunications                           | 1,000               |
| TD Industries                                 | Mechanical Construction                      | 900                 |
| Haggar Clothing Company                       | Clothing Manufacturer                        | 750                 |
| Sprint  | Telecommunications                           | 700                 |
| Encore Enterprises, Inc.                      | Real Estate and Property Management Services | 650                 |
| Glazer's Wholesale Drug Company               | Spirit and Wine Wholesale Distribution       | 650                 |

## EMPLOYMENT

Unemployment figures in Farmers Branch are as follows:

|                      | Annual Averages |        |        |        |        |
|----------------------|-----------------|--------|--------|--------|--------|
|                      | 2017            | 2016   | 2015   | 2014   | 2013   |
| Civilian Labor Force | 17,995          | 17,511 | 16,838 | 16,851 | 16,426 |
| Total Employed       | 17,326          | 16,847 | 16,196 | 16,035 | 15,486 |
| Total Unemployed     | 669             | 664    | 642    | 816    | 940    |
| Unemployment Rate    | 3.7%            | 3.8%   | 3.8%   | 4.8%   | 5.7%   |

Source: Texas Workforce Commission.

**BUILDING PERMITS**

| Fiscal<br>Year | Residential          |            | Commercial           |             | Total                |             |
|----------------|----------------------|------------|----------------------|-------------|----------------------|-------------|
|                | Number of<br>Permits | Value      | Number of<br>Permits | Value       | Number of<br>Permits | Value       |
| 2013           | 217                  | 12,043,400 | 231                  | 71,364,637  | 448                  | 83,408,037  |
| 2014           | 240                  | 11,536,117 | 260                  | 41,805,863  | 500                  | 53,341,980  |
| 2015           | 241                  | 8,037,853  | 296                  | 172,501,817 | 537                  | 180,539,670 |
| 2016           | 118                  | 3,756,332  | 157                  | 20,654,169  | 275                  | 24,410,501  |
| 2017           | 278                  | 14,507,550 | 455                  | 143,144,011 | 733                  | 157,651,561 |

**APPENDIX B**

EXCERPTS FROM THE  
CITY OF FARMERS BRANCH, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the City of Farmers Branch, Texas Annual Financial Report for the Year Ended September 30, 2017, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.



## **APPENDIX C**

### **FORM OF BOND COUNSEL'S OPINION**