City of Arlington

(Tarrant County, Texas)

Annual Report

Updating Financial Information and

Operating Data

For

Fiscal Year Ending

September 30, 2016

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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 and Institutional 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
2016	380,740	323,127,513

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

Per Capita Personal Income

Region	2015	2014	2013	2012	2011
Tarrant County	48,727	46,169	44,417	43,044	40,965
Texas	46,947	45,669	43,862	42,638	41,560
United States	48,112	46,049	44,765	43,735	40,147

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 2016, the City's unemployment rate averaged 3.8 percent compared to the U.S. rate of 4.9 percent and the Texas rate of 4.5 percent.

Unemployment Rate

Region	2016	2015	2014	2013	2012
Arlington	3.8	4.0	5.2	5.9	6.8
Texas	4.5	4.3	5.5	6.4	7.2
United States	4.9	5.4	6.5	7.6	8.3

Source: U.S. Bureau of Labor Statistics

Arlington Major Employers

Company Name	No. of Employees
Arlington Independent School District	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	3,300
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-four elementary schools, and one pre-kindergarten campus. AISD's staff of 8,141 serves a peak enrollment of 63,167 students.

MISD has fifteen schools in Arlington, including two high schools, four middle schools and nine elementary schools. These fifteen schools serve approximately 12,142 students.

KISD and HEBISD each facilitate one elementary school within Arlington's city limits. The Arlington KISD school serves approximately 460 students and the HEBISD school serves approximately 621 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
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
2016	63,167	12,142	460	621	76,390	(0.01)

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 55,000 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 180 degree programs at the bachelor, master, and doctoral levels. With a workforce of more than 5,300 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. Current enrollment at the 193-acre campus site is approximately 13,000, up by 13.4 percent from last fall. 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 2016, the City issued 5,612 building permits with a total value of $510,043,530. Presented below is a table covering building permit activity for the last three fiscal years:

	2016		2015		2014	
	Permits	Declared Value	Permits	Declared Value	Permits	Declared Value
New Single Family	377	$ 67,997,363	470	$ 103,650,955	328	$ 135,154,940
New Multifamily	2	$ 34,378,989	13	$ 34,032,660	-	$ -
New Commercial	141	$ 231,298,862	150	$ 150,415,719	143	$ 150,605,419
Other	5,092	$ 176,368,316	4,751	$ 72,852,109	4,683	$ 108,306,498
Total	5,612	$ 510,043,530	5,384	$ 360,951,443	5,154	$ 394,066,857

Source: City Building Inspections Division

Water Facilities

Water Treatment Facilities

The City of Arlington currently owns and operates two surface water treatment plants to treat raw water and purify it to meet and/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 along Green Oaks Boulevard near the intersection of Arkansas Lane. The PBWTP draws water directly from Lake Arlington. PBWTP-South was constructed in 1970 and with subsequent expansions has a treatment capacity of 75 million gallons per day (MGD). PBWTP-South is a conventional water treatment plant utilizing ozonation and biologically active GAC filtration. PBWTP-North was constructed in 1957, but has since been decommissioned and is no longer in service. There are no current plans to expand the PBWTP.

Located in the southern portion of Arlington along US Highway 287 and just east of the intersection with Eden Road sits the John F. Kubala Water Treatment Plant (JKWTP). The JKWTP receives raw water directly from the Tarrant Regional Water District's (TRWD) pipeline system that conveys water from their Richland Chambers, Cedar Creek and Benbrook Reservoirs. Placed online in 1989 the JKWTP has undergone two subsequent expansions, for a current treatment plant capacity of 97.5 MGD. Also designed as a conventional water treatment plant, the JKWTP was modified in 1999 to include ozonation and biologically active GAC filtration. The plant was designed for ultimate build out capacity of 130 MGD. Currently, there are no current plans to expand the JKWTP.

The Distribution System

The City's water distribution system has three pressure planes, referred to as the Upper, West and Lower planes. 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 providing the City with 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 1,582 miles of pipe. The City has 108,437 water meters of which 38.93% are automated. The System consists of concrete cylinder, cast iron, polyvinyl chloride (PVC), ductile iron, asbestos cement (AC), high-density polyethylene (HDPE) and transite 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)
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
2016	57.64	102.46

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.

In February 2016, 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 2016, $28,530,000 to pay for (i) planning, design, construction and right of way costs related to the District's Water System, including adding a third cell to the two existing cells at the Kennedale Balancing Reservoir by constructing the foundation and installing bypass piping, and other construction, improvements and repairs to the District's Water System; (ii) to fund a debt service reserve fund; and (iii) to pay costs of issuance of the Bonds.

In April 2016, 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 2016A, $61,910,000 to (i) refund a portion of the District's debt for debt service savings, and (ii) pay costs of issuance of the Bonds.

In June 2016, the TRWD board approved a Master Resolution establishing the Tarrant Regional Water District, a water control and improvement district, Extendable Commercial Paper Financing Program authorizing Water Revenue Bonds – Extendable Commercial Paper Mode up to $150,000,000.

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 489 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 2016–2017 fiscal year, the budgeted monthly purchase price to be paid by the City under the revised water contract is $2,160,025, which results in a rate of approximately $1.27276 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.

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, 2012 through September 30, 2016.

Average Daily Consumption (MGD)

Property Type	2016	2015	2014	2013	2012
Residential	24.0	24.5	24.90	26.50	33.70
Commercial	9.18	8.88	8.72	9.10	12.00
Fire lines, Sprinklers	4.44	4.25	4.43	5.00	6.40
Apartment Units	7.94	7.61	7.62	7.80	9.60
Mobile Homes, Condominiums, Townhouses	0.61	0.64	0.65	0.65	0.80
Total	46.17	45.88	46.32	49.05	62.50

The following table shows the number of units served; excluding sales to municipalities, by user category for the fiscal years ended September 30, 2012 through September 30, 2016.

Number of Units Served

Property Type	2016	2015	2014	2013	2012
Residential	94,796	94,435	93,764	93,589	92,945
Commercial	4,874	4,808	4,821	4,800	4,857
Fire lines, Sprinklers	1,075	1,061	1,066	1,076	969
Apartment Units	45,825	45,876	45,950	46,682	46,844
Mobile Homes, Condominiums, Townhouses	2,124	2,087	2,084	2,079	2,089
Total	148,694	148,267	147,685	148,226	147,704

The following is a listing of the top ten water customers of the City, ranked by consumption during the fiscal year ended September 30, 2016. 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 8.96 percent of the System's water sales, were as follows:

Top Ten Water Customers

Name	Consumption in 1,000 Gallons	Billing
EUSB/General Motors	325,752	$ 948,600
University Texas Arlington	284,742	$ 1,080,918
Arlington ISD	209,959	$ 1,095,904
City of Arlington	181,139	$ 1,121,722
Hurricane Harbor	84,028	$ 245,293
Six Flags Over Texas	80,427	$ 275,546
Enervest Operating, LLC	73,966	$ 528,969
AT&T Stadium	72,662	$ 330,197
Vantage Fort Worth Energy	62,076	$ 435,853
Crossway Apartments	61,157	$ 177,298
Total	**1,435,908**	**$ 6,240,299**

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
2012	106,081	21,166	57.99	106.45	547	1.84
2013	106,848	20,148	55.20	95.76	517	1.72
2014	107,408	19,473	53.35	88.82	515	1.60
2015	107,926	19,155	52.48	104.26	487	1.99
2016	108,437	21,039	57.64	102.46	531	1.78

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 1,317 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 27.5 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)

2016	2015	2014	2013	2012
14,278	13,417	12,408	12,510	13,510

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 resulted 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. A $120 million bond issuance 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. In 2014, TRA adopted and implemented an Extended

Commercial Paper Program with present maximum authorized amount of $350M. A 2014 refunding was issued in the amount of $93.9 million to refund bond series 2004 and 2005 resulting in a net present value savings of 8.72%. A 2016 refunding was issued in the amount of $87.3 million to refund a portion of the 2007 series and resulted in a savings of $10.9 million.

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.

For TRA's fiscal year beginning December 1, 2016, the volume of contributing flow by the City is estimated to average 36.279 MGD, which amounts to approximately 27.5 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 2017 is $33,196,341.

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
October 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

	2016	2015	2014	2013	2012
Residential	95,574	95,227	94,648	94,291	93,391
Commercial	5,365	5,343	5,363	5,355	5,315
Total	**100,939**	**100,570**	**100,011**	**99,646**	**98,706**

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, 2016, the City's operating funds were invested in the following categories of investments:

Type of Investment	% Invested
Federal Agencies	71.97
Statewide Pools	13.08
Municipals	7.77
Cash	7.18
Totals	**100.00%**

As of September 30, 2016, the weighted average maturity of the City's operating portfolio was 483 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, 2016:

Total Outstanding Tax-Supported Debt	$354,185,000
Less Self-Supporting Debt	58,001,137
Tax-Supported Debt Less Self Supporting Debt	$296,183,863

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	Ratio of Net Tax-Supported Debt: Taxable Valuation
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%
2016	380,740	19,601,363,251	354,185,000	930	1.81%

(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, 2016

Maturing Within	Amount Maturing	Percent of Total Debt Outstanding
5 years	$142,820,000	40.3%
10 years	246,970,000	69.7%
15 years	320,935,000	90.6%
20 years	354,185,000	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
2017	34,155,000	12,953,190	47,108,190	
2018	30,090,000	11,557,355	41,647,355	
2019	28,680,000	10,448,291	39,128,291	
2020	25,805,000	9,441,958	35,246,958	
2021	24,090,000	8,480,303	32,570,303	40.3%
2022	22,825,000	7,562,892	30,387,892	
2023	21,665,000	6,716,431	28,381,431	
2024	20,575,000	5,855,208	26,430,208	
2025	19,505,000	5,041,371	24,546,371	
2026	19,580,000	4,305,249	23,885,249	69.7%
2027	17,655,000	3,666,986	21,321,986	
2028	16,935,000	2,989,526	19,924,526	
2029	14,705,000	2,408,885	17,113,885	
2030	12,835,000	1,937,400	14,772,400	
2031	11,835,000	1,516,594	13,351,594	90.6%
2032	10,915,000	1,119,950	12,034,950	
2033	9,415,000	747,150	10,162,150	
2034	6,285,000	425,250	6,710,250	
2035	4,120,000	207,050	4,327,050	
2036	2,515,000	75,450	2,590,450	100.0%
	$ 354,185,000	$ 97,456,487	$ 451,641,487	
	Average Annual Debt Service		**$ 22,582,074**	

Source: City Finance Department

Total Net Tax-Supported Debt
As of September 30, 2016

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
2017	34,155,000	12,953,190	4,429,938	2,387,698	40,290,554
2018	30,090,000	11,557,355	3,655,355	2,107,911	35,884,089
2019	28,680,000	10,448,291	3,740,541	1,945,530	33,442,220
2020	25,805,000	9,441,958	2,683,613	1,811,874	30,751,471
2021	24,090,000	8,480,303	2,746,548	1,706,971	28,116,783
2022	22,825,000	7,562,892	2,770,494	1,579,211	26,038,187
2023	21,665,000	6,716,431	2,842,663	1,452,758	24,086,010
2024	20,575,000	5,855,208	2,920,929	1,295,216	22,214,063
2025	19,505,000	5,041,371	3,008,736	1,133,774	20,403,860
2026	19,580,000	4,305,249	3,097,562	975,129	19,812,558
2027	17,655,000	3,666,986	3,149,836	867,670	17,304,480
2028	16,935,000	2,989,526	3,243,421	719,139	15,961,966
2029	14,705,000	2,408,885	3,247,750	589,216	13,276,919
2030	12,835,000	1,937,400	3,297,750	507,384	10,967,266
2031	11,835,000	1,516,594	3,352,750	413,451	9,585,393
2032	10,915,000	1,119,950	3,412,750	310,230	8,311,970
2033	9,415,000	747,150	3,477,750	202,570	6,481,830
2034	6,285,000	425,250	1,327,750	92,960	5,289,540
2035	4,120,000	207,050	800,000	47,850	3,479,200
2036	2,515,000	75,450	795,000	23,850	1,771,600
	$ 354,185,000	$ 97,456,487	$ 58,001,137	$ 20,170,392	$ 373,469,959
Total Net Average Annual Debt Service					**$ 18,673,498**

Self-Supporting debt includes the Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B, the Combination Tax and Revenue Certificates of Obligation, Series 2010, a portion of the Permanent Improvement Refunding Bonds, Series 2011B, a portion of the Certificates of Obligation, Series 2014, a portion of the Permanent Improvement Refunding Bonds, Series 2015B, a portion of the Permanent Improvement Refunding Bonds, Series 2016 and a portion of the Combination Tax and Revenue Certificates of Obligation, Series 2016B. 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 9/30/16	$ 8,427,817
Debt Service Requirements for Convention Center portion of 2015B bonds, FY 2017	1,219,851
Percent of Tax Increment Self-Supporting	100%
Water and Wastewater System (WWS) Revenues	
Revenue Available for Debt Service from WWS Revenues, FYE 9/30/16	$ 53,159,000
Less: Revenue Bond requirements, FY 2017	18,418,515
Balance Available for Other Purposes	34,740,485
Debt Service Requirements for Water for Portions of the 2011B Bonds, FY2017	60,889
Percentage of Water and Wastewater System CO Debt, Self-Supporting	100%
Tax Incremental Reinvestment Zone 5 (TIRZ 5)	
Revenue Available for Debt Service from TIRZ 5, FY 2016	$ 1,032,498
Debt Service Requirements 2008B CO and a portion of the 2016 PIRB for TIRZ 5, FY 2017	2,404,453
Percentage of TIRZ 5 Obligations Self-Supporting	43%
Tax Increment Reinvestment Zone 4 (TIRZ 4)	
Total Balance Available for Debt Service FY2016	$ 2,821,915
Debt Service Requirement for 2010 CO and 2014 CO portion for TIRZ 4, FY 2017	1,756,877
Percentage of TIRZ 4 Obligations Self-Supporting	100%
Park Performance Fund (PPF) Revenues	
Revenue Available for Debt Service from PPF Revenues, FY2016	$ 9,316,304
Debt Service Requirements for PPF Portion of CO 2016B, FY 2017	1,375,566
Percentage of Park Performance Fund Portion Self-Supporting	100%
Airport General Gas Lease Fund Revenues(1)	
Revenue Available for Debt Service from Airport General Gas Lease Revenues, FYE 9/30/16	$ 175,000
Debt Service Requirements for Airport Portion of 2009A-B CO, FY 2017	-
Percentage of Airport Self-Supporting	100%
Total Debt Service Requirements, FY 2017	$ 6,817,636

(1) The 2009A-B Cos matured on 8/15/16

Portions of the Permanent Improvement Refunding Bonds 2015B – Hotel Occupancy Tax

The City will use hotel occupancy taxes to pay a portion of the debt service on the Series 2015B Refunding Bonds which refunded Series 2005 Refunding Bonds which had refunded a portion of the Series 1998 CO. Based on a calculation of the pro rata share of debt service on the Series 2015B Refunding Bonds, the hotel occupancy tax will provide $1,219,851 of the total debt service on the Series 2015B Refunding Bonds from October 1, 2016 through September 30, 2017. The 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 2017 Budget, the City estimated that $8,833,520 of Hotel Occupancy Tax will be received by the City. This exceeds the $1,219,851 of debt service requirements on 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 2012 through 2016 have been more than adequate to pay debt service requirements on the Hotel Occupancy Tax Bonds.

Portions of the Certificates of Obligation Series 2016B– Parks

The City will use revenues from Golf Fees and Recreation Center usage fees, to pay a portion of the debt service on the Certificate of Obligation Series 2016B. 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 2017 Budget, the City estimated that $1,375,566 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 2012 through 2016 have been more than adequate to pay debt service requirements on the Certificate of Obligation Series 2016B.

Fiscal Year	Golf Fees	Recreation Fees	Total Annual Revenues
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
FY16	4,290,570	5,025,734	9,316,304

Combination Tax and Revenue Certificates of Obligation, Series 2008B and Permanent Improvement Refunding Bonds Series 2016 - 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 and PIRB Series 2016. 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 2017 Budget, the City estimated that $1,795,954 of TIRZ5 revenue will be received by the City. This does not sufficiently cover the $2,404,453 of FY17 debt service requirements on Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B and PIRB Series 2016. As shown in the table below, Revenues in the fiscal years 2012 through 2016 have been less than adequate to pay debt service requirements on the Certificates of Obligation and PIRB Series 2016. 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
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
FY16	610,079	164,103	78,323	177,600	2,394		1,032,498
Total	2,400,388	670,509	305,914	691,708	10,628	-	4,079,145

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

The City will use revenues and interest from Airport Gas Leases, to pay back the debt service for the shortfall on the Series 2009A and 2009B Certificates. The Combination Tax and Revenue Certificates of Obligation, Series 2009A and 2009B matured in FY16. Revenues in the fiscal years 2010 through 2016 were less than adequate to pay debt service requirements on the Certificates of Obligation. The City levied additional ad valorem tax to cover the difference. 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 2010 and a portion of Certificates Obligation, 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 2010 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 2017 Budget, the City estimated $2,385,079 in TIRZ 4 revenue, which exceeds the $1,756,877of debt service requirements on Series 2010 and Series 2014. As shown in the table below, revenues in the fiscal years 2012 through 2016 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
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
FY16	1,015,522	357,879	156,194	414,374	24,953	396,485	2,365,406
Total	4,452,679	1,572,061	661,005	1,807,177	67,158	1,545,786	10,105,865

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 2017 Budget, the City estimated that $133,158,965 of Water sales and Wastewater charges will be received by the City. Total revenues of about $131,632,000 in fiscal year 2016 were more than adequate to pay debt service requirements of $60,889 on the portion of the Permanent Improvement Refunding Bonds 2011B.

Tax Adequacy

The following analysis as of September 30, 2016, assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2017 Taxable Valuation.

Average Annual Requirement (2017/2036)	$18,673,498
A tax rate of $0.0953 per $100 assessed valuation produces	18,673,498
Average Annual Requirement (2017/2026)	28,103,980
A tax rate of $0.1434 per $100 assessed valuation produces	28,103,980
Maximum Annual Requirement (2017)	40,290,554
A tax rate of $0.2055 per $100 assessed valuation produces	40,290,554

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)	535,155,000	9/30/2016	100.00%	535,155,000
Arlington Independent School District	813,958,853	9/30/2016	77.43%	630,248,340
Fort Worth Independent School District	922,890,000	9/30/2016	0.64%	5,906,496
Hurst-Euless-Bedford Independent School District	261,627,579	9/30/2016	0.70%	1,831,393
Kennedale Independent School District	38,533,985	9/30/2016	2.92%	1,125,192
Mansfield Independent School District	764,415,000	9/30/2016	28.86%	220,610,169
Tarrant County	344,185,000	9/30/2016	13.75%	47,325,438
Tarrant County Hospital District	22,335,000	9/30/2016	13.75%	3,071,063
Tarrant County Junior College District	-	9/30/2016	0.00%	-
Viridian Municipal Management	39,850,000	9/30/2016	100.00%	39,850,000
Total Direct and Overlapping Debt				**1,485,123,091**

(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.

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, 2016

Fiscal Year Ending 9/30	Principal	Interest	Total	% of Principal Retired
2017	13,285,000	5,133,515	18,418,515	
2018	13,265,000	4,834,801	18,099,801	
2019	12,835,000	4,444,811	17,279,811	
2020	12,880,000	4,066,906	16,946,906	
2021	11,785,000	3,665,139	15,450,139	38.1%
2022	10,990,000	3,281,681	14,271,681	
2023	10,965,000	2,982,692	13,947,692	
2024	10,185,000	2,676,033	12,861,033	
2025	9,345,000	2,370,361	11,715,361	
2026	9,340,000	2,088,002	11,428,002	68.3%
2027	9,335,000	1,751,882	11,086,882	
2028	8,170,000	1,436,122	9,606,122	
2029	6,265,000	1,152,950	7,417,950	
2030	6,260,000	926,020	7,186,020	
2031	5,085,000	736,274	5,821,274	89.2%
2032	5,085,000	574,818	5,659,818	
2033	4,250,000	413,162	4,663,162	
2034	3,805,000	274,261	4,079,261	
2035	2,970,000	151,878	3,121,878	
2036	2,055,000	59,400	2,114,400	100.0%
	$ 168,155,000	$43,020,708	$211,175,708	

Average Annual Debt Service $ 10,558,785

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
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	
2021	1,280,000	604,800	1,884,800	33.3%
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	
2026	1,280,000	323,200	1,603,200	66.7%
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	
2031	1,280,000	57,600	1,337,600	100.0%
	$ 19,200,000	$ 6,598,400	$ 25,798,400	
		Average Annual Debt Service	**$ 1,719,893**	

Source: City Finance Department

Dallas Cowboys Complex Special Obligations

The following table sets forth the total debt service requirements for the Series 2008 and 2009 Special Tax Revenue Bonds. All Series 2005C were paid off March 4, 2016.

Dallas Cowboys Complex Debt Service Requirements
September 30, 2016
Outstanding Bonds

Stadium Debt Fiscal Year Ending 9/30	Principal	Interest	Total	% of Principal Retired Principal Retired
2017	1,035,000	8,049,863	9,084,863	
2018	11,060,000	7,998,113	19,058,113	
2019	11,530,000	7,487,713	19,017,713	
2020	14,455,000	6,955,513	21,410,513	
2021	15,300,000	6,267,300	21,567,300	42.8%
2022	16,240,000	5,449,800	21,689,800	
2023	16,995,000	4,581,800	21,576,800	
2024	17,860,000	3,673,550	21,533,550	
2025	19,035,000	2,719,050	21,754,050	
2026	20,030,000	1,701,300	21,731,300	94.3%
2027	11,460,000	630,300	12,090,300	100.0%
	$ 155,000,000	$55,514,300	$ 210,514,300	
	Average Annual Debt Service		**$ 19,137,664**	

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 $226,129,000 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	*	2008 Drainage	12,000,000	0	12,000,000
2014		Fire	9,780,000	0	9,780,000
2014		Library	6,090,000	45,000	6,045,000
2014		Parks and Recreation	60,000,000	7,241,000	52,759,000
2014		Streets and Transportation	160,130,000	17,455,000	142,675,000
			$ 250,870,000	**$ 24,741,000**	**$ 226,129,000**

* These three items have been officially abandoned by Resolution on February 28, 2017 and will not be shown in future years.

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	Texas Water Development Board	Planned Bond Sale	Other Financing Sources
2017	84,440,000	4,775,000	42,975,000	36,690,000
2018	49,000,000	-	29,765,000	19,235,000
2019	81,790,000	-	63,565,000	18,225,000

Stormwater Proposed Capital Improvement Program (Amounts in thousands)				
Fiscal Year	Planned Capital Expenditures	Texas Water Development Board	Planned Bond Sale	Other Financing Sources
2017	15,750,000	-	9,250,000	6,500,000
2018	19,290,000	-	9,200,000	10,090,000
2019	18,590,000	-	8,500,000	10,090,000

(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, 2015. The City was awarded a Certificate of Excellence for its CAFR 2005 through 2015. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2016.

Accounting Standards

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through 73, 76, 78, and 79. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-Wide Financial Statements

The Statement of Net Position presents information on all of the assets, liabilities, deferred inflows and deferred outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. The Statement of Net Position combines governmental funds' current financial resources (short-term spendable resources) with additional accruals, capital assets and long-term obligations. Other non-financial factors should also be taken into consideration to assess the overall health or financial condition of the City, such as changes in the City's property tax base and the condition of the City's infrastructure.

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

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). In the 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** - The City includes one blended component unit with financial activity in 2016 in its report – Arlington Property Finance Authority, Inc. For fiscal year 2016, the City includes six discretely presented component units in its report –

Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation (new, no activity) and the Arlington Convention Center Development Corporation (ACCDC). Although legally separate, these component units are important because the City is financially accountable for them.

Fund Financial Statements

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.

Fiduciary Funds

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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and postemployment healthcare to the employees.

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 2012 to 2016 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)

	2016	2015	2014	2013	2012
Beginning Fund Balance	$58,023	$56,191	$56,740	$63,497	$66,775
Revenues					
Ad Valorem Taxes	82,901	78,809	76,774	75,767	74,279
Sales Tax	58,318	55,555	52,692	53,392	50,725
Other Taxes	2,345	2,358	2,328	1,910	1,154
Franchise Fees	25,435	26,477	26,970	25,550	25,600
Service Charges	6,320	5,359	5,345	5,100	5,355
Interest	1,705	1,754	1,842	1,909	2,168
All Other	81,601	31,269	31,805	30,562	30,875
Total Revenues	$258,624	$201,581	$197,756	$194,190	$190,156
Expenditures					
Total Expenditures	$216,279	$208,798	$206,056	$205,802	$198,279
Excess (deficiency) of revenues over (under) expenditures	$ 42,345	$ (7,217)	$ (8,300)	$ (11,612)	$ (8,123)
Other Financing Sources					
Operating Transfers	(37,890)	9,049	7,751	4,855	4,845
Ending Fund Balance	$ 62,478	$ 58,023	$ 56,191	$ 56,740	$ 63,497

Source: Fiscal Year 2016 CAFR

The following table presents a comparison of the City's General Fund balance for fiscal years 2012 to 2016.

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

General Fund Balance:	2016	2015	2014	2013	2012
Nonspendable:					
Inventory	$ 1,265	$ 1,207	$ 1,206	$ 1,172	$ 1,252
Prepaids	117	71	23	20	16
Committed to:					
Utility Rate Case	-	500	500	500	500
Capital Projects	-	-	-	-	-
Assigned to:					
Encumbrances	8,515	5,598	4,449	5,235	7,766
Working Capital	19,717	18,162	17,537	17,076	16,745
Subsequent Years' Expenditures	6,918	6,538	6,313	6,147	6,378
Arbitrage	-	-	-	-	-
Compensated Absences	1,402	1,443	1,372	1,263	1,252
Other Post Employment Benefits	1,718	1,718	1,718	1,718	1,718
Future Initiatives	17,151	17,151	17,151	17,206	21,487
Dispatch	830	916	756	615	566
Group Health	-	-	-	-	-
Information Technology	305	119	195	236	607
Business Continuity	4,062	4,062	4,062	4,062	5,155
Other Purposes	-	-	-	-	55
Unassigned	478	538	909	1,490	-
Total General Fund Balance	$ 62,478	$ 58,023	$ 56,191	$ 56,740	$ 63,497
General Fund Balance as a Percentage of General Fund Expenditures	28.89%	27.79%	27.27%	27.57%	32.02%

Source: Fiscal Year 2016 CAFR

Debt Service Fund Budget
Fiscal Year 2017

Beginning Fund Balance	$ 2,360,570
Property Tax Revenue	40,329,106
Interest Revenue	117,602
Premium on Bond Issuance	120,000
Transfers In (1)	6,384,137
Total Available for Debt Service	49,311,415
Debt Service Expenditures	(47,273,191)
Estimated Ending Fund Balance	$ 2,038,224

(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 2017 Budget

Current Operating Budget

On September 15, 2016, the City Council adopted a total Budget for fiscal year 2017 with expenditures of $469,224,927. The adopted General Fund Budget reflects a property tax rate of $0.6448/$100.

The Adopted Budget for fiscal year 2017 maintains core services levels and programs within tight financial constraints. The budget includes a 4.2% pay increase for most civilians and a market based raise for sworn employees, implemented in January 2017. The Adopted Budget authorizes City government personnel of 2,557 full-time positions, an increase of 48 positions from the fiscal year 2016 budget.

The following table shows the City's estimated revenues and budgeted expenditures for fiscal year 2017, as reported in the Adopted Budget.

Estimated Revenues and Budgeted Expenditures
Fiscal Year 2017 Budget [(1)]

REVENUES		FY17 Budget	% FY 17 Budget
	Property Taxes	91,705,262	20%
	Sales Tax	60,371,706	13%
	Other Taxes	2,688,812	1%
	Licenses and Permits	6,267,715	1%
	Utility Franchise Fees	40,058,267	9%
	Fines and Forfeitures	11,798,609	3%
	Leases and Rents	6,184,766	1%
	Service Charges	15,287,018	3%
	Miscellaneous Revenues	1,523,309	0%
	Water and Sewer Fund Revenues	138,845,773	30%
	Storm Water Utility Fund	15,047,079	3%
	Convention & Event Services Fund Rev	14,247,329	3%
	Debt Service Fund (Property Tax)	40,566,708	9%
	Street Maintenance Fund (Sales Tax)	15,166,601	3%
	Park Performance Fund	9,465,972	2%
	Total Revenues	$ 469,224,926	100%
EXPENDITURES			
	Neighborhood Services	181,105,013	39%
	Capital Investment and Econ. Development	21,379,217	5%
	Strategic Support	6,858,880	1%
	Policy Administration	25,011,335	5%
	Water and Sewer Fund	120,516,988	26%
	Storm Water Utility Fund	6,069,827	1%
	Convention & Event Services Fund	10,513,266	2%
	Park Performance Fund	12,304,324	3%
	Street Maintenance Fund	23,187,968	5%
	Debt Service	47,273,191	10%
	Transfers (Net)	15,004,918	3%
	Total Expenditures	$ 469,224,927	100%

[(1)]All funds combined. Excludes interfund transfers.

Source: Fiscal Year 2017 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 2016, the Council levied a tax rate equal to $0.6480 per $100 assessed valuation of which $0.202 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 2017 tax rolls reflect the Council granting persons 65 years of age and older, disabled persons and disabled veterans exemptions totaling $1,171,876,903.

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 $2,098,276,437 or 19 percent of the FY 2017 taxable valuation of appraised value of all residential real estate. In addition, $44,476,742 of value was reduced from the FY 2017 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 2017 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 2016 tax roll is $362,509,416. A schedule of abated values for the FY 2016 by property owners is as follows:

Property Owner	FY16 Tax Year 2015	FY15 Tax Year 2014	FY14 Tax Year 2013	FY13 Tax Year 2012	FY12 Tax Year 2011
Pioneer 360	10,872,109	10,872,109	10,752,669	13,018,529	-
Siemens Dematic		-	5,754,017	12,635,409	15,077,027
Americredit		-	-	-	15,947,204
General Motors	335,006,972	333,774,188	143,182,332	-	-
A E Petsche Property Inc	-	-	-	-	1,144,827
Pratt & Whitney Engine Service	-	-	2,295,899	3,051,661	411,662
Transnorm System Inc	-	-	-	152,607	146,247
MCR Oil Tools	-	413,966	-	413,966	413,966
Progressive Inc	-	4,496,047	4,277,787	4,823,307	5,163,797
Big Box Property Owner C LLC	14,474,549	-	-	-	-
RCR Healthcare	2,155,786	2,155,786	-	-	-
Total	$ 362,509,416	$ 351,712,096	$166,262,704	$ 34,095,479	$ 38,304,730

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 inventory 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 inventory property for 1990 and subsequent years. On January 13, 1998, the Council repealed the aforementioned ordinance, which has the effect of exempting freeport inventory 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 2017 tax roll was $1,422,840,948 with $609,738,736 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 FY16 was $326,322.

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 FY16 was $1,015,522. 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 FY16 was $608,196. $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 FY16 was $1,034,915. 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 FY16, 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 2016 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, 2015 for FY16. 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 66,554 residential homestead properties in FY 2017 and 19,165 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 2.40 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
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
2016	82,901	58,318	2,345	8,428	31,755	183,747

(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 $2,852,765,947 for FY16, are not included in the table. The Tarrant Appraisal District certified appraisal of taxable property less exemptions for FY16 is $19,601,363,252. This value is obtained from the certified taxable value including minimum estimated value of property under protest.

Historical Estimated Taxable Value [1]
Fiscal Years 2012 to 2016

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
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	2,462,802,164	4.35	356,660,350	28.92	18,905,765,829	4.52
2016 *	16,580,449,521	3.07	2,647,949,241	7.52	372,964,490	4.57	19,601,363,252	3.68

(1)Real and personal property is assessed at 100 percent of fair market value. Total estimated taxable value excludes abated value.
*Certified taxable value as of December 2015 for FY16.

Source: Tarrant Appraisal District and City Finance Department

Tax Rate Distribution

	2016	2015	2014	2013	2012
General Fund	0.4460	0.4353	0.4423	0.4423	0.4393
Debt Service Fund	0.2020	0.2127	0.2057	0.2057	0.2087
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
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
2016	19,601,363,252	0.648000	127,016,834	97.43	98.47

(1) Estimated Net Taxable Valuation is the certified roll as of September of each year including minimum estimated value of property under protest. FY2016 estimated NTV is the certified roll as of December FY17.

(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, 2016

FY Ending 9/30	Tax Levy	Uncollected	Percentage of Levy
2007	108,821,392	1,655,721	1.52%
2008	114,126,102	1,503,568	1.32%
2009	118,435,518	1,230,946	1.04%
2010	118,267,158	1,349,195	1.14%
2011	111,320,648	1,140,910	1.02%
2012	112,255,917	970,330	0.86%
2013	114,551,118	917,054	0.80%
2014	116,048,531	946,728	0.82%
2015	122,228,541	967,976	0.79%
2016	127,016,834	840,621	0.66%

Source: City Finance Department

Tax Base Distribution

	2016	2015	2014	2013	2012
Residential	60.43%	59.31%	58.45%	58.33%	58.56%
Commercial, Industrial, Retai	35.82%	36.91%	38.03%	37.57%	37.00%
Mineral	1.92%	1.89%	1.53%	2.07%	2.29%
Undeveloped	1.84%	1.90%	1.99%	2.04%	2.15%

Source: Tarrant Appraisal District

2016 Top Ten Taxpayers

Taxpayer	Total Taxable Value
General Motors LLC	320,535,964
Arlington Highlands LP	180,490,513
Parks at Arlington L P	161,938,140
Oncor Electric Delivery Co LLC	143,498,483
Lincoln Square Dunhill LP	115,597,422
Six Flags Fund II LTD	100,837,024
LSREF3 Bravo (Dallas), LLC	75,414,000
Wal-Mart Real Estate Bus Trust/Stores Texas LLC	68,433,720
DFW Midstream Services LLC	65,259,545
BRE Providence Apartments LLC	55,000,000
Total	**1,287,004,811**

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.

Sixty percent of residents voted November 8, 2016, to help publicly finance the new ballpark by extending existing venue taxes approved in 2004 to build AT&T Stadium for the Dallas Cowboys. These taxes – a half-cent sales tax, 2 percent hotel occupancy tax and 5 percent car rental tax – will pay off the City's contribution to the future ball park.

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
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
2016	58,895,721	127,016,834	46	380,740	155

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. Growth in the seven percent City portion of the Hotel Occupancy Tax has averaged 3.34 percent per year over the last five years.

Fiscal Year	Hotel Occupancy Tax Receipts
2012	6,102,269
2013	6,628,227
2014	7,307,874
2015	7,859,543
2016	8,427,743

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.

August 15, 2015, the City called $12,015,000 of 2005A that completed payoff of the Series. On March 4, 2016 the City called $8,510,000 of 2005c that completed the payoff of the Series. September 27, 2016, the City defeased $3,140,000 of Series 2008 and $16,865,000 of Series 2009.

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	1,823,412	-	2,000,000	29,158,617	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	18,662,791	1.80 X
2016	29,447,861	934,377	2,407,926	500,000	1,000,000 [2]	34,290,164	11,466,313	2.99 X
	$286,470,501	$ 8,089,135	$ 20,141,089	$1,500,000	$13,666,667	$ 329,867,393	$ 200,900,910	1.64 X

[1] 2009 Debt Service included $10,885,000 in swap termination fees which were paid from excess revenues.
[2] Series 2005C was paid off March 4, 2016. Rent and Naming Rights, while still being collected, are no longer legally pledged to remaining debt.

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, 2017

Meter Size	Water	Wastewater
3/4" (≤2,000 gal)	$ 6.40	$ 5.80
3/4" (≥3,000 gal)	9.00	9.90
1"	15.00	16.80
1 1/2"	34.30	38.70
2"	60.00	60.50
3"	141.00	187.00
4"	225.00	279.00
6"	524.00	759.00
8"	820.00	1,000.00
10"	1232.00	1,458.00

City of Arlington Water Utilities
Conservation Rates Block Structure
Effective January 1, 2017

RESIDENTIAL

Usage (1,000 gal)	Water	Wastewater
0 – 2	$2.02	$4.18
3 - 10	2.79	4.18
11 - 15	4.02	4.18
16 - 29	4.79	4.18
≥ 30	5.94	4.18

COMMERCIAL

Usage (1,000 gal)	Water	Wastewater
0 - 15	$3.00	4.18
≥ 16	3.16	4.18

IRRIGATION

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

CONSTRUCTION

Usage (1,000 gal)	Rate
0 - 99	$5.90
≥ 100	7.44

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
2016	9.7	1.5	5.7

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, 2016 was $15,960,182, 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)

	2016	2015	2014	2013	2012
Assets					
Cash and cash equivalents	23,709	19,053	13,674	15,564	12,650
Receivable (net of allowances for uncollectibles)	20,338	22,044	14,673	14,946	15,063
Inventory of supplies, at cost	1,824	1,230	644	460	412
Prepaid Expenditures	2,160	-	-	-	-
Restricted assets:					
Bond contingency	16,698	14,096	13,435	12,658	13,440
Capital/Bond construction	86,204	60,875	70,728	63,876	72,657
Meter deposits	5,429	5,351	5,211	5,107	4,973
Property, plant and equipment less accumulated depreciation	651,874	632,577	616,977	603,111	582,724
Total Assets	$808,236	$755,226	$735,342	$715,722	$701,919
Deferred Outflows of Resources:					
Deferred Outflow and loss on debt refunding	$ 7,069	$ 3,975	$ 1,479	$ -	$ -
Total Assets and Deferred Outflows of Resources	$815,305	$759,201	$736,821	$715,722	$701,919
Liabilities and Net Position					
Current Liabilities:					
Accounts payable and accrued liabilities	2,918	3,321	4,028	3,711	3,402
Payable from restricted assets	22,898	20,504	21,654	21,483	15,031
Accrued compensated absences					
Current	123	141	130	151	133
Non Current/Long Term	1,470	1,660	1,645	1,599	1,534
Revenue bonds, net of discount, payable from unrestricted assets	162,283	131,148	122,374	111,551	119,057
Net Pension Liability	10,840	7,249	-	-	-
Total Liabilities	$200,532	$164,023	$149,831	$138,495	$139,157
Deferred Inflows of Resources:					
Deferred Inflow - Actuarial Assumption GASB 6	$ 561	$ 599	$ -	$ -	$ -
Invested in Capital Assets	560,229	548,811	550,595	539,251	522,753
Restricted	18,150	14,947	16,169	14,299	18,655
Unrestricted	35,833	30,821	20,226	23,677	21,354
Total Net Position	$614,212	$594,579	$586,990	$577,227	$562,762
Total Liabilities and Net Position	$815,305	$759,201	$736,821	$715,722	$701,919

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

Revenues	**2016**	**2015**	**2014**	**2013**	**2012**
Water Sales	$ 69,628	$ 64,606	$ 59,327	$ 59,007	$ 61,937
Wastewater Service	55,188	53,874	52,096	50,162	47,999
Interest Income	546	413	279	281	375
Other Income	6,270	5,390	4,722	5,065	4,783
Total Revenues	$ 131,632	$ 124,283	$ 116,424	$ 114,515	$ 115,094
Expenses					
Labor Costs	$ 14,290	$ 14,398	$ 14,688	$ 14,413	$ 13,955
Supplies	2,499	1,860	3,476	3,456	3,448
Maintenance	4,724	4,798	4,235	3,831	3,508
Water Supply (The District)	19,743	22,335	21,191	18,821	17,931
Wastewater Treatment Contracts	29,383	29,373	28,151	25,274	23,979
Utilities	3,090	2,956	2,806	2,831	3,183
Other Expenses	4,559	4,213	4,125	4,315	11,899
Total Operating Expenses Before Depreciation	$ 78,288	$ 79,933	$ 78,672	$ 72,941	$ 77,903
Net Revenues of the System	$ 53,344	$ 44,350	$ 37,752	$ 41,574	$ 37,191
Interest During Construction Included Above	(185)	(71)	(64)	(67)	(95)
Net Revenues Available for Debt Service	$ 53,159	$ 44,279	$ 37,688	$ 41,507	$ 37,096
Debt Service Paid [1]	$ 16,235	$ 15,602	$ 14,683	$ 14,777	$ 14,250
Debt Service Coverage (times)	3.27 x	2.84 x	2.57 x	2.81 x	2.60 x

(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)

	2016	2015	2014	2013	2012
Gross Operating Revenues	$ 131,086	$ 123,870	$116,145	$114,234	$114,719
Interest Revenues (Excluding Interest During construction)	361	342	215	214	280
Operating Expenses Before Depreciation	(78,288)	(79,933)	(78,672)	(72,941)	(77,903)
Net Revenues Available for Debt Service	$ 53,159	$ 44,279	$ 37,688	$ 41,507	$ 37,096
Average Annual Debt Service	$ 10,559	$ 8,631	$ 8,195	$ 7,878	$ 7,011
Average Annual Debt Service Coverage (times) [1]	5.03 x	5.13 x	4.63 x	5.30 x	5.34 x
Accounts Receivable to Gross Operating Revenues (%)	15.52%	17.80%	12.60%	13.05%	13.09%
Unrestricted Cash to Unrestricted Current Liabilites (times) [1]	3.27 x	2.84 x	2.57 x	2.81 x	2.60 x
Unrestricted Current Assets to Unrestricted Current Liabilites (times) [1]	15.79 x	12.23 x	6.97 x	8.02 x	7.96 x
Long-term Debt to Net Plant (%)	25%	21%	20%	18%	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)

	2016	2015	2014	2013	2012
Revenues					
Service Charges	$13,575	$ 12,160	$ 10,774	$ 10,815	$ 10,536
Interest Revenue	116	142	69	72	99
Net Increase (decrease) in the fair value of investments	(10)	9	11	(20)	(6)
Other Income	(151)	-	-	-	-
Total Revenues	$13,530	$ 12,311	$ 10,854	$ 10,867	$ 10,629
Expenses					
Salaries and Wages	1,681	1,685	1,595	1,429	1,576
Employee's Retirement	249	247	235	226	253
Supplies	62	55	70	72	55
Maintenance and Repairs	747	454	344	375	345
Utilities	17	16	15	8	8
Miscellaneous Services	674	653	650	735	637
Total Operating Expenses Before Depreciation	$ 3,430	$ 3,110	$ 2,909	$ 2,845	$ 2,874
Net Revenues of the System	10,100	9,201	7,945	8,022	7,755
Transfers in/(out)	(1,106)	(1,803)	(1,001)	(1,108)	(508)
Capital Outlay	-	-	-	-	-
Net Remaining Revenues Available for Debt Service	$ 8,994	$ 7,398	$ 6,944	$ 6,914	$ 7,247
Debt Service Paid	2,154	2,205	2,243	2,282	2,453
Maximum Principal and Interest Requirements, 2017		$ 2,102			
Coverage of Maximum Requirements by Fiscal Year End Revenues		6.44			
Average Principal and Interest Requirements, 2017-2031		$ 1,720			
Coverage of Average Requirements by Fiscal Year End Revenues		7.87			

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 866 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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,558
Inactive employees entitled to but not yet receiving benefits	1,015
Active Employees	2,460
	5,033

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 15.62% and 15.08% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended in September 30, 2016, were $24,833,575 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.00% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	**100.0%**	

Note: Beginning in 2015, the form in which pension fund data is presented changed due to the implementation of GASB 68.

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in 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.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/14	**$ 1,037,982,210**	**$ 933,378,081**	**$ 104,604,129**
Changes for the year:			
Service cost	24,035,779	-	24,035,779
Interest	71,780,403	-	71,780,403
Change of benefit terms	-	-	-
Difference between expected and actual experience	(8,105,420)	-	(8,105,420)
Changes of assumptions	9,851,969	-	9,851,969
Contributions - employer	-	24,012,910	(24,012,910)
Contributions - employee	-	10,884,708	(10,884,708)
Net investment income	-	1,377,207	(1,377,207)
Benefit payments, including refunds of employee contributions	(49,131,541)	(49,131,541)	-
Administrative expense	-	838,887	838,887
Other changes	-	(41,433)	41,433
Net changes	48,431,190	(13,737,036)	62,168,226
Balance at 12/31/15	**$ 1,086,413,400**	**$ 919,641,045**	**$ 166,772,355**

Plan fiduciary net position as a percentage of the total pension liability	84.65%
Covered-employee payroll	$ 154,372,375
Net pension liability as a percentage of covered employee payroll	108.03%

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

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

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's Net Pension Liability	321,204,438	166,772,355	40,211,579

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

For the year ended September 30, 2016, the city recognized pension expenses of $33,719,831. At September 30, 2016, 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	$ -	$ 12,871,012
Changes in actuarial assumptions	7,807,992	-
Difference between projected and actual investment earnings	58,036,609	-
Contributions subsequent to the measurement date	18,121,051	-
Total	**$ 83,965,652**	**$ 12,871,012**

$18,121,051 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, 2016. 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	$ 13,244,503
2017	13,244,503
2018	13,395,604
2019	13,088,979
2020	-
Thereafter	-
Total	**$ 52,973,589**

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 July 1, 2016 pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive members entitled to but not yet receiving benefits	3,573
Active plan members	785
	4,370

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. Compensation earned prior to July 1, 1991 is excluded. 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, 2016, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 2.1 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
2015	$ 22,419	$ 22,419	$ -	$ 2,849,197	0.8%
2016	53,802	53,802	-	2,590,679	2.1%

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, 2016:

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

Rate of Return. For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 2.84 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, 2016 were as follows:

Total pension liability	$ 2,527,272
Plan fiduciary net position	(2,727,969)
City's net pension asset	$ (200,697)

Plan fiduciary net position as a percentage of the total pension liability 108.0%

Actuarial Assumption

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate of return	5.0 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, 2016 (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	6.10%
Domestic Large Cap Equity	5.16%
Domestic Mid Cap Equity	5.77%
Domestic Small Cap Equity	5.99%
International Developed Equity	4.98%
International Emerging Equity	6.45%

Discount Rate

A single discount rate of 5.0 percent was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 5.0 percent and a municipal bond rate of 2.85 percent (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2016). The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position and the future contributions were sufficient to finance the future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension asset of the City, calculated using the discount rate of 5.0 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 (4.0 percent) or 1 percentage point higher (6.0 percent) than the current rate:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
City's net pension asset	$ 48,676.00	$ (200,697.00)	$(404,956.00)

The actuarial assumptions used in the July 1, 2016 actuarial valuation included were (a) 5.0 percent investment return, (b) 2.5 percent inflation rate adjustment, and (c) 3.0 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, 2016, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $174,533,000.

The City's total payroll during fiscal 2016 was $17,336,000. The current year contribution was calculated based on a coverage payroll of $114,994,000 resulting in a required and actual employer contribution of $3,020,000 and actual employee contributions of $7,514,000. The employer contribution represents 2.60 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 2016. 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, 2016
(Amounts in thousands)

ASSETS		
Investments	$	174,597
Total Assets	$	174,597
LIABILITIES		
Reitred City Mgr 401(k) plan payable	$	64
Total Liabilities	$	64
NET POSITION		
Held in Trust for Pension Benefits		174,472
Assigned pension trust		61
Total Net Position	$	174,533

Changes in Net Position
Thrift Savings Plan

ADDITIONS		
Employer contributions	$	3,020
Employee contributions		7,514
Net appreciation in fair value of investments		16,471
Other additions		100
Total Additions	$	27,105
DEDUCTIONS		
Benefits	$	12,517
Plan administration		100
Other deductions		89
Total Deductions	$	12,706
Increase in Net Position	$	14,399
NET POSITION, October 1	$	160,134
NET POSITION, September 30	$	147,533

City contributions for the above plans for the year ended September 30, 2016, are as follows (amounts in thousands):

TMRS	**$**	**24,834**
THRIFT		**3,020**
PTDIT		**54**
	$	**27,908**

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, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits: 13

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, 2016, the City contributed $65,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past 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, 2016, the most recent actuarial valuation date, the plan was 92.9 percent funded. The actuarial accrued liability for benefits was $1,423,143 and the actuarial value of assets was $1,322,507 resulting in an unfunded actuarial accrued liability (UAAL) of $100,636.

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	**7/1/2016**
Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization
Remaining amortization period	6 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0 percent
Inflation rate	2.5 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 (ARC)	$	59
Interest on net OPEB asset		(25)
Adjustment to annual required contribution		79
Annual OPEB cost (expense)		113
Contributions made		(65)
Increase in net OPEB asset		48
Net OPEB asset - beginning of year		(459)
Net OPEB asset - end of year	$	(411)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2016 and six 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)
9/30/2016	$113,000	57.50%	($411,000)

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, 2016
(Amount in thousands):

Net Position

Assets	
Investments	$ 1,329
Total assets	1,329
Net position, held in trust for	
Other postemployment benefits	$ 1,329

Changes in Net Position

Additions	
Employer contributions	$ 65
Net appreciation in fair value of investments	-
Other additions	91
Total additions	$ 156
Deductions	
Benefits	$ (134)
Plan Administration	(15)
Total deductions	$ (149)
Increase in net position	7
Net position, October 1, 2015	1,322
Net position, September 30, 2016	$ 1,329

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, 2016, there were 849 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 plus years of service with the City must equal at least 70.
- Elect to receive their TMRS pension at the time of separation from the City of Arlington.
- Be hired/re-hired or transferred to a Full-time status prior to January 1, 2006.

Retiree Health Insurance City Contributions

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

1. Retirees who were hired/re-hired or transferred into a full-time status prior to 1/1/2006 have a City contribution based on their years of eligible service with the City. Retirees who were hired/re-hired or transferred into a full=time status after 1/1/2006 have no City contribution; however they may elect to pay the full cost and remain on the City's health plan.
2. Retirees who are TMRS eligible and elect a pension, are a minimum of age 50 and have 10 years of full-time service with the City of Arlington are eligible for a City contribution if hired, re-hired, or transferred into a full-time status prior to 1/1/2006.
3. Retirees who are TMRS eligible, have elected a pension but have less than 10 years of full-time service with 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	$	7,949
Interest on net OPEB Obligation		1,465
Adjustment to annual required contribution		(2,076)
Annual OPEB cost (expense)		7,338
Contributions made		(6,624)
Increase in net OPEB obligation		714
Net OPEB obligation – beginning of year		36,620
Net OPEB obligation – end of year	$	37,334

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 and the six 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
9/30/2016	$ 7,338	90.27%	$ 37,334

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $99.6 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $99.6million. The covered payroll *annual payroll of active employees covered by the plan) was $143.2 million, and the ratio of the UAAL to be covered was 69.5 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	7/1/2016
Investment rate of return	4.0% 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	7.50% initial (2016)
	4.25% ultimate (2031)
Inflation rate	2.50%

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, 2016, 2015, and 2014, were $247,020, $230,122, and $181,872, respectively, which equaled the required contributions each year.