City of Arlington

(Tarrant County, Texas)

Annual Report

Updating Financial Information and

Operating Data

For

Fiscal Year Ending

September 30, 2015

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SECTION ONE: THE CITY OF ARLINGTON, TEXAS

Introduction

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

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

General

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

Mayor and City Council

Policy-making and supervisory functions are the responsibility of and vested in the Council under provisions of the City Charter. Ordinances, resolutions and zoning proposals typically go before Council at 6:30 p.m. on the second and fourth Tuesday of each month; however, additional meetings may be scheduled on the call of the Mayor and may be cancelled by majority affirmative vote of all members of the council. The local cable public access station broadcast the Council meetings. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council, but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

Administration

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

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

Certain City Council Appointees

The Council appoints the City Attorney who has management, charge, and control of all legal business of the City. The City Attorney is chief legal advisor to the Council, the City Manager, and all City departments and agencies. It is the City Attorney's duty to advise Council concerning the legality of actions by the City and to represent the City in all matters affecting its interest.

The City's Municipal Court Judiciary provides for the adjudication of Class "C" misdemeanor cases, issuance of warrants and the arraignment of prisoners.

The Council appoints the City Auditor who manages the Internal Audit Division, which monitors the internal controls and operations of the City. The City Auditor responds to management requests for analysis, appraisals, recommendations, as well as, monitors security of electronic data and assets.

The Council also appoints members to certain boards, commissions, and authorities, as it deems necessary to the operation of the City.

Principal Executive Officers

City Manager – Mr. Trey Yelverton – with the City since January 1993. Prior to becoming City Manager, Mr. Yelverton was the Deputy City Manager for Neighborhood Services and Economic Development. Prior to this he was Director of the Neighborhood Services Department since 2000. He received an undergraduate Degree in Political Science - Public Administration from the University of Texas at Arlington, and a M.P.A. from University of North Texas. He is a credentialed Manager with the International City Management Association.

Deputy City Manager for Neighborhood Services – Dr. Theron Bowman - with the City since May 1983. Dr. Bowman began his career in law enforcement in 1983. He received a bachelor's Degree in Biology, a Master's Degree in Public Administration and a Doctorate in Urban and Public Administration all from the University of Texas at Arlington and has been recognized with the University of Texas at Arlington Distinguished Alumnus Award.

Deputy City Manager for Strategic Support – Mr. Gilbert Perales – with the City since January 2007. Prior to working for the City, Mr. Perales was the Assistant City Manager of the City of Irving for over 6 years. He received a Bachelor's Degree in Political Science and a Master's Degree in Public Administration from St. Mary's University.

Deputy City Manager for Economic Development & Capital Investment – Mr. Jim Parajon – with the City since 2006. Prior to becoming Deputy City Manager, Mr. Parajon was the Director of Community Development and Planning. Mr. Parajon has been elected to the College of Fellows for the American Institute of Certified Planners in 2014. Previously, Mr. Parajon worked for the City of Raleigh, NC, where he served as Assistant Planning Director. He is a graduate of Dickinson College and received a Master's Degree in Regional Planning from the University of Massachusetts at Amherst.

Director of Finance, CFO – Mr. Michael Finley – with the City from May 1995- November of 2000; and then from February of 2002- present. Mr. Finley has a BA in Political Science and Master's Degree in Public Administration, both from Texas A&M University. He had been Budget Manager since 2004, and was promoted to CFO in December 2013.

Director of Water Utilities – Mr. Walter "Buzz" Pishkur - with the City since October 2012. Mr. Pishkur has a Bachelor's Degree in Business from Ohio State University, and he received a Master's Degree in Business Administration from the University of Illinois. He is a member of the American Water Works Association and has been active with the National Rural Water Association and the National Association of Water Companies.

City Attorney – Ms. Teris Solis – with the City since May 1991 as an Assistant City Attorney. Ms. Solis received a Bachelor of Arts Degree in Political Science – Honors Program from the University of Texas at Arlington and a Juris Doctor Degree from Southern Methodist University School of Law. Ms. Solis currently holds a designation as a Local Government Fellow from the International Municipal Lawyers Association.

Governmental Services and Facilities

The City provides a full range of municipal services including police and fire, health, parks and recreation, public works, planning, and general administrative services. The City's Enterprise Funds accounts for water and wastewater services and stormwater utility services. Beginning in May 2005, the City leased operation of the landfill to Republic Services.

The City's main municipal facilities include two general administrative buildings and a public safety building. There are seventeen fire stations, four geographically distributed police stations, a police-training center, a fire training center, eighty-four city parks, four municipal golf courses, and seven branch libraries. Currently, the City is in the process of building a new central library.

Some of the other major facilities provided by the City include a convention center, four recreational centers, two senior citizen centers, a tennis facility and a municipal airport.

The City provides a comprehensive range of public services characteristic of its position as the most populous city in the Mid-Cities area of the Dallas-Fort Worth Metroplex. Presented in the following pages is a description of selected City agencies and departments contained within each of the five functional groups.

Functional Groups

Neighborhood Services Group

The Deputy City Manager for Neighborhood Services is responsible for the oversight and management of the Police, Fire, Library, Code Compliance Services and the Parks and Recreation Departments. The partnering of these departments provides a strong connection between City resources and neighborhoods.

The Police Department is composed of three major units: Operations, Management Services, and Community Services. More than 835 members of the Arlington Police Department enforce the law using a neighborhood based policing model. In 1989, the Police Department joined an elite number of police agencies nationwide in achieving the certification standards required by the Commission on Accreditation for Law Enforcement Agencies, Inc (CALEA). The Department was recertified in 2008.

The City's Fire Department is responsible for fire prevention, fire suppression and first response emergency medical services. More than 440 employees of the Fire Department provide emergency responses from the City's 17 fire stations. The Fire Department has responsibility for 9-1-1 dispatch services which are CALEA certified. The Office of Emergency Management is responsible for coordinating major emergency disaster responses.

The Library Department provides services through a network of seven library facilities located strategically throughout the city, as well as numerous LibraryLiNK locations placed in schools or other service organizations. LibraryLiNK services vary by location, but generally include delivery/check-out of materials or access to digital materials. In addition to literacy programming, the Library offers programming for all ages, often in partnership with community educational and cultural institutions, that serve to enhance quality of life and civic involvement, increase appreciation for the arts, and improve vocational skills for Arlington residents. The Library's collection of print and audiovisual materials (books, DVDs, audio books, music, etc.) is supplemented by a growing array of digital services offered on arlingtonlibrary.org, including online language learning, test preparation, eBooks, e-audio books, research databases, resume and career development resources, indexed full-text newspapers and magazines, genealogy resources, as well as homework help support.

Code Compliance Services consists of Animal Services and Code Compliance to ensure the health of communities through the control of animals and regulation of code issues. The department is active in providing programs relating to youth and seniors in our community. Code Compliance Services focuses on providing community outreach through education, animal maintenance and control, as well as the enforcement of code issues to increase the safety and vitality of neighborhoods.

The Parks and Recreation Department is responsible for the operation and maintenance of the City's 4,714 acres of parks, including four municipal golf courses, a tennis facility, four recreational centers, two senior citizen centers, and the management of the Bob Duncan Center. It conducts a wide range of high quality, year-round leisure time programs that are responsive to the physical, social, cultural, and environmental needs of the citizens of the City.

Economic Development and Capital Investment Group

The Deputy City Manager for Economic Development and Capital Investment is responsible for oversight and management of five departments. The City functions include Public Works and Transportation, Community Development and Planning, the Convention Center, Economic Development and Aviation.

Public Works and Transportation plans, designs, operates, acquires, constructs, and maintains public facilities to ensure the safe and efficient movement of people, goods, and stormwater. The department is structured in divisions focusing on engineering operations, public facility construction inspection, street maintenance, stormwater management, information services, design and construction of public buildings, and traffic engineering including signals, signs and markings.

Community Development and Planning is responsible for maintaining a long-range Comprehensive Plan, which optimizes the physical, fiscal, and natural resources of the City in its development. Development Services consists of the Building Inspection Division which enforces the City's ordinances regarding general construction, zoning, mechanical, electrical and plumbing activities. The Strategic Planning/Grants Management staff provides coordination services in an effort to facilitate effectively program development and implementation. Additional responsibilities include providing City staff and the public with current zoning and inventory maps and a wide range of demographic statistics. The Arlington Housing Authority (AHA) is responsible for administering federal and state grant funds and providing housing assistance to qualified citizens.

The Arlington Convention Center has divisions consisting of Event Services and Facility Operations, and a contract with the Arlington Convention and Visitors Bureau (ACVB). The Center offers 50,000 square feet of exhibit space, a 30,000 square foot Grand Hall for banquets, and 8,500 square feet of meeting space. Food, beverage and audio visual services are available to accommodate small and large groups for conferences, exhibits, trade shows, and meetings. Located in the Entertainment District, the Center is close to Globe Life Park (home of the Texas Rangers), AT&T Stadium (home of the Dallas Cowboys), Six Flags and Hurricane Harbor, and is easily accessible from I-30. The Convention Center and the ACVB partner to increase tourism and promote many attractions and events throughout the city.

The Office of Economic Development has divisions consisting of Business Development and Business Recruitment and Retention, and contracts with Downtown Arlington Management and various Minority Chambers. Incentives available consist of tax abatements, chapter 380 agreements, Freeport Exemptions, Enterprise Zones, Tax Increment Financing Districts, and the Downtown Business Zoning District. The Economic Development team strives to grow and diversify the economy through business attraction and retention, creating a vibrant downtown through partnerships and legacy building, and expanding the commercial tax base through improved property values.

The Aviation Department operates Arlington Municipal Airport, a full-service general aviation airport owned by the City of Arlington. The facility is designated as a reliever airport, providing corporate, cargo, charter and private aviation, an alternative to DFW Airport and Love Field. There are approximately 260 aircraft and 20 businesses based at the Airport, including Bell Helicopter Textron, Van Bortel Aircraft, Inc. and AgustaWestland.

Strategic Support Group

The Deputy City Manager for Strategic Support is responsible for the oversight and management of five City departments, which include the Water Utilities Department, Human Resources, Information Technology, Municipal Court, and Handitran/Special Transit.

The Water Utilities Department is responsible for assuring a continuous supply of safe high quality drinking water and collection and safe disposal of wastewater. The City is recognized nationally for its advanced technology in water treatment. Transmission capacity was designed to anticipate future peak demands well into this century. The department has three divisions: Operations, Business Services, and Treatment. The department received awards from the United States Environmental Protection Agency, Texas Municipal Utilities Association, Texas Water Utilities Association and the American Water Works Association.

The Human Resources Department consists of Employee Operations, Employee Services, Organizational Development, and Risk Administration. This department is an organizational conduit to recruit, develop and retain quality employees and volunteers that are the foundation for building a thriving community. These human assets deliver our core services in alignment with the brand of Arlington. Human Resources is also charged with minimizing organizational and community risk.

The Information Technology Department consists of Project Management, Infrastructure, Information Security, Business Development, Software Services, Network Support, Server Support, and Customer Support. The department is a vital partner with all City departments to provide quality services through the innovative use of technology. They provide network infrastructure stability, assistance with technology requests, manage technology security, and customer service for many varied software and hardware issues.

The Municipal Court handles payment for citations, court appearances for teens and adults, jury service requirements, and management of revenues from fines. The court strives to improve customer service through advanced technology.

The Handitran/Special Transit is a self-service transit program for the elderly and the disabled. The program allows registered passengers an opportunity to schedule and make trips around the area.

Finance

Reporting directly to the City Manager, the Director of Finance oversees the financial affairs of the City and ensures the financial integrity of City operations. The Finance Department services include Budget, Accounting, Accounts Payable, Payroll, Purchasing, Treasury Management and maintenance of the City’s Fixed Asset inventory.

Management Resources

The Management Resources Department is responsible for providing managerial oversight for several strategic City functions, including administrative support for the City Manager's Office and the Mayor and Council Office, Intergovernmental Relations, Office of Communication, Action Center, City Secretary's Office, and Knowledge Services.

The Office of Communication (OOC) works with news media and issues publications and implements programs to educate and inform citizens about City policies and programs. It is responsible for providing a communication and service link between the residents of and business owners in the City and all City departments.

The Action Center allows citizens to communicate complaints, compliments, comments and suggestions for improving the quality of life in the City. Citizens can contact the Action Center for various questions related to the City.

The City Secretary’s Office transcribes and maintains official City records, minutes and ordinances, and conducts City elections. The City Secretary is the custodian of all City Ordinances and Resolutions

The Office of Knowledge Management assists employees in accessing relevant data in a fast and efficient way, and re-using it as part of normal work processes. The division’s primary vision is on identifying, creating, representing, and distributing knowledge for re-use, awareness and learning across the organization. Knowledge Management, in its truest form, is focused on letting employees contribute and discover.

Economic & Demographic Factors

Population
Arlington and the United States
Selected Years

Year	Arlington	United States
1950	7,692	150,697,361
1960	44,775	178,464,236
1970	90,229	203,211,926
1980	160,113	226,545,805
1990	261,721	248,765,170
2000	332,969	281,421,906
2010	365,438	308,745,538
2011	365,530	312,759,230
2012	365,860	314,395,013
2013	365,930	316,128,839
2014	369,508	318,857,056
2015	379,370	321,418,820

Source: U.S. Census, North Central Texas Council of Governments

Per Capita Personal Income

Region	2014	2013	2012	2011	2010
Tarrant County	46,169	44,417	43,044	40,965	39,367
Texas	45,669	43,862	42,638	41,560	39,791
United States	46,049	44,765	43,735	40,147	38,222

Source: Bureau of Economic Analysis

As illustrated in the table below, Arlington has managed to maintain lower unemployment rates than the United States and the State of Texas. For 2015, the City's unemployment rate averaged 4 percent compared to the U.S. rate of 5.4 percent and the Texas rate of 4.3 percent.

Unemployment Rate

Region	2015	2014	2013	2012	2011
Arlington	4.0	5.2	5.9	6.8	7.6
Texas	4.3	5.5	6.4	7.2	7.9
United States	5.4	6.5	7.6	8.3	8.9

Source: U.S. Bureau of Labor Statistics

Arlington Major Employers

Company Name	No. of Employees
Arlington Independent School Distri	8,200
University of Texas at Arlington	5,300
General Motors Co.	4,484
Texas Health Resources	4,063
Six Flags Over Texas	3,800
The Parks at Arlington	3,500
GM Financial	2,965
City of Arlington	2,509
J.P. Morgan Chase	1,965
Texas Rangers Baseball Club	1,881

Source: City Economic Development (OED) Department

Educational Facilities

Arlington Independent School District (AISD) is the principal public educator. However, Mansfield Independent School District (MISD), Kennedale Independent School District (KISD) and Hurst-Euless-Bedford Independent School District (HEBISD) house school buildings within Arlington's city limits.

The AISD public schools feature six traditional high schools, four alternative high schools, eleven junior high schools, fifty-three elementary schools, and one pre-kindergarten campus. AISD's staff of 8,200 serves a peak enrollment of 63,814 students.

MISD has fifteen schools in Arlington, including two high schools, four middle schools and nine elementary schools. These fifteen schools serve approximately 12,150 students.

KISD and HEBISD each facilitate one elementary school within Arlington's city limits. The Arlington KISD school serves approximately 441 students and the HEBISD school serves approximately 543 students. The Arlington HEBISD school is located in the Viridian area of Arlington and opened August 25, 2014.

Summarized below is information regarding the Arlington, Mansfield, Kennedale and Hurst-Euless-Bedford Independent School District's annual peak enrollment numbers along with the change in total percentage for the last five fiscal years.

Public School Enrollment

Fiscal Year	Arlington ISD Peak Enrollment	Mansfield ISD Peak Enrollment	Kennedale ISD Peak Enrollment	Hurst-Euless-Bedford ISD Peak Enrollment	Total	Percentage Change
2011	64,380	13,358	467	n/a	78,205	0.53
2012	64,971	13,266	425	n/a	78,662	0.58
2013	64,913	12,264	424	n/a	77,601	(1.35)
2014	64,629	11,728	446	n/a	76,803	(1.03)
2015	63,814	12,150	441	543	76,948	0.19

Source: Texas Education Agency (Academic Performance Report)

Public Higher Education

The University of Texas at Arlington (UTA) and Tarrant County College Southeast (TCC) are two public higher education institutions located in Arlington.

UTA, founded in 1895, is a comprehensive research institution of more than 51,000 students in campus-based and online degree programs and is the second-largest institution in The University of Texas System. The university offers more than 182 degree programs at the bachelor, master, and doctoral levels. With a workforce of more than 6,000 faculty and staff, UTA is one of the largest employers in Arlington. The physical plant, located on a 420 acre campus, includes more than 100 buildings. The campus has a 190,000 sq. ft. student activity center and has greatly expanded its on campus housing capacity. The College Park district and several off campus housing projects have also been developed targeting students.

TCC opened its Southeast Campus in Arlington during 1996. The 193-acre site features a current enrollment of approximately 14,945 students and approximately 750 employees. The college offers associate's degrees in business, academic fields and the creative arts. TCC's Southeast campus also offers transitional programs for students from low-income and first-generation families.

Building Permits

During the FY 2015, the City issued 5,384 building permits with a total value of $360,951,443. Presented below is a table covering building permit activity for the last three fiscal years:

	2015		2014		2013	
	Permits	Declared Value	Permits	Declared Value	Permits	Declared Value
New Single Family	470	103,650,955	328	135,154,940	580	128,592,698
New Multifamily	13	34,032,660	-	-	-	-
New Commercial	150	150,415,719	143	150,605,419	125	94,840,703
Other Residential	3,187	27,723,879	2,978	22,154,740	2,664	19,091,105
Other Commercial	1,564	45,128,230	1,705	86,151,758	1,226	74,165,617
Total	5,384	360,951,443	5,154	394,066,857	4,595	316,690,123

Source: City Building Inspections Division

Water Facilities

Water Treatment Facilities

Arlington currently operates two water treatment plants that treat raw water and purify it to meet or exceed state and federal drinking water standards. Treated water is then pumped to the distribution system for customer use.

The Pierce-Burch Water Treatment Plant (PBWTP) is located in west Arlington and treats raw water from Lake Arlington that is pumped to the water treatment plant. The south PBWTP was constructed in 1957 and with subsequent expansions has a treatment capacity of 75 million gallons per day (MGD). The plant uses a sedimentation, ozonation, and filtration treatment process. The north PBWTP was constructed in 1954, but has been decommissioned and is no longer in service. There are no plans to expand the PBWTP, but land is available at the site for future expansion if needed.

The John F. Kubala Water Treatment Plant (JKWTP) is located in southwest Arlington and receives its raw water directly from the Tarrant Regional Water District's (TRWD) Richland Chambers and Cedar Creek pipelines. The JKWTP was constructed in 1989 and with subsequent expansions currently has a treatment capacity of 97.5 MGD. The plant uses a sedimentation, ozonation, and filtration treatment process. Population growth and development in the southern part of the City necessitated the construction of JKWTP. The plant began serving Arlington's citizens in May 1989. Beginning in August 1998, TRWD also began delivering water from Lake Benbrook, a U.S. Army Corps of Engineers-owned reservoir. There are no plans to expand the JKWTP. The plant was designed for ultimate build out capacity of 130 MGD.

The Distribution System

The City's water distribution system has three pressure planes, referred to as the Upper pressure plane, West pressure plane, and Lower pressure plane. Either of the two City-owned and operated water treatment facilities can fully provide the average day demand to each of the pressure zones. Thus, the City has 100% redundancy for water treatment and distribution. When both plants are operating concurrently the JKWTP supplies the Upper and West pressure planes and the PBWTP supplies the lower pressure plane. A combination of electrically driven and natural gas pumps transfer water from the plants into the distribution system. There are ten elevated storage tanks with a combined capacity of 17.5 million gallons.

The City's water distribution system is fully metered and consists of 1,578 miles of pipe. The City has 107,408 water meters of which 23.1% are automated. The System includes concrete cylinder, cast iron, polyvinyl chloride (PVC), and ductile iron pipes. The entire System meets the minimum standards prescribed by the Texas Fire Insurance Commission, the United States Environmental Protection Agency and the Texas Commission on Environmental Quality (TCEQ).

The City's water system has adequately met the demand for treating and distributing water during the past ten fiscal years as follows:

Treatment & Distribution of Water

Fiscal Year	Average Daily Pumpage (MGD)	Maximum Daily Pumpage (MGD)
2006	67.26	116.72
2007	51.52	86.04
2008	57.23	109.49
2009	59.54	115.20
2010	55.44	102.24
2011	64.25	114.69
2012	57.99	106.45
2013	55.20	95.76
2014	53.04	88.82
2015	52.48	104.26

Source: City Water Utilities Department

Water Supply

The Tarrant Regional Water District is the primary supplier of raw water used by over 50 municipal and non-municipal entities located both within and outside of Tarrant County. Among the major customers of the District are the cities of Fort Worth, Arlington, and Mansfield, and a wholesale water provider, the Trinity River Authority (TRA).

The City receives water from TRWD's Cedar Creek and Richland Chambers Reservoirs. Water from these reservoirs is transported through transmission facilities to Lake Arlington and the John F. Kubala Water Treatment Plant. In August 1998, TRWD also began delivering water from the U.S. Army Corps of Engineers-owned reservoir Lake Benbrook. This water supply service was initially provided under the terms and provisions of a contract dated July 13, 1971. Under that contract, TRWD agrees to supply all of the City's municipal water requirements during its term.

On September 1, 1982, TRWD entered into a revised water supply contract ("Amendatory Contract") with the City, and the cities of Fort Worth, Mansfield and TRA. The revised contract will continue in effect until all bonds of TRWD relating to TRWD's System have been paid, and thereafter during the useful life of TRWD's System. Under the Amendatory Contract, the City is required to purchase all of its raw water needs from TRWD. TRWD is obligated to meet the City's needs by developing additional water supply sources, subject to force majeure, the ability of TRWD to obtain suitable financing and a determination of feasibility. If TRWD is unable to supply all of the City's raw water requirements or if it should become apparent that TRWD will become unable to supply such requirements, the Amendatory Contract provides a procedure by which the City would be permitted to develop or obtain a supplemental water supply to meet its needs. The City is depending upon TRWD to meet its full raw water needs under the Amendatory Contract and, at present, the City has no assurance of the availability of a supplemental water supply if TRWD should fail to meet such needs. TRWD's current sources as well as additional supplies that are actively under development are projected to provide an adequate water supply through 2030.

TRWD's most recent system enhancements include completion of the Eagle Mountain Pipeline and George W. Shannon Wetlands at Richland-Chambers Reservoir.

In March 2002, TRWD issued $331,430,000 in Water Revenue Refunding and Improvement Bonds (Series 2002) to refund the Series 1993 Bonds and to fund the acquisition and expansion of the Wetland Water Treatment System for Richland Chambers, for design/engineering of the pipeline connection to Eagle Mountain Lake and other construction, improvements and repairs to TRWD's Water System. Construction of the Richland Chambers Dam and Reservoir Project was funded with proceeds derived from the sale of Water Revenue Bonds, which were originally issued in 1979 (Series 1979-A) and have since been refunded with the Series 2002 Bonds.

In 2006, TRWD issued $182,905,000 in Water Revenue Bonds for:

- acquisition and expansion of the Wetland Water Treatment system for Richland Chambers Reservoir;
- initial cost for a Wetland Water Treatment system for the Cedar Creek Reservoir;
- expansion and improvements to TRWD's water supply transmission system to Eagle Mountain Lake;
- acquisition and installation of control equipment for the Eagle Mountain Pipeline connection and Richland Chambers Wetland projects;
- engineering, acquisition and construction of a new communication system;
- engineering and studies for expansion of discharge facilities at Lake Arlington;
- acquisition and improvements to TRWD's existing water supply security system;
- acquisition of right-of-way and permanent and perpetual flowage easements for the System together with all other design, construction, improvements and repairs and studies and plans for TRWD's Water System;
- to fund a debt service reserve fund; and
- to pay the costs associated with the issuance of the Bonds.

Two bond issues were made in 2008, Series 2008A-RC Water Revenue Bond ($3,135,000) and 2008B-CC Water Revenue Bond ($6,755,000). The 2008A-RC Bonds were issued to support pre-construction efforts to complete the Richland-Chambers Reservoir Wetland Project. The 2008B-CC Bonds were issued to support pre-construction efforts for the Cedar Creek Wetlands Project. These bonds were issued as a part of the Texas Water Development Board (TWDB) Water Infrastructure Fund established to finance implementation of projects identified in the 2007 State Water Plan.

In March 2009, TRWD issued $69,535,000 in bonds to refund $16,895,000 of the Series 1999 Water and Revenue Refunding and Improvement Bonds and to pay for construction of a parallel pipeline segment; the design of additional pipeline and pumping facilities; the construction of a balancing reservoir on the Eagle Mountain pipeline; major repairs, replacements and additions of valves, vaults, pumps, variable frequency drives, switchgear, aeration facilities, and tank recoating related to the water transmission system; expansion and rehabilitation of chemical and dechlorination facilities related to the District's water transmission system; dam stability analysis and remediation, water transportation improvements, including log jam removal; design of hydro generation facilities at Lake Arlington; development of new water resources, including costs related to the acquisition of out of state water, and associated legal, engineering and consultation costs; other design, construction, improvements and repairs and studies and plans for the District's Water System.

In 2010, TRWD had three bond issues, 2010, 2010A and 2010B. The 2010 issue for $89,250,000 was issued for engineering and initial right of way costs related to additional pipeline and pumping facilities; engineering and construction of the build-out phase of the Richland-Chambers wetlands facilities; land and right-of-way for construction of the Cedar Creek wetlands; construction of hydro generation facilities at Lake Arlington; development of new water resources, including costs related to the acquisition of out of state water, and associated legal, engineering, and consulting costs; other design, construction, improvements and repairs and studies and plans for the District's Water System. The 2010A, ($17,835,000) and 2010B, ($83,785,000) series were issued to support development costs related to the Integrated Pipeline Project (IPL) and were issued as a part of the Texas Water Development Board (TWDB) Water Infrastructure Fund established to finance implementation of projects identified in the 2007 State Water Plan. The IPL Project is an integrated water delivery transmission system that will deliver water supply from Lake Palestine, Cedar Creek and Richland-Chambers Reservoirs integrated with TRWD's existing pipelines and provide flexibility in water sources and delivery as well as quick response to fluctuating customer demands. The IPL Project consists of 150 miles of pipeline, three new lake pump stations, and three new booster pump stations. The City of Dallas is funding a portion of the cost to design, construct and operate the IPL in proportion to delivery of Dallas water supply from Lake Palestine.

In January 2012, the TRWD board approved a resolution authorizing the issuance, sale, and delivery of the Tarrant Regional Water District, a water control and improvement district, water transmission facilities contract revenue bonds (City of Dallas Project) $131,935,000 to pay for the design, acquisition, and construction of the "Dallas Project Component" of the integrated pipeline project. The board also approved revenue refunding and improvement bonds for TRWD, $150,375,000 to refund a portion of the outstanding Series 2002 Bonds, pay for the design, construction and right of way costs related to the District's Water System, including additional water transmission facilities and pumping facilities, development of new water resources, including costs related to the acquisition of out of state water and associated legal, engineering, and consulting costs, additions to the Kennedale balancing reservoirs, construction of hydro generation facilities at Lake Arlington, and other construction, improvements, and repairs to the District's Water System, fund a debt service reserve fund and pay costs of issuance of the bonds.

In October 2012, the TRWD board approved a resolution authorizing the issuance, sale, and delivery of the Tarrant Regional Water District, a water control and improvement district Water Revenue Refunding Bonds Series 2012A to refund a portion of the District's debt for debt service savings and to pay costs of issuance of the bonds.

In January 2014 the TRWD board approved a resolution authorizing the issuance, sale, and delivery of the Tarrant Regional Water District, a water control and improvement district, water transmission facilities contract revenue bonds Series 2014 (City of Dallas Project), $202,130,000, to pay for the design, acquisition, and construction of the "Dallas Project Component" of the integrated pipeline project, and Tarrant Regional Water District, a water control and improvement district, water transmission facilities revenue bonds Series 2014, $318,750,000, to pay for the planning, design, construction, and right of way costs related to the District's Water System, including additional water transmission and pumping facilities; development of new water resources, including costs related to the acquisition of out of state water and associated legal, engineering, and consulting costs; Cedar Creek Dam stabilization, pump station pump room cooling, rebuilding Benbrook Dechlor. Facilities, access bridges, monitoring equipment, generators, switches, instrumentation and other electrical equipment and improvements, and other construction improvements, and repairs to the District's Water System, to fund a debt service reserve fund and to pay costs of issuance of the Bonds.

In January 2015, the TRWD board approved a resolution authorizing the issuance, sale, and delivery of the Tarrant Regional Water District, a water control and improvement district, water revenue refunding Bond Series 2015, $156,470,000 to refund a portion of the District's debt for debt service savings, and pay costs of issuance of the Series 2015 Bonds.

In October 2015, the TRWD board approved a resolution authorizing the issuance, sale, and delivery of the Tarrant Regional Water District, a water control and improvement district, water transmission facilities contract revenue bonds (City of Dallas Project), Series 2015, $140,000,000 to pay for design, acquisition, and construction of the Integrated Pipeline Project, fund a reserve fund for the Series 2015 Bonds and pay costs of issuance of the Series 2015 Bonds.

In October 2015, the TRWD board approved a resolution authorizing the issuance, sale, and delivery of the Tarrant Regional Water District, a water control and improvement district, water revenue bonds Series 2015A, $300,000,000 to pay for design, acquisition, and construction of the Integrated Pipeline Project, fund a reserve fund for the Series 2015A Bonds and pay costs of issuance of the Series 2015A Bonds.

Tarrant Regional Water District estimates that the existing and permitted water supply system has adequate water to meet its customers' projected water requirements through the year 2030. TRWD continues to participate in statewide and regional water supply planning authorized by the 1997 passage of Senate Bill 1. The regional plan for the Dallas-Fort Worth region includes plans for TRWD to develop an additional 868 MGD through the year 2070 at an estimated cost of $5.62 billion. These projects include water conservation, reuse, reservoir, and pipeline construction.

Under the terms of the Amendatory Contract, the City pays TRWD an amount equal to the City's proportionate share of TRWD's "Annual Requirement." Said annual requirement includes the costs of operation and maintenance of TRWD's raw water supply facilities, debt service on TRWD's bonds and any future bonds it might issue, including deposits to any special or reserve fund established in TRWD's bond resolutions. Based upon the projected usage of the City for the 2015 – 2016 fiscal year, the budgeted monthly purchase price to be paid by the City under the revised water contract is $1,903,558, which results in a rate of approximately $1.18965 per one thousand gallons. Such amount is subject to adjustment as provided in the Amendatory Contract. The City is obligated to pay TRWD for all water used by it, and under the Amendatory Contract, the minimum amount of water the City shall be deemed to have used shall be calculated at an amount equal to the greater of 30 MGD or the average MGD actually used by the City during the period of the immediately preceding five consecutive annual periods.

The Amendatory Contract provides that all payments to be made under said Contract shall constitute reasonable and necessary operating expenses of the System, and thus the City's requirement to make such payments from its revenues to the System shall have priority over any obligation to make payments from such revenues, including payment of principal and interest on the City's Outstanding Bonds, the Bonds and any additional Bonds.

Drought Contingency Plan

The City continues to work closely with TRWD to plan for and execute drought contingency measures.

TRWD updated its Water Conservation and Drought Contingency Plans in May 2014, in accordance with the Texas Commission of Environmental Quality (TCEQ) directives. Regular meetings were held to discuss evolving approaches to water conservation and extending supplies during drought or emergency situations. TRWD's customers had extensive input defining drought conditions and prescribing conservation measures related to each drought stage. All major customers agreed to specific, staged measures related to emergency conditions brought on by drought-induced water supply depletion or failure of components in TRWD's supply system.

Arlington Water Utilities also updated its Drought Contingency Plan in 2014. The drought plan is based on a statistical analysis of 43-year weather patterns in North Texas and their potential effects on water supplies to establish drought triggers. The responses for each drought stage are triggered by two sets of conditions – water supply levels or excessive demand and emergency situations. Drought stages are triggered when the total combined raw water supply within the TRWD reservoir system drops below 75, 60 and 45 percent of conservation storage. Other conditions that would activate a drought response would include situations where:

- Water demand exceeds the amount that can be delivered to customers.
- Water demand for all or part of the TRWD delivery system exceeds delivery capacity because delivery capacity is inadequate.
- One or more of TRWD's water supply sources has become limited in availability.
- Water demand is projected to approach the limit of permitted supply.
- Supply source becomes contaminated.
- Water supply system is unable to deliver water due to the failure or damage of major water system components.
- The General Manager, with concurrence of the TRWD Board of Directors, finds that conditions warrant the declaration of a drought stage.

Based on the record rainfall in the summer of 2015 and current lake levels being at 100%, TRWD has eliminated water restrictions.

The City coordinated with TRWD , its customer cities and other North Texas water suppliers to take a regional approach in updating its Drought Contingency Plan in the spring of 2014. The Drought Contingency Plan, per TCEQ requirements, was adopted in May 2014. The Water Conservation Plan was also updated and adopted by the Arlington City Council in May 2014. Because of this proactive approach to addressing drought conditions and managing emergency demand, combined with an excellent track record in planning and system development initiatives, the City does not anticipate, and did not recently experience with implementation of the Drought Contingency Plan, any system supply problems. However, steps will be taken in the event of a prolonged drought to ensure that the financial condition of the System remains strong.

Consumer Analysis Data

The following data provides information as to the average daily water consumption, excluding sales to municipalities, by user category for the fiscal years ended September 30, 2011 through September 30, 2015.

Average Daily Consumption (MGD)

Property Type	2015	2014	2013	2012	2011
Residential	24.5	24.90	26.50	33.70	30.57
Commercial	8.88	8.72	9.10	12.00	10.60
Fire lines, Sprinklers	4.25	4.43	5.00	6.40	6.41
Apartment Units	7.61	7.62	7.80	9.60	8.10
Mobile Homes, Condominiums, Townhouses	0.64	0.65	0.65	0.80	0.64
Total	45.88	46.32	49.05	62.50	56.32

The following table shows the number of units served; excluding sales to municipalities, by user category for the fiscal years ended September 30, 2011 through September 30, 2015.

Number of Units Served

Property Type	2015	2014	2013	2012	2011
Residential	94,435	93,764	93,589	92,945	92,594
Commercial	4,808	4,821	4,800	4,857	4,922
Fire lines, Sprinklers	1,061	1,066	1,076	969	966
Apartment Units	45,876	45,950	46,682	46,844	46,917
Mobile Homes, Condominiums, Townhouses	2,087	2,084	2,079	2,089	2,089
Total	148,267	147,685	148,226	147,704	147,488

The following is a listing of the top ten water customers of the City, ranked by consumption during the fiscal year ended September 30, 2015. Billing will vary based on the number of meters, increased minimum charges for larger meters, and higher commodity charges for sprinkler usage. During this period, the top ten customers' total annual water billings, which represented 8.75 percent of the System's water sales, were as follows:

Top Ten Water Customers

Name	Consumption in 1,000 Gallons	Billing
EUSB/General Motors	327,321	$ 902,604
University Texas Arlington	272,728	$ 981,135
Arlington ISD	207,861	$ 1,017,061
City of Arlington	196,905	$ 1,128,638
Hurricane Harbor	104,921	$ 286,979
Vantage Fort Worth Energy, LLC	89,291	$ 627,623
Six Flags Over Texas	74,102	$ 244,469
AT&T Stadium	70,924	$ 299,354
Mansfield ISD	69,702	$ 384,768
Arlington Memorial Hospital	55,983	$ 182,824
Total	**1,469,738**	**$ 6,055,455**

Historical Water Consumption Data
(Inside City Limits)

The following table lists certain data on historical water consumption during the last five fiscal years.

Fiscal Year Ended 9/30	Number of Water Meters	Total Water Pumped MG	Average Water Pumped MGD	Maximum Day Pumpage MGD	GPD Per Account	Ratio Maximum Day to Average Day
2011	106,021	23,451	64.25	114.69	606.00	1.79
2012	106,081	21,166	57.99	106.45	547.00	1.84
2013	106,848	20,148	55.20	95.76	517.00	1.72
2014	107,408	19,473	53.35	88.82	515.00	1.60
2015	107,926	19,155	52.48	104.26	487.00	1.99

Source: City of Arlington's Water Utilities Department

Wastewater Facilities

The wastewater collection system that serves all developed areas within the City limits is comprised of approximately 1,294 miles of sanitary sewer mains ranging in size from six to seventy-two inches. Although the City owns and maintains an extensive wastewater collection system, it does not treat its own wastewater. Wastewater produced in the City is treated under contract by the Trinity River Authority's (TRA) Central Regional Wastewater System (CRWS). The City's annual volume of contributing flow amounts to approximately 28.2 percent of the total wastewater flow into the CRWS Plant. As the city with the largest population in the CRWS service area, Arlington contributes the highest daily flow of all TRA regional plant customers. The CRWS Plant meets the effluent permit conditions to treat 162 MGD as set by the TCEQ and Environmental Protection Agency (EPA).

The following is a list of Arlington's wastewater flows treated by TRA's CRWS plant during the last five fiscal years.

Wastewater Treated
(Millions of Gallons)

2015	2014	2013	2012	2011
13,417	12,408	12,510	13,510	13,329

Treatment Contract with Trinity River Authority (TRA)

The City's wastewater is treated under the terms of a 50-year contract with TRA dated October 10, 1973. TRA is the owner and operator of the CRWS Plant and the interceptor pipeline system, which serves part of Dallas, Dallas-Fort Worth International Airport, and 19 other Dallas County and Tarrant County municipalities. Under the terms of the contract, each contracting party contributes to TRA's "Annual Requirements" in proportion to its contributing flow of wastewater into the CRWS Plant. The "Annual Requirements" include cost of operation and maintenance of the system and debt service on TRA's bonds issued to construct the system, including deposits to special funds established by the bond resolution. Based upon actions approved in 1996, TRA began treating all of Arlington's wastewater when facilities constructed by Arlington were completed in September 2000. These pipeline facilities convey west Arlington wastewater to TRA System facilities, and on to the TRA treatment plant for final treatment. This Arlington to TRA pipeline project cost was $11,000,000.

In 1989, TRA sold $134.75 million in System Revenue Bonds to fund an expansion of the System's treatment plant from 100 to 135 MGD, which was placed into operation in early 1994. Subsequently in 1992, an additional $33.0 million in System Revenue Bonds were issued to fund improvements required primarily in the System's 200 mile network of large diameter pipelines over the first half of a five-year planning period. These improvements increased the capacity of numerous segments of the pipelines, rehabilitated pipelines and initiated several engineering evaluations to define required improvements to the plant and pipelines in the future. In 1995, TRA issued $43.515 million in System Revenue bonds to fund the remaining portions of the 1992-1996 capital plans. A new five-year plan for 1997-2001 resulted in relief and rehabilitation of interceptors and plant improvements. Initial funds of $49 million were obtained from the 1998A bond issue. Also in 1998, $67 million in bonds were refunded through TRA's issuance of the 1998B Revenue Refunding Bonds. In 2001, TRA issued an additional $88.2 million in System Revenue Bonds through the Texas Water Development Board for plant improvements and relief pipeline construction as identified in the 2001 Capital Improvement Plan update. In early fiscal year 2003, TRA issued $136 million in refunding bonds to pay off the Series 1993 bonds. This results in a decrease water treatment expense to the City.

TRA's five-year capital improvement plan for 2004-2009 included treatment process improvements and interceptor rehabilitation. Initial funds of $106 million were obtained from a 2004 bond issue. Additional bonds in the amount of $9.5 million were issued in 2005 for land acquisition and other related wastewater system improvements. In April 2007, a new update of the five-year capital improvement plan was issued outlining plans for expanding plant capacity from 162 MGD to 189 MGD, as well as badly needed relief (parallel) pipeline system construction. Estimated cost for these projects totals $300 million, and funding was obtained from the Texas Water Development Board at below-market rates. The current plan includes a $120 million bond issuance which took place in June 2007, and two additional issuances of $90 million in February 2008 and March 2009 to complete the objectives of the updated capital improvement plan. An additional Texas Water Development Board bond of $127.005 million was issued in 2010, and in June 2011, the Authority issued $69.280 million in Revenue Refunding Bonds, Series 2011, for refunding the Series 2001 Bonds, producing a total debt service savings of $5,046,248 through the life of the bonds. In October 2011, the Authority issued Series 2011A Texas Water Development Bonds in the amount of $108.395 million and in August 2012, the Authority issued Series 2012 Texas Water Development Bonds in the amount of $74.270 million. These funds were needed to continue various plant and pipeline improvements. In 2013, TRA issued $26,740,000 in System Revenue Bonds to fund collection system and treatment plant improvements. Additional bond issues are scheduled in outlying years to continue process and collection system improvements. The timing and amounts of these bonds will be determined at a later date.

The 162 MGD CRWS Plant is situated on a 500 acre site in Grand Prairie. The CRWS Plant uses a conventional activated sludge process enhanced for nitrification followed by filtration. Effluent quality discharged to the West Fork of the Trinity River has been excellent, meeting all regulatory requirements. The plant was selected by the state and federal regulatory agencies as the best large treatment plant in EPA's Region 6 five-state area during 1996 and has received the National Association of Clean Water Agencies Platinum Award for the second time in 2006, each award signifying five continuous years of Gold Awards (100% permit compliance). The CRWS Plant received the Platinum Award for fiscal year 2007, 2008, 2009, 2010 and 2011 under the Agencies' revised rules. A portion of the treated effluent is delivered for beneficial reuse to lakes in the Las Colinas area of Irving, where it is used for irrigation and lake and canal level control. Revenue from this sale is credited to the parties of the System.

Plant solids removed by this treatment-plant are now being beneficially reused by a land application program, which exports all biosolids from the plant site. An onsite sludge monofill exists with a 20-year remaining life, as a backup to the land application program and to provide an alternative disposal method in the event contractor failure or other unanticipated failure occurs.

For TRA's fiscal year beginning December 1, 2014, the volume of contributing flow by the City is estimated to average 35.858 MGD, which amounts to approximately 27.258 percent of the total volume of wastewater flow into the CRWS plant. This percentage of wastewater flow is used to determine the City's annual requirements under this contract. Arlington has the largest service area population and contributes the highest average daily flow of all TRA CRWS Plant customers. The City's cost of wastewater treatment budgeted for 2016 is $30,002,217.

In addition, the City is a party to a contract (the "Arlington Project Contract") dated October 10, 1973, under which TRA constructed certain improvements to the City's System with the proceeds of its revenue bonds, which the City, by the terms of the contract, was to pay, together with certain fees and administrative overhead. The payment of these bonds was completed in August 2000, as was the final administrative overhead payment.

The facilities constructed by TRA related to the Arlington Project Contract are integral parts of the System and are maintained and operated by the City. Ownership of such facilities was vested in the City when all of the TRA bonds were paid.

Stormwater System

Municipal Drainage Utility System

Chapter 552, Subchapter C of the Texas Local Government Code provides the authority for municipalities to establish a municipal drainage utility system and to develop a schedule of charges within the City. This enabling legislation was created in order to provide municipalities a funding source to address public health and safety in municipalities from loss of life and property by surface water overflows, surface water stagnation, and pollution arising from nonpoint source runoff within the boundaries of an established surface area.

The City established a Municipal Drainage Utility System in August, 1990, to protect the public health and safety from loss of life and property caused by surface water overflows and surface water stagnation.

Drainage Utility Charges and Billing

The City charges "Stormwater" Fees in support of the System. The current stormwater fee structure and rates became effective on November 1, 2014. The current residential fee structure is described in the "Residential Monthly Drainage Utility Fee Rates" table. Commercial property owners are charged based on an impervious area calculation shown. A stormwater fee is added to each monthly utility bill. The City has the authority to impose stormwater fees by ordinance without limitation.

Residential Property

Residential parcels include any benefited property platted, zoned or used for residential development including single family, duplex, triplex, quadraplex, town homes, manufactured homes or other improved parcel upon which buildings contain less than five dwelling units. Residential parcels will be billed based on one Equivalent Residential Unit ("ERU") at the scheduled rate, for the number of dwelling units.

Residential Monthly Drainage Utility Fee Rates

The fee structure and historical rates are as follows:

Date of Rate Change	Flat Rate
October 1, 2009	$ 3.50
October 1, 2010	$ 4.25
October 1, 2011	$ 4.25
October 1, 2012	$ 4.25
October 1, 2013	$ 4.25
November 1, 2014	$ 4.75
October 1, 2015	$ 5.25
October 1, 2016	$ 5.75
October 1, 2017	$ 6.25
October 1, 2018	$ 6.75
October 1, 2019	$ 7.25
October 1, 2020	$ 7.50

(1) Commercial Rate is calculated using the residential rate times the ERU. The minimum ERU rate is 1.0.

(2) Phase in of a new rate structure began on November 1, 2014 and will continue annually through October 1, 2020.

Commercial Property

Every Commercial property owner pays the same unit rate based on the amount of impervious area on the property. Impervious area is defined as a surface that is resistant to infiltration by water. Several examples of impervious area include asphalt or concrete pavement, parking lots, driveways, sidewalks and buildings. Based on a study of Arlington residential property, the average square feet of impervious surface is 2800, referred to as an Equivalent Residential Unit (ERU).

Non-residential parcels include all benefited property that is not defined as residential by the Stormwater Drainage ordinance, including commercial, industrial, institutional, multi-family and governmental property. The monthly fee for non-residential parcels is determined by dividing impervious area square footage by 2800 square feet and multiplying by the current rate – the result shall be a minimum of 1 ERU for each non-residential account.

Other Drainage Utility Fee Information

Failure to pay drainage utility fees promptly when due may subject users to discontinuance of any utility services provided by the City. Apartments are considered non-residential for the purpose of the calculation of the stormwater fee. Any non-residential property on which mitigation measures have been taken may be eligible for a credit to the stormwater fee. The Director of Public Works and Transportation shall adjust the fee for such properties according to the actual mitigative effect of the measures taken. Best Management Practices (BMPs) that were required as part of development plan approval will not be eligible for such credits.

Drainage Account History

	2015	2014	2013	2012	2011
Residential	95,227	94,648	94,291	93,391	92,807
Commercial	5,343	5,363	5,355	5,315	5,231
Total	100,570	100,011	99,646	98,706	98,038

Source: Public Works & Transportation

Investments

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

Legal Investments

Under Texas law, the City is authorized to invest in the following:

(1) Obligations of United States Treasuries, United States agencies and instrumentalities.

(2) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state, the United States or their respective agencies and instrumentalities; including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.

(3) Obligations of Texas, its agencies, counties, cities, and other political subdivisions rated as to investment quality by a nationally recognized investment rating firm not less than "AA" or its equivalent (10% of portfolio; 2% per issuer).

(4) Obligations of other states, its agencies, counties, cities, and other political subdivisions rated as to investment quality by a nationally recognized investment rating firm not less than "AA" or its equivalent (10% of portfolio; 2% per issuer).

(5) Certificates of Deposit issued by a depository institution that has its main office or a branch office in Texas. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner and amount as provided by this Policy for bank deposits. In addition, Certificates of Deposit obtained through a broker or depository institution that has its main office or a branch office in Texas and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Act are authorized investments (50% of portfolio; 20% per issue).

(6) Fully collateralized direct security repurchase agreements and reverse security repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the Act. A repurchase agreement shall have a defined termination date and be secured by a combination of cash and obligations of the United States or its agencies and instrumentalities. These shall be pledged to the City, held in the City's name, and deposited at the time the investment is made with a third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions will be on a delivery vs. payment basis. Securities received for repurchase agreements must have a market value greater than or equal to 102% at the time funds are disbursed and throughout the term of the repurchase agreement (40% of portfolio (excluding flexible repos for bond proceeds); 15% per counterparty).

(7) Commercial Paper that has a stated maturity of 270 days or less and is either rated not less than A-l+, P-l or equivalent by at least two nationally recognized credit rating agencies or is rated by one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States. The Commercial Paper issuer must have an underlying long term credit of at least "AA" or the equivalent (20% of portfolio; 5% per issue).

(8) Guaranteed investment contracts for bond proceeds only in accordance with the conditions prescribed in Section 2256.015 of the Act 100% of bond proceeds.

(9) No-load money market mutual funds that are registered and regulated by the Securities and Exchange Commission, have a dollar weighted average stated maturity of 90 days or less, seek to maintain a net asset value of $1.00 per share, and are rated AAAm or an equivalent rating, by at least one nationally recognized rating service (100% of portfolio; 15% per fund).

(10) Local government investment pools, which meet the requirements of Section 2256.016 of the Act, are rated no lower than AAA or an equivalent rating, by at least one nationally recognized rating service, and are authorized by resolution or ordinance by the City Council. In addition, a local government investment pool created to function as a money market mutual fund must mark its portfolio to the market daily and to the extent reasonably possible, stabilize at $1.00 net asset value (100% of portfolio; 25% per pool; 2% of pool's portfolio).

Investment Policies

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

Current Investments

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

As of September 30, 2015, the City's operating funds were invested in the following categories of investments:

Type of Investment	% Invested
Federal Agencies	68.60
Statewide Pools	10.15
Municipals	12.46
Cash	8.79
Totals	**100.00%**

As of September 30, 2015, the weighted average maturity of the City's operating portfolio was 429 days and the market value of the operating portfolio was 100 percent of its book value.

SECTION TWO: DEBT STRUCTURE AND CAPITAL IMPROVEMENT PROGRAM

Tax-Supported Debt

Debt Statement

Pursuant to the Constitution and laws of the State of Texas and the Charter of the City, the City is authorized to issue general obligation bonds secured by an ad valorem tax on all property within its boundaries subject to local taxation. A tax rate limitation is imposed by the Home Rule Section of the Texas Constitution, Article XI, Section 5, which allows a maximum tax rate of $2.50 per $100.00 assessed valuation.

The following table details the ad valorem tax-supported debt of the City as of September 30, 2015:

Total Outstanding Tax-Supported Debt	$323,590,000
Less Self-Supporting Debt	49,294,964
Tax-Supported Debt Less Self Supporting Debt	$274,295,036

Source: City Finance Department

Debt Information

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

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

Key Debt Ratios

Fiscal Year	Estimated Population	Estimated Taxable Valuation Calendar Year [1]	Net Tax-Supported Debt Year Ended September 30 [2]	Ratio of Net Tax-Supported Debt	
				Per Capita	Taxable Valuation
2011	365,530	17,179,112,309	323,860,825	886	1.89%
2012	365,860	17,323,444,005	315,941,350	864	1.82%
2013	365,930	17,677,891,333	308,178,549	842	1.74%
2014	369,508	18,088,406,989	322,944,724	874	1.79%
2015	379,370	18,905,765,829	323,590,000	853	1.71%

(1) Estimated taxable valuation is obtained from the certified value as of September of each year including minimum estimated value of property under protest.

(2) Net Debt is defined as total outstanding tax supported general obligation debt less debt service fund balance from the Financial Policy.

Source: City Finance Department

Rapidity of Principal Retirement
All General Obligation Debt
As of September 30, 2015

Maturing Within	Amount Maturing	Percent of Total Debt Outstanding
5 years	$135,115,000	41.8%
10 years	224,515,000	69.4%
15 years	292,810,000	90.5%
20 years	323,590,000	100.0%

Source: City Finance Department

Debt Service Requirements

The following schedule reflects the principal and interest requirements on the City's outstanding debt for which ad valorem tax is pledged.

Tax-Supported Debt Service Requirements

Fiscal Year Ending 9/30	Outstanding General Obligation Debt Principal	Outstanding General Obligation Debt Interest	Total Debt Service	% of Principal Retired
2016	31,985,000	12,459,410	44,444,410	
2017	30,215,000	11,222,665	41,437,665	
2018	26,150,000	10,241,781	36,391,781	
2019	24,800,000	9,195,598	33,995,598	
2020	21,965,000	8,219,238	30,184,238	41.8%
2021	20,265,000	7,326,278	27,591,278	
2022	18,990,000	6,512,355	25,502,355	
2023	17,810,000	5,778,089	23,588,089	
2024	16,710,000	5,048,206	21,758,206	
2025	15,625,000	4,372,221	19,997,221	69.4%
2026	15,690,000	3,769,333	19,459,333	
2027	15,250,000	3,185,773	18,435,773	
2028	14,530,000	2,579,173	17,109,173	
2029	12,325,000	2,039,691	14,364,691	
2030	10,500,000	1,593,106	12,093,106	90.5%
2031	9,540,000	1,202,331	10,742,331	
2032	8,665,000	837,975	9,502,975	
2033	7,210,000	494,406	7,704,406	
2034	3,765,000	198,600	3,963,600	
2035	1,600,000	56,000	1,656,000	100.0%
	$ 323,590,000	$ 96,332,228	$ 419,922,228	

Average Annual Debt Service $ 20,996,111

Source: City Finance Department

Total Net Tax-Supported Debt
As of September 30, 2015

Fiscal Year Ending 9/30	Outstanding General Obligation Debt Principal	Outstanding General Obligation Debt Interest	Less Self Supporting Debt Principal	Less Self Supporting Debt Interest	Total Net Tax Supported Debt Service
2016	31,985,000	12,459,410	4,873,180	2,231,394	37,339,836
2017	30,215,000	11,222,665	4,284,938	2,032,476	35,120,251
2018	26,150,000	10,241,781	3,115,355	1,840,846	31,435,580
2019	24,800,000	9,195,598	2,962,741	1,681,464	29,351,392
2020	21,965,000	8,219,238	1,921,500	1,546,277	26,716,461
2021	20,265,000	7,326,278	1,991,500	1,450,202	24,149,575
2022	18,990,000	6,512,355	2,012,750	1,350,627	22,138,978
2023	17,810,000	5,778,089	2,077,750	1,257,414	20,252,924
2024	16,710,000	5,048,206	2,152,750	1,153,527	18,451,929
2025	15,625,000	4,372,221	2,232,750	1,051,983	16,712,488
2026	15,690,000	3,769,333	2,317,750	952,220	16,189,363
2027	15,250,000	3,185,773	2,402,750	846,888	15,186,135
2028	14,530,000	2,579,173	2,497,750	737,305	13,874,118
2029	12,325,000	2,039,691	2,587,750	632,823	11,144,119
2030	10,500,000	1,593,106	2,682,750	524,290	8,886,066
2031	9,540,000	1,202,331	2,777,750	408,789	7,555,793
2032	8,665,000	837,975	2,882,750	286,255	6,333,970
2033	7,210,000	494,406	2,992,750	156,226	4,555,430
2034	3,765,000	198,600	527,750	21,110	3,414,740
2035	1,600,000	56,000	-	-	1,656,000
	$ 323,590,000	$ 96,332,228	$ 49,294,964	$ 20,162,116	$ 350,465,148

Total Net Average Annual Debt Service **$ 17,523,257**

Self-Supporting debt includes a portion of the Permanent Improvement Refunding Bonds, Series 2005, the Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B, a portion of the Combination Tax and Revenue Certificates of Obligation 2009A and 2009B, the Combination Tax and Revenue Certificates of Obligation, Series 2010B, a portion of the Permanent Improvement Refunding Bonds, Series 2011B, a portion of the Certificates of Obligation 2014, and a portion of the Permanent Improvement Refunding Bonds, Series 2015B. To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

Source: City Finance Department

Computation of Self-Supporting Debt

Hotel Occupancy Tax Revenue		
Gross Hotel Occupancy Tax Revenues for FYE 9/30/15	$	7,854,866
Debt Service Requirements for Convention Center portion of 2005 & 2015B bonds, FY 2016		1,287,589
Percent of Tax Increment Self-Supporting		100%
Water and Wastewater System (WWS) Revenues		
Revenue Available for Debt Service from WWS Revenues, FYE 9/30/15	$	44,353,000
Less: Revenue Bond requirements, FY 2016		16,238,104
Balance Available for Other Purposes		28,114,896
Debt Service Requirements for Water for Portions of the 2011B Bonds, FY2016		63,229
Percentage of Water and Wastewater System CO Debt, Self-Supporting		100%
Tax Incremental Reinvestment Zone 5 (TIRZ 5) (2)		
Revenue Available for Debt Service from TIRZ 5, FY 2015		970,343
Debt Service Requirements 2008B CO for TIRZ 5, FY 2016		2,578,863
Percentage of TIRZ 5 Obligations Self-Supporting		38%
Tax Increment Reinvestment Zone 4 (TIRZ 4)		
Beginning Fund Balance TIRZ 4, 10/1/14	$	2,784,077
Tax Revenue TIRZ 4, FY 2015		2,125,232
Total Balance Available for Debt Service FY2015		4,909,309
Debt Service Requirement for 2010 CO and 2014 CO portion for TIRZ 4, FY 2016		1,803,764
Percentage of TIRZ 4 Obligations Self-Supporting		100%
Park Performance Fund (PPF) Revenues		
Revenue Available for Debt Service from PPF Revenues, FYE 9/30/15	$	9,619,391
Debt Service Requirements for PPF Portion of PIB 2005 & 2015B, FY 2016		777,633
Percentage of Park Performance Fund Portion of PIB 2005 Debt, Self-Supporting		100%
Airport General Gas Lease Fund Revenues		
Revenue Available for Debt Service from Airport General Gas Lease Revenues, FYE 9/30/15	$	175,000
Debt Service Requirements for Airport Portion of 2009A-B CO, FY 2016		593,496
Percentage of Airport Portion of CO 2009A and B Debt, Self-Supporting		29%
Total Debt Service Requirements, FY 2016	$	7,104,574

Portions of the Permanent Improvement Refunding Bonds 2005 and Portions of the PIRB 2015B - Hotel Occupancy Tax

The City will use hotel occupancy taxes to pay a portion of the debt service on the Series 2005 Refunding Bonds which refunded a portion of the Combination Tax and Revenue Certificates of Obligation, Series 1998 and Series 2015B Refunding Bonds which refunded a portion of the PIRB 2005. Based on a calculation of the pro rata share of debt service on both the Series 2005 Refunding Bonds and 2015B Refunding Bonds, the hotel occupancy tax will provide $1,287,589 of the total debt service on the Series 2005 Refunding Bonds and 2015B Refunding Bonds from October 1, 2015 through September 30, 2016. The 2005 Refunding Bonds and 2015B Refunding Bonds are payable from (1) the proceeds of a continuing direct ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City, and (2) a portion of the revenues derived by the City from the hotel occupancy tax. The hotel occupancy tax presently is levied and collected under authority of V.T.C.A., Government Code, Chapter 1504, as amended, and V.T.C.A., Tax Code, Chapter 351.

The Combination Tax and Revenue Certificates of Obligation, Series 1998, pledge the "Surplus Revenues" of the City's hotel occupancy tax levied and collected under authority of V.T.C.A., Government Code, Chapter 1504, and V.T.C.A., Tax Code, Chapter 351, remaining after payment of all current and future debt obligations payable in whole or in part from the

City’s hotel occupancy tax receipts. The following excerpt from the ordinance authorizing the Combination Tax and Revenue Certificates of Obligation, Series 1998, describes the method of payment:

"The amount of taxes to be provided annually for the payment of principal of and interest on the Certificates shall be determined and accomplished in the following manner:

(a) the City's annual budget shall reflect (i) the amount of debt service requirements to become due on the Certificates in the next succeeding Fiscal Year of the City, (ii) the amount on deposit in the Interest and Sinking Fund, as of the date such budget is prepared (after giving effect to any payments required to be made during the remainder of the then current Fiscal Year) and (iii) the amount of Surplus Revenues estimated and budgeted to be available for the payment of such debt service requirements on the Certificates during the next succeeding Fiscal Year of the City.

(b) The amount required to be provided in the succeeding Fiscal Year of the City from ad valorem taxes shall be the amount, if any, the debt service requirements to be paid on the Certificates in the next succeeding Fiscal Year of the City exceeds the sum of (i) the amount shown to be on deposit in the Interest and Sinking Fund (after giving effect to any payments required to be made during the remainder of the then current Fiscal Year) at the time the annual budget is prepared, and (ii) the Surplus Revenues shown to be budgeted and available for payment of said debt service requirements.

(c) Following the final approval of the annual budget of the City, the governing body of the City shall, by ordinance, levy an ad valorem tax at a rate sufficient to produce taxes in the amount determined in paragraph (b) above, to be utilized for purposes of paying the principal of and interest on the Certificates in the next succeeding Fiscal Year of the City."

In the fiscal year 2016 Budget, the City estimated that $7,990,435 of Hotel Occupancy Tax will be received by the City. This exceeds the $1,366,902 of debt service requirements on Combination Tax and Revenue Certificates of Obligation, Series 1998, the allocable portion of Series 2005 Refunding Bonds, and the allocable portion of Series 2015B Refunding Bonds. As shown in the section entitled "Tax Data - Hotel Occupancy Tax Receipts," Hotel Occupancy Tax Revenues in the fiscal years 2011 through 2015 have been more than adequate to pay debt service requirements on the Hotel Occupancy Tax Certificates and Bonds.

Portions of the Permanent Improvement Refunding Bonds, Series 2005 and Portions of the PIRB 2015B– Parks

The City will use revenues from Golf Fees and Recreation Center usage fees, to pay a portion of the debt service on the Series 2005 Bonds and Series 2015B Bonds. To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

In the fiscal year 2016 Budget, the City estimated that $777,633 of Golf fees and Recreation Center usage fees will be received by the City for debt service requirements. As shown in the table below, revenues in the fiscal years 2011 through 2015 have been more than adequate to pay debt service requirements on the portion of the Permanent Improvement Refunding Bonds, Series 2005 and Permanent Improvement Refunding Bonds 2015B.

Fiscal Year	Golf Fees	Recreation Fees	Total Annual Revenues
FY11	4,361,008	4,174,103	8,535,111
FY12	5,105,377	4,251,290	9,356,667
FY13	4,848,157	4,748,979	9,597,136
FY14	4,508,503	4,866,497	9,375,000
FY15	4,275,947	4,788,707	9,064,654

Combination Tax and Revenue Certificates of Obligation, Series 2008B - Tax Increment Reinvestment Zone 5

The City will use Tax Increment Finance revenues from TIRZ5 to pay the debt service on the Series 2008B Certificates. To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

In the fiscal year 2016 Budget, the City estimated that $1,112,380 of TIRZ5 revenue will be received by the City. This does not sufficiently cover the $2,578,863 of FY16 debt service requirements on Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B. As shown in the table below, Revenues in the fiscal years 2011 through 2015 have been less than adequate to pay debt service requirements on the Certificates of Obligation. The City has levied additional ad valorem tax to cover the difference.

Fiscal Year	City of Arlington	JPS Health Network	TCCD	Tarrant County	Interest	Sales Tax	Total Annual Revenues
FY11	285,414	70,762	32,372	56,001	6,437	-	450,986
FY12	307,390	76,630	38,231	63,366	1,695	-	487,313
FY13	423,733	115,636	55,821	132,488	2,104	-	729,781
FY14	489,588	157,965	61,980	146,417	3,011	-	858,960
FY15	569,598	156,175	71,559	171,837	1,424	-	970,593
Total	2,075,722	577,169	259,963	570,110	14,671	-	3,497,633

Combination Tax and Revenue Certificates of Obligation 2009A and 2009B - Airport

The City will use revenues and interest from Airport Gas Leases, to pay the debt service on the Series 2009A and 2009B Certificates. To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

In the fiscal year 2016 Budget, the City estimates that $175,000 of Airport general gas lease royalties and interest will be received by the City. This does not sufficiently cover the $593,496 of FY16 debt service requirements on Combination Tax and Revenue Certificates of Obligation, Series 2009A and 2009B. Revenues in the fiscal years 2011 through 2015 have been less than adequate to pay debt service requirements on the Certificates of Obligation. The City has levied additional ad valorem tax to cover the difference. Additionally, the Airport general gas lease royalties and interest will continue to be transferred to cover the full amount of debt but over a 20 year period.

Combination Tax and Revenue Certificates of Obligation, Series 2010B and a portion of Series 2014- Tax Increment Reinvestment Zone 4

The City will use Tax Increment Finance revenues from TIRZ4 to pay the debt service on the Series 2010B Certificates and a portion of Series 2014 certificates. To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

In the fiscal year 2016 Budget, the City estimated $2,208,418 in TIRZ 4 revenue, which exceeds the $1,803,764 of debt service requirements on Series 2010B and Series 2014. As shown in the table below, revenues in the fiscal years 2011 through 2015 have been more than adequate to pay debt service requirements on the Certificates of Obligation.

Fiscal Year	City of Arlington	JPS Health Network	TCCD	Tarrant County	Interest	Sales Tax	Total Annual Revenues
FY11	690,756	241,719	93,280	240,987	16,659	218,110	1,501,511
FY12	748,990	262,098	109,467	308,300	7,907	204,979	1,641,740
FY13	773,312	270,472	113,300	318,726	8,231	301,327	1,785,368
FY14	952,377	342,615	139,535	434,795	11,222	307,575	2,188,119
FY15	962,479	338,996	142,510	330,982	14,845	335,420	2,125,232
Total	4,127,913	1,455,901	598,092	1,633,791	58,863	1,367,410	9,241,970

Portions of the Permanent Improvement Refunding Bonds 2011B – Water

The City will use revenues from Water sales and Wastewater charges, to pay portion of the debt service on the Series 2011B Bonds. To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

In the fiscal year 2016 Budget, the City estimated that $124,169,965 of Water sales and Wastewater charges will be received by the City. Total revenues of about $124,193,000 in fiscal year 2015 were more than adequate to pay debt service requirements of $63,229 on the portion of the Permanent Improvement Refunding Bonds 2011B.

Tax Adequacy

The following analysis as of September 30, 2015, assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2016 Taxable Valuation.

Average Annual Requirement (2016/2035)	$17,523,257
A tax rate of $0.0927 per $100 assessed valuation produces	17,523,257
Average Annual Requirement (2016/2025)	26,166,942
A tax rate of $0.1384 per $100 assessed valuation produces	26,166,942
Maximum Annual Requirement (2016)	37,339,836
A tax rate of $0.1975 per $100 assessed valuation produces	37,339,836

Estimated Overlapping Debt

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

Overlapping Debt

	Amount [1]	As of	Percent	Amount
City of Arlington [2]	518,010,000	9/30/2015	100.00%	518,010,000
Arlington Independent School District	759,612,485	9/30/2015	76.73%	582,850,660
Fort Worth Independent School District	782,490,000	9/30/2015	0.43%	3,364,707
Hurst-Euless-Bedford Independent School District	274,883,170	9/30/2015	1.58%	4,343,154
Kennedale Independent School District	41,169,449	9/30/2015	52.96%	21,803,340
Mansfield Independent School District	788,320,000	9/30/2015	28.86%	227,509,152
Tarrant County	333,795,000	9/30/2015	14.22%	47,465,649
Tarrant County Hospital District	23,440,000	9/30/2015	14.22%	3,333,168
Tarrant County Junior College District	-	9/30/2015	13.81%	-
Viridian Municipal Management	20,975,000	9/30/2015	100.00%	20,975,000
Total Direct and Overlapping Debt [3]				**1,429,654,830**

(1) Net debt outstanding per representative of each jurisdiction
(2) Total outstanding debt as reported in the CAFR includes premiums less discounts. Debt includes City General Obligation Bonds, Certificates of Obligations, and Stadium Special Tax Revenue bonds.
(3) Substantially all of the City's residents are located within the Arlington I.S.D.

Sources: Municipal Advisory Council of Texas and City Finance Department.

Water & Wastewater System Revenue Bonds

The following table sets forth the debt service requirements on the outstanding bonds of the Water and Wastewater System, formerly known as the Waterworks and Sewer System.

Debt Service Requirements
Water & Wastewater System Revenue Bonds
As of September 30, 2015

Fiscal Year Ending 9/30	Principal	Interest	Total	% of Principal Retired
2016	11,870,000	4,361,643	16,231,643	
2017	11,225,000	4,053,223	15,278,223	
2018	11,200,000	3,706,973	14,906,973	
2019	10,770,000	3,356,183	14,126,183	
2020	10,815,000	3,017,478	13,832,478	40.3%
2021	9,720,000	2,654,910	12,374,910	
2022	8,925,000	2,310,653	11,235,653	
2023	8,900,000	2,050,863	10,950,863	
2024	8,120,000	1,783,405	9,903,405	
2025	7,285,000	1,516,933	8,801,933	71.3%
2026	7,275,000	1,273,673	8,548,673	
2027	7,270,000	1,035,585	8,305,585	
2028	5,920,000	817,993	6,737,993	
2029	4,200,000	639,096	4,839,096	
2030	4,195,000	510,512	4,705,512	92.1%
2031	3,020,000	379,976	3,399,976	
2032	3,020,000	277,793	3,297,793	
2033	2,190,000	175,472	2,365,472	
2034	1,745,000	95,941	1,840,941	
2035	910,000	32,988	942,988	100.0%
	$ 138,575,000	$ 34,051,292	$ 172,626,292	

Average Annual Debt Service $ 8,631,315

Note: Principal total is $185,000 less full principal due to the TWDB 2008 issuance not being fully drawn.

Source: City Finance Department

Municipal Drainage Utility Facilities System Revenue Debt

The following table sets forth the debt service requirements on the bonds of the Municipal Drainage Utility System.

Fiscal Year Ending 9/30	Principal	Interest	Total	% of Principal Retired
2016	1,280,000	873,600	2,153,600	
2017	1,280,000	822,400	2,102,400	
2018	1,280,000	771,200	2,051,200	
2019	1,280,000	720,000	2,000,000	
2020	1,280,000	656,000	1,936,000	31.3%
2021	1,280,000	604,800	1,884,800	
2022	1,280,000	553,600	1,833,600	
2023	1,280,000	502,400	1,782,400	
2024	1,280,000	438,400	1,718,400	
2025	1,280,000	374,400	1,654,400	62.5%
2026	1,280,000	323,200	1,603,200	
2027	1,280,000	272,000	1,552,000	
2028	1,280,000	220,800	1,500,800	
2029	1,280,000	168,000	1,448,000	
2030	1,280,000	113,600	1,393,600	93.8%
2031	1,280,000	57,600	1,337,600	100.0%
	$ 20,480,000	$ 7,472,000	$ 27,952,000	

Average Annual Debt Service $ 1,747,000

Source: City Finance Department

Dallas Cowboys Complex Special Obligations

The following table sets forth the total debt service requirements for the Series 2005C Dallas Cowboys Complex Special Obligations and Series 2008 and 2009 Special Tax Revenue Bonds.

Dallas Cowboys Complex Debt Service Requirements
September 30, 2015
Outstanding Bonds

Stadium Debt Fiscal Year Ending 9/30	Principal	Interest	Total	% of Principal Retired Principal Retired
2016	1,975,000	9,491,313	11,466,313	
2017	3,110,000	9,392,563	12,502,563	
2018	13,235,000	9,237,063	22,472,063	
2019	13,815,000	8,617,913	22,432,913	
2020	14,455,000	7,971,463	22,426,463	35.0%
2021	15,300,000	7,283,250	22,583,250	
2022	16,240,000	6,465,750	22,705,750	
2023	16,995,000	5,597,750	22,592,750	
2024	17,860,000	4,689,500	22,549,500	
2025	19,035,000	3,735,000	22,770,000	78.4%
2026	20,030,000	2,717,250	22,747,250	
2027	21,035,000	1,646,250	22,681,250	
2028	10,430,000	521,500	10,951,500	100.0%
	$ 183,515,000	$77,366,563	$ 260,881,563	

Average Annual Debt Service $ 20,067,813

Source: City Finance Department

Tax-Supported Capital Improvement Program

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's Capital Improvement Program is prepared annually and primarily enabled by recent bond election results. The City's most recent permanent improvement bond election, totaling $236,000,000, was held on November 4, 2014 with all propositions passing. The propositions on the ballot included $160,130,000 for Public Works; $60,000,000 for Parks; $9,780,000 for Fire; and $6,090,000 for Libraries. Combined with the authorized but unissued bonds from prior elections, the City has $261,249,000 in unissued permanent improvement bonding authority.

Remaining Voted Authorization

Election Year	Bond Propositions	Authorized Amount	Previously Issued	Unissued
1993	Library Mobile and Portable Facilities	570,000	0	570,000
2003	Drainage-Erosion Control	1,900,000	0	1,900,000
2003	Traffic Management	400,000	0	400,000
2008	Drainage-Johnson Creek	12,000,000	0	12,000,000
2008	Parks and Recreation	15,500,000	13,091,000	2,409,000
2008	Streets and Transportation	103,735,000	89,652,000	14,083,000
2014	Fire	9,780,000	0	9,780,000
2014	Library	6,090,000	0	6,090,000
2014	Parks and Recreation	60,000,000	3,200,000	56,800,000
2014	Streets and Transportation	160,130,000	1,983,000	158,147,000
		$ 370,105,000	**$107,926,000**	**$ 262,179,000**

Water & Wastewater System Capital Improvement Program

The City's Water Utilities Department maintains a program of annually updating its estimate of foreseeable system capital improvements. This is accomplished through the joint efforts of the Operations, Treatment and Business Services Divisions of the Water Utilities Department and independent consulting engineers. The Water Utilities Department annually reviews its proposed Capital Improvement Program with the City Council.

The following table represents the estimated amount of financing needed to meet the proposed Capital Improvement Program for the fiscal years shown.

Water Proposed Capital Improvement Program (Amounts in thousands)

Fiscal Year	Planned Capital Expenditures	Planned Bond Sale	Other Financing Sources[1]
2016	41,535,000	41,535,000	0
2017	68,873,000	51,203,000	17,670,000
2018	77,734,000	62,554,000	15,180,000

Stormwater Proposed Capital Improvement Program (Amounts in thousands)

Fiscal Year	Planned Capital Expenditures	Planned Bond Sale	Other Financing Sources
2016	6,855,000	-	6,855,000
2017	7,500,000	-	7,500,000
2018	8,955,000	-	8,955,000

(1) Includes annual budgeted amounts for the water and wastewater main replacement program, cash contributions from the operating fund to the capital fund and remaining bond proceeds.

SECTION THREE: FINANCIAL INFORMATION

Basis of Accounting & Accounting Structure

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014. The City was awarded a Certificate of Excellence for its CAFR 2005 through 2014. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2015.

Accounting Standards

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and activities of its discretely presented component units on the Statement of Net Position and Statement of Activities. Significantly, the City's Statement of Net Position includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund, Capital Projects Funds and Debt Service Funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34. The following major funds are used by the City:

Government-Wide Financial Statements

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

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

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

• **Component Units -** Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component Units discretely presented include the Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance

Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation (new, no activity) and the Arlington Convention Center Development Corporation (ACCDC). The component unit, Arlington Property Finance Authority, Inc., has been blended with those of the City because its governing body is substantially the same as the governing body of the City or the component unit provides services entirely to the City.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The majority of the City's basic services are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions.

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

Proprietary Funds

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

Other Fund Types

The City additionally reports to an Agency Fund and a Pension Trust Fund. The Agency Fund is used to account for assets held by the City in an agency capacity for individuals, local law enforcement agencies or developers. The Pension Trust Fund is used to account for the accumulation of resources to be used for the retirement benefit payments to employees of the City.

Certain Operations of the General Fund

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

Summaries for fiscal years 2011 to 2015 have been compiled from the Comprehensive Annual Financial Reports of the City, which were examined by the City's independent auditors. These summaries should be read in conjunction with their related financial statements and notes.

Consolidated Financial Statements-General Fund
Fiscal Year Ending September 30
(Amount in thousands)

	2015	2014	2013	2012	2011
Beginning Fund Balance	$56,191	$56,740	$63,497	$66,775	$66,567
Revenues					
Ad Valorem Taxes	78,809	76,774	75,767	74,279	72,801
Sales Tax	55,555	52,692	53,392	50,725	48,382
Other Taxes	2,358	2,328	1,910	1,154	1,633
Franchise Fees	26,477	26,970	25,550	25,600	27,260
Service Charges	5,359	5,345	5,100	5,355	6,904
Interest	1,754	1,842	1,909	2,168	2,009
All Other	31,269	31,805	30,562	30,875	30,281
Total Revenues	$201,581	$197,756	$194,190	$190,156	$189,270
Expenditures					
Total Expenditures	$208,798	$206,056	$205,802	$198,279	$189,505
Net Revenues Over (Under) Expenditures	$ (7,217)	$ (8,300)	$ (11,612)	$ (8,123)	$ (235)
Other Financing Sources					
Operating Transfers	9,049	7,751	4,855	4,845	443
Ending Fund Balance	$ 58,023	$ 56,191	$ 56,740	$ 63,497	$ 66,775

Source: Fiscal Year 2015 CAFR

The following table presents a comparison of the City's General Fund balance for fiscal years 2011 to 2015.

General Fund Balance
Fiscal Year Ended September 30
(amount in thousands)

General Fund Balance:	2015	2014	2013	2012	2011
Nonspendable:					
Inventory	$ 1,207	$ 1,206	$ 1,172	$ 1,252	$ 1,228
Prepaids	71	23	20	16	16
Committed to:					
Utility Rate Case	500	500	500	500	500
Capital Projects	-	-	-	-	1,122
Assigned to:					
Encumbrances	5,598	4,449	5,235	7,766	5,613
Working Capital	18,162	17,537	17,076	16,745	16,054
Subsequent Years' Expenditures	6,538	6,313	6,147	6,378	5,944
Arbitrage	-	-	-	-	-
Compensated Absences	1,443	1,372	1,263	1,252	1,252
Other Post Employment Benefits	1,718	1,718	1,718	1,718	1,718
Future Initiatives	17,151	17,151	17,206	21,487	21,487
Dispatch	916	756	615	566	380
Group Health	-	-	-	-	-
Information Technology	119	195	236	607	774
Business Continuity	4,062	4,062	4,062	5,155	4,538
Other Purposes	-	-	-	55	56
Unassigned	538	909	1,490	-	6,093
Total General Fund Balance	$ 58,023	$ 56,191	$ 56,740	$ 63,497	$ 66,775
General Fund Balance as a Percentage of General Fund Expenditures	27.79%	27.27%	27.57%	32.02%	35.24%

Source: Fiscal Year 2015 CAFR

Debt Service Fund Budget
Fiscal Year 2016

Beginning Fund Balance	$ 2,914,116
Property Tax Revenue	39,213,792
Interest Revenue	77,593
Premium on Bond Issuance	120,000
Transfers In [1]	5,211,881
Total Available for Debt Service	47,537,382
Debt Service Expenditures	(44,782,042)
Estimated Ending Fund Balance	$ 2,755,340

[1] Includes transfers to the Debt Service Fund from the Convention and Event Service Fund, Park Performance Fund, TIRZ5, TIRZ4, Airport General Gas Lease Fund, and Water and Wastewater Fund.

Source: Fiscal Year 2016 Budget

Current Operating Budget

On September 11, 2015, the City Council adopted a total Budget for fiscal year 2016 with expenditures of $427,290,097. The adopted General Fund Budget reflects a property tax rate of $0.6480/$100.

The Adopted Budget for fiscal year 2016 maintains core services levels and programs within tight financial constraints. The budget includes a 3.5% pay increase for most civilians and a market based raise for sworn employees, implemented in January 2016.

The Adopted Budget authorizes City government personnel of 2,509 full-time positions, an increase of seventeen positions from the fiscal year 2015 budget.

The following table shows the City's estimated revenues and budgeted expenditures for fiscal year 2016, as reported in the Adopted Budget.

Estimated Revenues and Budgeted Expenditures
Fiscal Year 2016 Budget [1]

REVENUES		FY16 Budget	% FY 16 Budget
	Property Taxes	83,548,790	19%
	Sales Tax	58,781,658	13%
	Other Taxes	2,798,141	1%
	Licenses and Permits	5,804,056	1%
	Utility Franchise Fees	38,057,499	9%
	Fines and Forfeitures	13,393,407	3%
	Leases and Rents	6,063,233	1%
	Service Charges	13,785,789	3%
	Miscellaneous Revenues	1,298,043	0%
	Water and Sewer Fund Revenues	129,264,074	29%
	Storm Water Utility Fund	13,020,862	3%
	Convention & Event Services Fund Rev	10,602,525	2%
	Debt Service Fund (Property Tax)	39,411,385	9%
	Street Maintenance Fund (Sales Tax)	14,752,584	3%
	Park Performance Fund	10,379,668	2%
	Total Revenues	$ 440,961,714	100%
EXPENDITURES			
	Neighborhood Services	167,635,725	39%
	Capital Investment and Econ. Development	28,332,301	7%
	Strategic Support	10,864,938	3%
	Policy Administration	15,061,992	4%
	Water and Sewer Fund	110,375,869	26%
	Storm Water Utility Fund	5,801,973	1%
	Convention & Event Services Fund	9,695,789	2%
	Park Performance Fund	11,808,427	3%
	Street Maintenance Fund	22,931,041	5%
	Debt Service	44,782,042	10%
	Transfers (Net)	-	0%
	Total Expenditures	$ 427,290,097	100%

[1] All funds combined. Excludes interfund transfers.

Source: Fiscal Year 2016 Budget

General Fund Revenues & Expenditures

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

General

A major source of operational revenue and funds for tax-supported debt service payments is the receipts from ad valorem taxation. The following is a recapitulation of (1) the authority for taxation, including methodology, limitations, remedies and procedures; (2) historical analysis of collection and trends of tax receipts and provisions for delinquencies; and (3) an analysis of (a) the base, (b) the principal taxpayers, and (c) other ad valorem taxation that may compete with the City's tax collections. Additionally, sales tax, hotel occupancy tax and short term motor vehicle rental tax authority and collections are described.

Authority for Ad Valorem Taxation

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to $2.50 per $100 assessed valuation for all city purposes and makes no allocation of such tax rate between debt service requirements and expenses of general city government. The City operates under a Home Rule Charter that adopts these provisions of the Constitution. For fiscal year 2015, the Council levied a tax rate equal to $0.6480 per $100 assessed valuation of which $0.2127 was allocated to pay debt service on outstanding tax-supported Bonds and notes. See "Tax Rate Distribution."

Truth-in-Taxation Limitation

The effective tax rate is the rate that will produce the same amount of operating revenue that the City levied the prior year on the same property. The rollback rate is the effective Maintenance and Operations rate multiplied by eight percent, and added to the calculated Interest and Sinking rate. If the tax rate adopted for the following fiscal year exceeds the greater of the effective rate or the rollback rate, the qualified voters of the City may petition for an election to determine whether to limit the increase of the tax rate to no more than eight percent. The City is required to hold public hearings to permit voter discussion should the proposed tax rate levy taxes in excess of the amount levied the prior fiscal year.

Property Subject to Taxation

All real property and tangible personal property in the City is subject to taxation except for certain mandated and discretionary exemptions granted pursuant to State law and the Property Tax Code. The Property Tax Code mandates exemption of public property, property exempt by federal law from ad valorem taxes, household goods, personal effects of an individual, and certain property of religious and charitable organizations, schools, and disabled veterans. The Property Tax Code authorizes cities to exempt the residential homestead of those over 65 years of age and the disabled. The Council currently exempts up to $60,000 of the appraised value of such residential homesteads. The FY 2016 tax rolls reflect the Council granting persons 65 years of age and older, disabled persons and disabled veterans exemptions totaling $1,102,411,713.

Article VIII, Section 1-b of the Texas Constitution provides the City with the authority to exempt a percentage of the market value of residential homesteads. The percentage may not exceed 20 percent in FY 2008 and each subsequent year. Where an ad valorem tax has previously been pledged for the payment of debt, the Council may continue to levy and collect the tax against the value of the exempt homesteads until the debt is discharged if the cessation of the levy would impair the obligation. The Council granted 20 percent residential homestead exemptions on the FY 2016 tax roll, which totaled $1,890,914,407 or 19 percent of the FY 2016 taxable valuation of appraised value of all residential real estate. In addition, $50,954,982 of value was reduced from the FY 2016 tax rolls in accordance with State law to reflect value of agricultural land based upon production rather than market value.

Section 23.83 of the Property Tax Code allows taxes to be deferred on property that is restricted to scenic use. Deferrals were first claimed under this section in 1990. The FY 2016 tax roll reveals a value loss of $8,344,115 due to scenic deferrals.

Chapter 312 of the Property Tax Code allows the Council to designate reinvestment zones and to enter into tax abatement agreements with property owners within these zones. The abatement value loss on the FY 2015 tax roll is $362,509,416. A schedule of abated values for the FY 2015 by property owners is as follows:

Property Owner	FY15	FY14	FY13	FY12	FY11
Pioneer 360	10,872,109	10,752,669	13,018,529	-	-
Siemens Dematic	-	5,754,017	12,635,409	15,077,027	16,372,593
Americredit	-	-	-	15,947,204	16,128,873
General Motors	335,006,972	143,182,332	-	-	15,325,278
Primera	-	-	-	-	1,791,920
Lear Corporation	-	-	-	-	1,756,356
A E Petsche Property Inc	-	-	-	1,144,827	1,127,001
Pratt & Whitney Engine Service	-	2,295,899	3,051,661	411,662	516,618
Transnorm System Inc	-	-	152,607	146,247	130,154
MCR Oil Tools	-	-	413,966	413,966	-
Progressive Inc	-	4,277,787	4,823,307	5,163,797	-
Exeter 4900 Sherry	14,474,549	-	-	-	-
RCR Healthcare	2,155,786	-	-	-	-
Total	$362,509,416	$ 166,262,704	$ 34,095,479	$ 38,304,730	$ 53,148,793

With the passage of Proposition 5 on November 7, 1989, the State Constitution was amended to allow for the taxation of temporarily located inventory on a local option basis. To continue taxation of this freeport property, the governing body of a taxing entity, such as the Council, was required to take action prior to January 1, 1990. The Council adopted an ordinance, which allowed for the continued taxation of freeport property for 1990 and subsequent years. On January 13, 1998, the Council repealed the aforementioned ordinance, which has the effect of exempting freeport property from taxation effective January 1, 1999. This exemption is irrevocable under current State law. The amount of freeport appraised value subject to exemption for the FY 2016 tax roll was $1,429,192,809 with $588,579,406 actually exempted.

Tax Increment Financing Districts

The TIF Districts have a nine-member board of directors, five appointed by the City of Arlington and four members appointed by the other taxing jurisdictions. The board of directors prepares and adopts project plans and reinvestment zone financing plans for the TIF Districts and submit such plans to the City for its approval.

The City Council adopted an ordinance on November 3, 1998, establishing a tax increment financing district (the "TIF District #1") encompassing approximately 533 acres in the City's downtown area. The TIF District took effect on January 1, 1999 and will terminate on December 31, 2018. The City Council can terminate the TIF District at an earlier date by subsequent ordinance. The tax increment base will be the total net appraised value of all taxable property located in the reinvestment zone on January 1, 1998. All eligible tax jurisdictions are participating for the full amount of their maintenance and operations portion of their respective tax rates. The City's tax increment payment for FY15 was $337,761.

The City Council adopted an ordinance on September 27, 2005, establishing a tax increment financing district (the "TIF District #2"), encompassing approximately 2,000 acres in the northeast quadrant of the City. The TIF District took effect on January 1, 2006 and was dissolved by the City Council on March 27, 2007. TIF District #2 was replaced by TIF District #6.

The City Council adopted an ordinance on October 11, 2005, establishing a tax increment financing district (the "TIF District #3") encompassing approximately 210 acres on the eastern side of the City. The TIF District took effect on January 1, 2006 and was terminated on September 2, 2008 by Ordinance Number 08-070.

The City Council adopted an ordinance on November 8, 2005, establishing a tax increment financing district (the "TIF District #4") encompassing approximately 320 acres in the City's south central area. The TIF District took effect on January 1, 2005 and will terminate on December 31, 2025. The tax increment base will be the total net appraised value of all taxable property located in the reinvestment zone on January 1, 2005. All eligible taxing jurisdictions except AISD are participating for varying percentages of their respective tax rates. The City's tax increment payment for FY15 was $962,479. The City sold $5,755,000 in Certificates of obligation in June, 2010 and $10,555,000 in June 2014 for TIF District # 4.

The City Council adopted an ordinance on December 19, 2006, establishing a tax increment financing district (the "TIF District #5") encompassing 2,187 acres generally defined by Lamar Boulevard to the north, the Union Pacific Railroad to the south, State Highway 360 to the east and Collins Street to the west. TIF District # 5 took effect on January 1, 2007 and will terminate on December 31, 2036. The tax increment base will be the total net appraised value of all taxable property located in the reinvestment zone on January 1, 2007. All eligible tax jurisdictions except AISD are participating for varying percentages of their respective tax rates. The City's tax increment payment for FY15 was $569,598. $34,010,000 in Certificates of Obligation were sold for TIF District # 5 in July 2008.

The City Council adopted an ordinance on December 18, 2007, establishing a tax increment financing district (the "TIF District # 6") encompassing approximately 2,000 acres in the northeast quadrant of the City. TIF District # 6 took effect on January 1, 2007 and will terminate on December 31, 2036. All taxing entities except HEBISD are participating, and Tarrant County College District began in year 5. The City's tax increment payment for FY15 was $693,199. In 2011, within the boundaries of the Viridian TIF, the Viridian Municipal Management District (MMD) issued $12,040,000 in Utility bonds and $8,935,000 in Road bonds. In 2015, within the boundaries of the Viridian TIF, the Viridian MMD issued $21,590,000 in Utility bonds; $18,260,000 in Road bonds; and $8,230,000 in Assessment Revenue bonds. The MMD also levies a tax in order to pay debt service on the bonds. In FY15, the MMD tax rate was $0.4481 per $100 of assessed valuation.

Appraisal of Taxable Property

The Property Tax Code established a county-wide appraisal district in each county of the State. Each appraisal district assumed the responsibility of appraising all taxable property and preparing and certifying the tax rolls for each unit of government that levies ad valorem tax in that county. Under the 1981 amendment to the Property Tax Code, the City is now entitled to vote, in the proportion to its taxes levied in Tarrant County, in selecting the governing board of the appraisal district. A city, or other taxing unit, may challenge the appraisals assigned to property within its jurisdiction under certain limited circumstances. These entities can also sue the appraisal district to compel it to comply with the Property Tax Code.

The City's FY 2015 appraisal roll was prepared and certified by the Tarrant Appraisal District's Chief Appraiser and Appraisal Review Board. Such appraisal rolls are used by the City in establishing its tax rate. The Mayor and City Council are responsible for setting the rate, levying and collecting the taxes. All taxable property in the City was valued on the City's tax roll at 100 percent of its estimated market value as of January 1, 2014 for FY15. Taxes are due October 1 of the subject year and become delinquent after January 31 of the following year, except for a split payment option. Under the split payment option, adopted by the City beginning with fiscal year 2003, taxpayers can make one-half payment prior to December 1, and the final one-half payment prior to July 1 of the following year without penalty or interest. Since October 1, 2002, ad valorem taxes for the City have been collected by the Tarrant County Tax Assessor-Collector.

City's Rights in the Event of Tax Delinquencies

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Tax Limitation Election

A City election was approved on February 5, 2005, which adopted a homestead property tax limitation for disabled individuals and individuals 65 years of age or older. This limitation on the residential homesteads of qualifying property owners is defined under the Texas Property Tax Code, section 11.621. The limitation cannot be repealed by any action of the City or through an election of the City under current state law. The homestead property tax ceiling limits the amount of taxes paid to the City based on the taxes paid in the first year that the property qualifies for the disabled exemption or the 65 years of age or older exemption. The limitation is a dollar amount and does not increase unless improvements are made to the residential homestead. For those property owners who qualified in 2005 for either exemption, the tax ceiling was set based on the taxes levied in September 2005 by the City. The tax ceiling carries forward to a surviving spouse age 55 or older of an individual who is 65 years of age or older.

The City has 65,554 residential homestead properties in FY 2016 and 18,299 of these properties received an exemption for a disabled individual or individual 65 years of age or older.

Tax Revenue

The following table shows the City's principal tax revenues by source for each of the last five fiscal years. Growth in total tax revenues has averaged 1.16 percent per year over the last five years.

Principal Tax Revenue by Source
(Amounts in thousands)

FY Ending Sept. 30	General Fund Ad Valorem Taxes	General Fund Sales Tax	Other Taxes	Hotel[1] Occupancy Tax	Franchise Fees	Total
2011	72,801	48,382	1,633	6,065	34,352	163,233
2012	74,279	50,725	1,154	6,102	32,296	164,557
2013	75,767	53,392	1,910	6,628	30,650	168,347
2014	76,774	52,692	2,328	7,308	32,315	171,417
2015	78,809	55,555	2,358	7,860	31,836	176,418

[1] 7% for City Portion Only.

Source: City Finance Department

The following table sets forth the assessed value of all taxable property less exemptions in the City for each of its five most recent fiscal years. Tax-exempt properties owned by Federal and State governments, churches, and schools, totaling $2,989,857,203 for FY15, are not included in the table. The Tarrant Appraisal District certified appraisal of taxable property less exemptions for FY15 is $19,262,426,180. This value is obtained from the certified taxable value as of September of each year including minimum estimated value of property under protest.

Historical Estimated Taxable Value [1]
Fiscal Years 2011 to 2015

FY Ending 09/30	Taxable Value Real Property	% Change from Prior Year	Taxable Value Personal Property	% Change from Prior Year	Taxable Value Mineral Property	% Change from Prior Year	Total Estimated Taxable Value	% Change from Prior Year
2011	14,790,032,598	(5.16)	2,248,799,281	(10.71)	140,280,430	1.99	17,179,112,309	(5.87)
2012	14,759,648,148	(0.21)	2,166,757,467	(3.65)	397,038,390	183.03	17,323,444,005	0.84
2013	15,021,327,851	1.77	2,289,771,862	5.68	366,541,970	(7.68)	17,677,641,683	2.04
2014	15,451,540,005	2.86	2,360,211,420	3.08	276,655,563	(24.52)	18,088,406,988	2.32
2015	16,086,303,315	4.11	2,462,802,165	4.35	356,660,350	28.92	18,905,765,830	4.52

[1]Real and personal property is assessed at 100 percent of fair market value. Total estimated taxable value excludes abated value.

Source: Tarrant Appraisal District and City Finance Department

Tax Rate Distribution

	2015	2014	2013	2012	2011
General Fund	0.4353	0.4423	0.4423	0.4393	0.4330
Debt Service Fund	0.2127	0.2057	0.2057	0.2087	0.2150
Total	0.6480	0.6480	0.6480	0.6480	0.6480

Collection Ratios

FY Ending 09/30	Estimated Net Taxable Value [1]	Tax Rate	Calculated Levy	% Collected [2] Current Year	Prior Years
2011	17,179,112,309	0.648000	111,320,648	98.00	99.80
2012	17,323,444,005	0.648000	112,255,917	98.13	99.46
2013	17,677,641,683	0.648000	114,551,118	97.82	99.06
2014	18,088,406,989	0.648000	117,212,877	97.66	98.57
2015	18,905,765,829	0.648000	122,509,363	97.64	98.51

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

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

Source: Tarrant Appraisal District and City Finance Department

Analysis of Delinquent Taxes as of September 30, 2015

FY Ending 9/30	Tax Levy	Uncollected	Percentage of Levy
2006	104,610,406	193,907	0.19%
2007	108,821,392	196,180	0.18%
2008	114,126,102	222,063	0.19%
2009	118,435,518	311,871	0.26%
2010	118,267,158	403,035	0.34%
2011	111,320,648	420,715	0.38%
2012	112,255,917	917,054	0.82%
2013	114,551,118	946,728	0.83%
2014	116,048,531	828,609	0.71%
2015	122,228,541	967,976	0.79%

Source: City Finance Department

Tax Base Distribution

	2015	2014	2013	2012	2011
Residential	59.31%	58.45%	58.33%	58.56%	59.04%
Commercial, Industrial, Retai	36.91%	38.03%	37.57%	37.00%	37.87%
Mineral	1.89%	1.53%	2.07%	2.29%	0.82%
Undeveloped	1.90%	1.99%	2.04%	2.15%	2.27%

Source: Tarrant Appraisal District

2015 Top Ten Taxpayers

Taxpayer	Total Taxable Value
General Motors LLC	334,514,604
Arlington Highlands LP	175,105,200
Oncor Electric Delivery Co LLC	151,740,179
Parks at Arlington L P	142,695,717
Chesapeake Operating (WI)	115,048,650
Six Flags Fund II LTD	88,827,385
LSREF3 Bravo (Dallas), LLC	70,812,000
Wal-Mart Real Estate Bus Trust/Stores Texas LLC	68,274,005
Lincoln Square Dunhill LP	67,371,660
DFW Midstream Services LLC	66,166,564
Total	**1,280,555,964**

Source: Tarrant Appraisal District

Municipal Sales Tax

The City has adopted the provisions of Sections 321.101 and 321.103 of the Texas Tax Code, which grants the City the power to impose and levy a one percent sales tax for general purposes of the City. On September 14, 2002, an election to adopt an additional one-quarter cent city sales and use tax for municipal street maintenance as permitted under Chapter 327 of the Texas Tax Code was held and the additional one-quarter cent sales and use tax was approved. The additional one-quarter cent sales and use tax became effective on January 1, 2003. It was reapproved in May 2006, May 2010 and May 2014. On November 2, 2004, an election to adopt an additional one-half cent sales and use tax for the Dallas Cowboys Complex Development Project as permitted by Chapter 334 of the Texas Local Government Code was held and the additional one-half cent sales and use tax was approved. The additional one-half cent sales and use tax became effective on April 1, 2005. The Comptroller of Public Accounts of the State of Texas, after the deduction of a two percent service fee, currently remits monthly the City's portion of sales tax collections to the City. The statute provides the Comptroller must remit at least twice annually. Revenue from sales tax levied for general purposes of the City may not be pledged, under the applicable statutes, to the payment of debt service of the City's debt obligations.

Per Capita Sales Tax Collection

Fiscal Year	Sales Tax Receipts	Ad ValoremTax Levy	Sales Tax as a % of Tax Levy	Population Estimate	Per Capita Sales Tax Collection
2011	48,982,079	111,320,648	44	365,530 [1]	134
2012	50,724,512	112,255,917	45	365,860	139
2013	54,198,622	114,551,118	47	365,930	148
2014	53,412,259	117,212,877	46	369,508	145
2015	56,351,761	122,509,363	46	379,370	149

[1] Revised from 365,930

Source: City Finance Department

Hotel Occupancy Tax Receipts

Under the provisions of Section 351.002 and 351.003 of the Texas Tax Code, the City is authorized to levy and collect a hotel occupancy tax not to exceed seven percent of the price paid for a room in a hotel in the City which costs $2 or more per day and is ordinarily used for sleeping (the "Hotel Occupancy Tax") to pay for or finance a variety of public improvements, including, specifically, convention center facilities. Section 351.103(b) of the Texas Tax Code states that the Hotel Occupancy Tax revenue allocated by the municipality cannot exceed 15 percent for the encouragement, promotion and application of the arts and cannot exceed 15 percent for historical preservation projects or activities. The City has levied a Hotel Occupancy Tax of seven percent since 1983. On November 2, 2004, an election was approved under Chapter 334 of the Texas Local Government Code to increase the Hotel Occupancy Tax by two percent for the Dallas Cowboys Complex Development Project. The additional two percent can only be used for this purpose and became effective on April 1, 2005. **The additional two percent is not reflected in the table below**.

The Series 2005 Refunding Bonds, Series 2015B Refunding Bonds and the Combination Tax and Revenue Certificates of Obligation, Series 1998 are payable in part from the Hotel Occupancy Tax. Set forth below are the revenues received by the City from the seven percent Hotel Occupancy Tax for the last five years:

Fiscal Year	Hotel Occupancy Tax Receipts
2011	6,065,421
2012	6,102,269
2013	6,628,227
2014	7,307,874
2015	7,859,543

Source: City Finance Department

Dallas Cowboys Complex Development Project

On November 2, 2004, a majority of the voters of the City voted in favor of a proposition authorizing the City to provide for the planning, acquisition, establishment, development, construction and financing of the Dallas Cowboys Complex Development Project (the "Project") within the City and (i) to impose a sales and use tax within the City at a rate of one-half of one percent (0.5%), (ii) to impose a tax at a maximum rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle, (iii) to impose a tax on the occupancy of a room in a hotel located within the city, at a maximum rate of two percent (2%) of the price paid for such room, (iv) to impose an admissions tax on each ticket sold as admission to an event held at the Project at a maximum rate not to exceed ten percent (10%) of the price of the ticket, and (v) to impose a tax on each parked motor vehicle parking in a parking facility of the Project at a maximum rate not to exceed three dollars ($3.00) per vehicle. On February 8, 2005, the City Council approved the Cowboys Complex Funding and Closing Agreement.

On September 1, 2005, the City issued $297,990,000 Dallas Cowboys Complex Special Obligations (the "Obligations") in three series (Series 2005A, Series 2005B and Series 2005C) for this project. The remainder of the City's $325,000,000 share of project costs came from excess sales, hotel and short term motor vehicle rental tax as well as interest earned on bond proceeds. The Obligations are limited obligations of the City, secured by a lien on and pledge of certain Pledged Special Taxes. Pledged Special Taxes consist of amounts received from the levy and collection of (i) a local sales and use tax of one-half of one percent (0.5%) (the "Sales Tax"); (ii) a five percent (5%) tax on the short-term rental in the City of a motor vehicle (the "Motor Vehicle Rental Tax"); and (iii) a two percent (2%) tax on hotel rooms located within the City (the "Hotel Tax"). The Series 2005C Bonds are additionally secured by and payable from the Pledged Rent which consists of annual rental payments of $2,000,000 received under the Lease and five percent (5%) of certain naming rights proceeds, not to exceed $500,000 annually, derived, if at all, from the sale by the Tenant of naming rights for the Cowboys Complex.

In December 2008 the City issued $112,185,000 in Special Tax Revenue Bonds to refund $104,265,000 of the $164,265,000 Dallas Cowboys Complex Special Obligations, Series 2005B and in May 2009 the City issued $62,820,000 to refund the remaining $60,000,000 of Series 2005B bonds. The refunding was done as a result of the market liquidity restrictions and the economic downturn in 2008, which adversely affected the debt service costs for the Series 2005B bonds.

On February 15, 2011, the City called $26,000,000 of the August 15, 2034 Series 2005A Term Bonds for redemption. On August 15, 2011 the City called $1,500,000 of these bonds for redemption.

The next two years three calls were made. On February 15, 2012, the City called an additional $7,700,000 of these bonds for redemption. On February 15, 2013, the City called an additional $10,200,000 of these bonds for redemption. On August 15, 2013, the City called an additional $3,100,000 of these bonds for redemption.

On February 15, 2014, the City called an additional $8,925,000 of these bonds for redemption. On August 15, 2014, the City called an additional $4,000,000 of these bonds for redemption.

On February 15, 2015, an additional $2,705,000 was called which completed the Mandatory Sinking Fund Redemption of which $64,130,000 of the 2005A bond that was to mature August 15, 2034. These calls were mandated as part of the Special Mandatory Sinking Fund Redemption requirements. On January 2, 2014, the City received $500,000 after the Cowboys entered into a multi-year stadium naming rights agreement with AT&T. The City will receive 5% of the annual naming rights payments capped at $500,000.

The Obligations are *not* secured by any mortgage or security interest in the Cowboys Complex or any of the revenues thereof or by any property of the Dallas Cowboys, the National Football League, or any of their affiliates, owners or partners, or, except as expressly provided herein, by the City, the State of Texas or any agency, political corporation or subdivision thereof and neither the faith and credit of any of them has been pledged to the payment of the Obligations.

The table below displays the revenues from the collection of the 0.5% Sales Tax, 5.0% Motor Vehicle Rental Tax, and the 2.0% Hotel Tax. The taxes were collected for six months during fiscal year 2005 beginning on April 1, 2005.

Dallas Cowboy Complex
Project Revenues and Debt Service Coverage

FY	Sales Tax	Motor Vehicle Rental Tax	Hotel Tax	Naming Rights	Rent	Total Revenues	Debt Service [1]	Coverage
2005	$ 10,199,454	$ 366,959	$ 730,787	$ -	$ -	$ 11,297,200	$ -	
2006	22,070,968	793,711	1,360,672	-	-	24,225,351	12,109,563	2.00 X
2007	22,653,714	781,397	1,459,619	-	-	24,894,730	12,109,563	2.06 X
2008	23,486,334	726,384	1,517,390	-	-	25,730,108	14,244,004	1.81 X
2009	23,122,330	597,408	1,376,441	-	666,667	25,762,846	27,842,248	0.93 X
2010	23,610,462	578,274	1,485,956	-	2,000,000	27,674,692	22,405,028	1.24 X
2011	24,704,639	630,567	1,872,982	-	2,000,000	29,208,188	21,755,028	1.34 X
2012	25,576,155	670,165	1,757,222	-	2,000,000	30,003,541	20,841,465	1.44 X
2013	26,716,577	662,010	1,891,698	-	2,000,000	31,270,285	20,377,102	1.53 X
2014	26,706,128	638,400	2,090,079	500,000	2,000,000	31,934,606	19,087,806	1.67 X
2015	28,175,880	709,485	2,239,887	500,000	2,000,000	33,625,252	18,527,541	1.81 X
	$257,022,640	$ 7,154,759	$ 17,782,733	$1,000,000	$ 12,666,667	$ 295,626,799	$ 189,299,347	1.56 X

[1] 2009 Debt Service included $10,885,000 in swap termination fees which were paid from excess revenues.

Source: City Finance Department

Financial Information Concerning the Water and Wastewater System

Water and Wastewater Rates

The Council is authorized by its home rule charter and by laws of the State of Texas to establish and to amend rates charged for water and wastewater service. Rates fixed by the Council for domestic application are not subject to review by any other regulatory agency.

The two components of the rate structure are a fixed monthly charge based upon meter size and a volumetric charge per 1,000 gallons used. A separate fixed monthly fee was established for residential class customers with ¾-inch meters whose water and wastewater use is less than 2,000 gallons per month. The fixed charge, for meter sizes other than ¾-inch, increases with meter size to recognize the additional demands that large meter installations can place on the system.

The water volumetric charge is designed to encourage customers to efficiently use water. The volumetric charge increases with higher volumes of water usage for both residential and commercial class customers. Unlike the variable water volumetric rate, the wastewater volumetric rate per 1,000 gallons is a flat rate for all account classifications that will not change based on usage.

City of Arlington Water Utilities
Fixed Monthly Fee
Effective January 1, 2016

Meter Size	Water	Wastewater
3/4" (≤2,000 gal)	$ 6.40	$ 5.10
3/4" (≥3,000 gal)	9.00	9.30
1"	15.00	16.00
1 1/2"	34.30	36.50
2"	60.00	59.10
3"	141.00	131.00
4"	225.00	210.00
6"	524.00	526.00
8"	820.00	751.00
10"	1232.00	1,110.00

City of Arlington Water Utilities
Conservation Rates Block Structure
Effective January 1, 2016

RESIDENTIAL

Usage (1,000 gal)	Water	Wastewater
0 – 2	$2.02	$3.71
3 - 10	2.79	3.71
11 - 15	4.02	3.71
16 - 29	4.79	3.71
≥ 30	5.94	3.71

COMMERCIAL

Usage (1,000 gal)	Water	Wastewater
0 - 15	$2.70	$3.71
≥ 16	2.84	3.71

IRRIGATION

Usage (1,000 gal)	Rate
0 - 29	$4.29
≥ 30	5.94

CONSTRUCTION

Usage (1,000 gal)	Rate
0 - 99	$5.52
≥ 100	6.96

Historical Rate Adjustments

Changes in revenue requirements during the past twenty years have resulted in the following changes in rates for the average residential customer. The overall system average residential customer usage is 10,000 gallons of water. Until December 1988, residential customers were also billed for up to 12,000 gallons of wastewater flows. At that time, the wastewater maximum for residential customers was reduced to 9,000 gallons. Since March 1990, wastewater flows have been based on average winter water consumption. Each residential customer's average winter wastewater flows are calculated according to their water use during the billing periods of December through March. The overall system winter average for a residential customer is approximately 6,000 gallons.

Water Rate Changes by Percent
Last Ten Fiscal Years
Average Residential Customer
Using 10,000 Gallons Water and 6,000 Gallons Wastewater

Fiscal Year	Water	Wastewater	Total
2004	(8.4)	48.5	10.7
2005	2.6	3.4	2.9
2006	0.0	4.1	1.9
2007	(1.1)	10.2	4.2
2008	6.6	3.1	4.8
2009	10.2	9.5	9.9
2010	0.6	2.7	1.6
2011	2.8	3.5	3.2
2012	0.1	1.8	0.9
2013	0.0	2.4	1.2
2014	9.7	8.0	8.8
2015	6.6	2.8	4.7

Source: City Water Utilities Department

Operating Reserve

The current policy, authorized by the City Council, requires the operating reserve to equal a minimum of 60 days of the proposed operating and maintenance expense budget, excluding debt service (Resolution No. 11-363). Additionally, the reserve can be increased to a 60 day level using excess unbudgeted revenues, if available. The reserve fund balance as of September 30, 2015 was $15,696,745, which equals 60 days of operating and maintenance expense.

Historical Financial Information

The following three tables present five-year historical information and selected financial ratios for the System. Unless otherwise noted, all information is from the City's Comprehensive Annual Financial Report. Selected amounts and ratios in the tables are unaudited as noted. The tables are titled Water and Wastewater Statement of Net Position, Historical Net Revenues Available for Debt Service, and Historical Net Revenues of the System and Financial Ratios.

Water and Wastewater System Statement of Net Position
Fiscal Year Ended September 30
(Amounts in thousands)

	2015	2014	2013	2012	2011
Assets					
Cash and cash equivalents	19,053	13,674	15,564	12,650	13,033
Receivable (net of allowances for uncollectibles)	22,044	14,673	14,946	15,063	17,997
Inventory of supplies, at cost	1,230	644	460	412	461
Restricted assets:					
Bond contingency	14,096	13,435	12,658	13,440	12,198
Capital/Bond construction	60,875	70,728	63,876	72,657	68,690
Meter deposits	5,351	5,211	5,107	4,973	4,904
Property, plant and equipment less accumulated depreciation	632,577	616,977	603,111	582,724	558,815
Total Assets	$755,226	$735,342	$715,722	$701,919	$676,098
Deferred Outflows of Resources:					
Deferred Outflow and loss on debt refunding	$ 3,975	$ 1,479	$ -	$ -	$ -
Total Assets and Deferred Outflows of Resources	$759,201	$736,821	$715,722	$701,919	$676,098
Liabilities and Net Position					
Current Liabilities:					
Accounts payable and accrued liabilities	3,321	4,028	3,711	3,402	3,311
Payable from restricted assets	20,504	21,654	21,483	15,031	11,650
Accrued compensated absences					
Current	141	130	151	133	147
Non Current/Long Term	1,660	1,645	1,599	1,534	1,311
Revenue bonds, net of discount, payable from unrestricted assets	131,148	122,374	111,551	119,057	113,287
Net Pension Liability	7,249	-	-	-	-
Total Liabilities	$164,023	$149,831	$138,495	$139,157	$129,706
Deferred Inflows of Resources:					
Deferred Inflow - Actuarial Assumption GASB 68	$ 599	$ -	$ -	$ -	$ -
Invested in Capital Assets	548,811	550,595	539,251	522,753	501,255
Restricted	14,947	16,169	14,299	18,655	19,706
Unrestricted	30,821	20,226	23,677	21,354	25,431
Total Net Position	$594,579	$586,990	$577,227	$562,762	$546,392
Total Liabilities and Net Position	$759,201	$736,821	$715,722	$701,919	$676,098

Historical Net Revenues Available For Debt Service
Fiscal Year Ended September 30
(Amounts in thousands)

Revenues	**2015**	**2014**	**2013**	**2012**	**2011**
Water Sales	$ 64,606	$ 59,327	$ 59,007	$ 61,937	$ 70,339
Wastewater Service	53,874	52,096	50,162	47,999	48,076
Interest Income	413	279	281	375	565
Other Income	5,390	4,722	5,065	4,783	4,543
Total Revenues	$ 124,283	$ 116,424	$ 114,515	$ 115,094	$ 123,523
Expenses					
Labor Costs	$ 14,398	$ 14,688	$ 14,413	$ 13,955	$ 13,039
Supplies	1,860	3,476	3,456	3,448	3,264
Maintenance	4,798	4,235	3,831	3,508	3,487
Water Supply (The District)	22,335	21,191	18,821	17,931	16,531
Wastewater Treatment Contracts	29,373	28,151	25,274	23,979	23,987
Utilities	2,956	2,806	2,831	3,183	3,088
Other Expenses	4,213	4,125	4,315	11,899	15,321
Total Operating Expenses Before Depreciation	$ 79,933	$ 78,672	$ 72,941	$ 77,903	$ 78,717
Net Revenues of the System	$ 44,350	$ 37,752	$ 41,574	$ 37,191	$ 44,806
Interest During Construction Included Above	(71)	(64)	(67)	(95)	(129)
Net Revenues Available for Debt Service	$ 44,279	$ 37,688	$ 41,507	$ 37,096	$ 44,677
Debt Service Paid [1]	$ 15,602	$ 14,683	$ 14,777	$ 14,250	$ 14,804
Debt Service Coverage (times)	2.84 x	2.57 x	2.81 x	2.60 x	3.02 x
Debt Service Requirements Paid From Surplus Net Revenues [2]	-	-	-	-	-

[1] Excludes TRA Revenue Bonds, accrued interest from bond sales, and refunding or cash defeasances.
[2] Unaudited

Historical Net Revenues of the System and Financial Ratios
Fiscal Year Ended September 30
(Amounts in thousands)

	2015	2014	2013	2012	2011
Gross Operating Revenues	$123,870	$116,145	$114,234	$114,719	$122,958
Interest Revenues (Excluding Interest During construction)	342	215	214	280	436
Operating Expenses Before Depreciation	(79,933)	(78,672)	(72,941)	(77,903)	(78,717)
Net Revenues Available for Debt Service	$ 44,279	$ 37,688	$ 41,507	$ 37,096	$ 44,677
Average Annual Debt Service	$ 8,631	$ 8,195	$ 7,878	$ 7,011	$ 7,012
Average Annual Debt Service Coverage (times) (1)	5.13 x	4.63 x	5.30 x	5.34 x	6.45 x
Accounts Receivable to Gross Operating Revenues (%)	17.80%	12.60%	13.05%	13.09%	14.57%
Unrestricted Cash to Unrestricted Current Liabilites (times) (1)	2.84 x	2.57 x	2.81 x	2.60 x	3.02 x
Unrestricted Current Assets to Unrestricted Current Liabilites (times) (1)	12.23 x	6.97 x	8.02 x	7.96 x	9.11 x
Long-term Debt to Net Plant (%)	21%	20%	18%	19%	19%

(1) Unaudited

Municipal Drainage Utility System Condensed Schedule of Operations

The following two tables present five-year historical information and coverage and fund balances for the System. Unless otherwise noted, all information is from the City's Comprehensive Annual Financial Report.

Stormwater Utility
Fiscal Year Ended September 30
(Amounts in thousands)

	2015	2014	2013	2012	2011
Revenues					
Service Charges	$ 12,160	$ 10,774	$ 10,815	$ 10,536	$ 10,492
Interest Revenue	142	69	72	99	173
Net Increase (decrease) in the fair value of investments	9	11	(20)	(6)	12
Other Income	-	-	-	-	-
Total Revenues	$ 12,311	$ 10,854	$ 10,867	$ 10,629	$ 10,677
Expenses					
Salaries and Wages	1,685	1,595	1,429	1,576	1,543
Employee's Retirement	247	235	226	253	-
Supplies	55	70	72	55	63
Maintenance and Repairs	454	344	375	345	279
Utilities	16	15	8	8	8
Miscellaneous Services	653	650	735	637	762
Total Operating Expenses Before Depreciation	$ 3,110	$ 2,909	$ 2,845	$ 2,874	$ 2,655
Net Revenues of the System	9,201	7,945	8,022	7,755	8,022
Transfers in/(out)	(1,803)	(1,001)	(1,108)	(508)	(652)
Capital Outlay	-	-	-	-	-
Net Remaining Revenues Available for Debt Service	$ 7,398	$ 6,944	$ 6,914	$ 7,247	$ 7,370
Debt Service Paid	2,205	2,243	2,282	2,453	-

Maximum Principal and Interest Requirements, 2016	$ 2,102
Coverage of Maximum Requirements by Fiscal Year End Revenues	5.86
Average Principal and Interest Requirements, 2016-2032	$ 1,747
Coverage of Average Requirements by Fiscal Year End Revenues	7.05

SECTION 4: PENSION & EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 860 administered by TMRS, an agent, multiple-employer public employee retirements system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual finance report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the city are required to participate in TMRS.

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 t purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Member may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. The contribution rate for the employees is 7%, and the city matching ration is currently 2 to 1, both as adopted by the governing body of the city. Initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees, which are also referred to as cost of living adjustments (COLAS). Currently, that amount is equal to 50% of the change in the consumer price index (CPI). The amount of the COLA percentage can only be changes by a City-adopted ordinance.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,494
Inactive employees entitled to but not yet receiving benefits	917
Active Employees	2,462
	4,873

Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the city matching percentages are 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance to the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees for the City of Arlington were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Arlington were 16.28% and 15.62% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended in September 30, 2015, were $24,327,508 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3% per year
Overall Payroll Growth	3% per year
Investment Rate of Return	7%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retires, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the Entry Normal Age (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in state. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total Pension Liability.

Changes in the Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2013	$ 1,003,238,111	$ 894,699,665	$ 108,538,446
Changes for the year:			
Service cost	22,819,492	-	22,819,492
Interest	69,393,550	-	69,393,550
Change of benefit terms	-	-	-
Difference between expected and actual experience	(10,846,092)	-	(10,846,092)
Changes of assumptions	-	-	-
Contributions - employer	-	24,198,117	(24,198,117)
Contributions - employee	-	10,501,146	(10,501,146)
net investment income	-	51,180,304	(51,180,304)
Benefit payments, including refunds of employee contributions	(46,622,851)	(46,622,851)	-
Administrative expense	-	(534,366)	534,366
Other changes	-	(43,934)	43,934
Net changes	34,744,099	38,678,416	(3,934,317)
Balance at 12/31/2014	**$ 1,037,982,210**	**$ 933,378,081**	**$ 104,604,129**

Plan fiduciary net position as a percentage of the total pension liability	89.92%
Covered-employee payroll	$ 149,837,550
Net pension liability as a percentage of covered employee payroll	69.81%

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	Discount Rate (6.0%)	Discount Rate (7.0%)	Discount Rate (8.0%)
City's net pension liability	$ 253,083,001	$ 104,604,129	$ (16,991,323)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2015, the city recognized pension expenses of $19,751,515.
At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	$ -	$ 8,646,653
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	9,158,938	-
Contributions subsequent to the measurement date	17,217,349	-
Total	**$ 26,376,287**	**$ 8,646,653**

$17,217,349 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2016	$	90,296
2017	$	90,296
218	$	90,296
2019	$	241,397
202	$	-
Thereafter	$	-
Total	$	512,285

Part-Time, Seasonal and temporary Employees Deferred Income Plan

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

Plan Description

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

Plan Membership. As of June 30, 2015 pension plan membership consisted of the following:

Inactive plan members of beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	3,733
Active plan members	666
	4,408

Benefits

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

Contributions

The Retirement Committee established rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2015, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 0.8 percent of annual payroll.

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	$ 21,324	$ 21,324	$ -	$ 2,791,558	0.8%
2015	$ 22,419	$ 22,419	$ -	$ 2,849,197	0.8%

Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Committee. It is the policy of the Committee to pursue an investment strategy with the primary focus on current income generation and capital preservation while allowing for modest consideration for capital growth. The majority of assets are to be held in fixed income securities or other income producing investments with moderate levels of principal volatility. The following was the Committee's adopted asset allocation policy as of June 30, 2015:

Asset Class	Target Allocation
Equity	20%
Fixed-Income	77%
Cash (or equivalents)	3%

Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 1.73 percent. For all assets, a total return is calculated (including market value appreciation or depreciation, plus interest and dividends). The monthly rates of return are then geometrically linked.

Net Pension Asset of the City of Arlington

The components of the net pension asset of the City at June 30, 2015 were as follows:

Total pension liability	$	2,311,103
Plan fiduciary net position		(2,661,047)
City's net pension asset	$	(349,944)

Plan fiduciary net posit ion as a percentage of the total pension liability 116.0%

Actuarial Assumption

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent
Investment rate of return	5.5 percent

Mortality rates were based on the RP-2000 Mortality Table projected to 2003 with Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 3expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Cash & Cash Equivalents	0.00%
Fixed income	0.64%
Domestic Large Cap Equity	5.43%
Domestic Mid Cap Equity	6.22%
Domestic Small Cap Equity	6.74%
International Developed Equity	5.31%
International Emerging Equity	7.17%

Discount Rate

A single discount rate of 5.5 percent was used to measure the total pension liability as of June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 5.5 percent and a municipal bond rate of 2.8 percent (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2015). The projection of cash flows used ot determine the discount rate assumed the plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position and the future contributions were sufficient to finance the future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension asset of the City, calculated using the discount rate of 5.5 percent, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (4.5 percent) or 1 percentage point higher (6.5 percent) than the current rate:

	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
City's net pension asset	$171,829	$369,944	$534,708

The actuarial assumptions used in the July 1, 2015 actuarial valuation included were (a) 5.50 percent investment return, (b) no inflation rate adjustment, and (c) 3.50 percent salary increases for most civilians. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are states a the approximate value of the financial asset based one either the month end price, the last available price, or the last availability activity. Because the assets of the plan exceed the actuarial liability, amortization of the unfunded liability is discounted and the contribution required for the plan was developed under the aggregate cost method. This method does not identify or separately amortize the unfunded actuarial accrued liabilities; the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution savings adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2015, The Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $160,134,000.

The City's total payroll during fiscal 2015 was $158,843,000. The current year contribution was calculated based on a coverage payroll of $102,331,000 resulting in a required and actual employer contribution f $2,761,000 and actual employee contributions of $6,609,000. The employer contribution represents 2.70 percent of the covered payroll. The employee contribution represents approximately 6.5 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2015. There were no related-party transactions. The Thrift plan does not issue separate stand-alone financial statements.

Thrift Savings Plan
Statement of Net Position and Statement of Changes in Net Position
Year-ended September 30, 2015
(Amounts in thousands)

ASSETS		
Investments	$	160,134
Total Assets	$	160,134
LIABILITIES		
Accrued expenses	$	-
NET POSITION, Held in Trust for Pension Benefits	$	160,134
		Changes in net Position Thrift Savings Plan
ADDITIONS		
Employer contributions	$	2,761
Employee contributions		6,609
Net appreciation in fair value of investments		3,624
Other		2
Total Additions	$	12,996
DEDUCTIONS		
Benefits		(13,424)
Plan administration		(104)
Other		(58)
Total Deductions	$	(13,586)
Increase in Net Position	$	(590)
NET POSITION, Beginning of Year	$	160,724
NET POSITION, End of Year	$	160,134

City contributions for the above plans for the year ended September 30, 2015, are as follows (amounts in thousands):

TMRS	**$ 24,050**
THRIFT	**2,761**
PTDIT	**20**
	$ 26,831

IRC 457 Deferred Compensation Plans

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is administered by the International City Management Associations Retirement Corporation (the “ICMA”). In addition, the City offers its executive employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is also administered by the ICMA. Since the City does not administer these plans, these plans are not included in the City’s financial statements.

Other Post-Employment Benefits

Disability Income Plan

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

Summary of Significant Accounting Policies
Basis of Accounting. DIP's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Cash and cash-like investments with original maturity dates less than one year are stated at cost that approximates fair value. Investments are stated at fair value based on either the month end price, the last available price, or the last available activity.

Plan Description and Contribution Information
Membership of the plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits:	16

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

Contributions. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. For the year ended September 30, 2015, the City contributed $65,000 the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits

As of July 1, 2015, the most recent actuarial valuation date, the plan was 85.9 percent funded. The actuarial accrued liability for benefits was $1,588,266, and the actuarial value of assets was $1,364,432, resulting in an unfunded actuarial accrued liability (UAAL) of $223,834.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	**7/1/2015**
Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization
Remaining amortization period	8 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.5 percent
Inflation rate	3.0 percent

Funding Policy. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City fully funds the required contributions each year.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projects to cover normal cost each year and amortize and unfunded actuarial liability's (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset (dollar amounts in thousands):

Annual required contribution	$ 66
Interest on net OPEB asset	(28)
Adjustment to annual required contribution	79
Annual OPEB cost (expense)	117
Contributions made	(65)
Decrease in end OPEB asset	52
Net OPEB asset - beginning of year	(511)
Net OPEB asset - end of year	$ (459)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2015 and five preceding years are as follow:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contribution	Net OPEB Obligation (Asset)
9/30/2010	$305,000	127.21%	($192,000)
9/30/2011	$249,000	149.80%	($316,000)
9/30/2012	$283,000	126.10%	($390,000)
9/30/2013	$120,000	206.70%	($518,000)
9/30/2014	$119,000	94.10%	($511,000)
9/30/2015	$117,000	55.60%	($459,000)

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

a. Former employees who were receiving disability income from the trust as of September 18, 2012, and
b. Former employees who, as of September 18, 2012, were receiving benefits form the City's Long Term Disability (LTD) plan and were active service prior to Januar1, 1993.

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

DIP does not issue separate GAAP financial reports. Its financial statements are presented below

Disability Income Plan
Statement of Net Position and Statement of Changes in Net Position
as of September 30, 2015
(Amount in thousands):

Net Position

Assets		
Investments	$	1,322
Total assets		1,322
Net position, held in trust for		
Other postemployment benefits	$	1,322

Changes in Net Position

Additions		
Employer contributions	$	65
Net appreciation in fair value		
Of investments		24
Total additions	$	89
Deductions		
Benefits		(150)
Plan Administration		(16)
Total deductions		(166)
Increase in net position		(77)
Net position, October 1, 2013		1,399
Net position, September 30, 2014	$	1,322

Retiree Health Insurance

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

To be eligible for retiree health insurance, an employee must be eligible to retire from the City of Arlington based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer based coverage terminates. As of July 1, 2015, there were 936 retired employees who met this requirement.

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

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

- Be a minimum of age 50 and have a minimum of 10 years of full-time service with the City of Arlington and age plug years of service with the City must equal at least 70.
- Elect to receive their TMRS pension at the time of separation from the City of Arlington.

- Be hired/re-hired or transferred to a Full-time status prior to January 1, 2006.

Retiree Health Insurance City Contributions

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

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

Funding Policy. The City Council through the budget process has the authority to establish and amend contribution requirements of the plan. Currently the plan is funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense_ is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is project to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (dollar amounts in thousands):

Annual required contribution	$	8,505
Interest on net OPEB Obligation		1,513
Adjustment to annual required contribution		(2,020)
Annual OPEB cost (expense)		7,998
Contributions made		(5,011)
Increase in net OPEB obligation		2,987
Net OPEB obligation – beginning of year		33,633
Net OPEB obligation – end of year	$	36,620

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the five preceding years are as follows (dollar amounts in thousands):

Ending		Cost	Contribution		Obligation
9/30/2010	$	8,398	31.80%	$	17,056
9/30/2011	$	8,379	56.14%	$	20,731
9/30/2012	$	12,133	46.66%	$	27,203
9/30/2013	$	8,723	65.31%	$	30,229
9/30/2014	$	8,366	59.31%	$	33,633
9/30/2015	$	7,998	62.50%	$	36,620

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $101.3 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $101.3 million. The covered payroll *annual payroll of active employees covered by the plan) was $138.2 million, and the ratio of the UAAL to be covered was 73.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

Valuation date	7/1/2015
Investment rate of return	4.5% per annum, net of expenses
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Healthcare Cost trend rate - medical	7.25% initial (2015)
	4.5% ultimate (2030)
Inflation rate	4.00%

Supplemental Death Benefits Plan

Plan Description. The City of Arlington contributes to the Supplemental Death Benefit Fund (SDBF), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by TMRS. This is a separate trust administered by the TMRS Board of Trustees. SDBF provides a death benefit of $7,500 for retiree. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for SDBF. That report may be obtained from the TMRS website at www.TMRS.com.

Funding Policy. Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .15 percent of covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the mortality and service experience of all employees covered by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. Contributions are made monthly based on covered payroll of employee members of the City. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net position available for OPEB. The City's contributions to SDBF for the years ended September 30, 2015, 2014, and 2013, were $230,122, $187,872, and $207,493, respectively, which equaled the required contributions each year.