HTS Continuing Disclosure Services
A Division of Hilltop Securities.

(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated November 5, 2019

Ratings:
S&P: "A+"
Fitch: "AA-"
(See "OTHER INFORMATION – Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

THE BONDS **HAVE NOT BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$140,790,000
CITY OF GARLAND, TEXAS
(Dallas, Collin and Rockwall Counties)
ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, NEW SERIES 2019A

Dated Date: December 1, 2019 **Due: March 1, as shown on page 2**
Interest to accrue from the date of initial delivery

PAYMENT TERMS . . Interest on the $140,790,000 City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2019A (the "Bonds") will accrue from the date of initial delivery to the underwriters thereof (the "Underwriters"), will be payable September 1, 2020, and each March 1 and September 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are authorized and issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, Texas Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council, and are special obligations of the City of Garland, Texas (the "City"), payable, both as to principal and interest, together with the Bonds Similarly Secured and any Additional Bonds (each as defined in the Ordinance) solely from and secured by a lien on and pledge of the Net Revenues of the City's Electric Utility System (the "System" or "Electric System"), such lien and pledge, however, being subordinate to the lien and pledge of the Net Revenues to the Prior Lien Bonds (identified and defined in the Ordinance), but superior to the lien on and pledge of the Net Revenues to the City's Electric System commercial paper notes (see "VARIABLE RATE PROGRAMS"). The City has covenanted in the Ordinance that it will not issue any additional obligations that are on a parity with the outstanding Prior Lien Bonds. At such time as there are no Prior Lien Bonds outstanding, the Bonds Similarly Secured, together with any Additional Bonds, will become obligations equally secured by a first lien on and pledge of the Net Revenues of the System. **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Authority for Issuance" and "THE BONDS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding Electric System revenue debt described in Schedule I – Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, (ii) pay a portion of the City's outstanding Electric System commercial paper notes authorized in 2018 (the "Refunded Notes") (see "VARIABLE RATE PROGRAMS") and (iii) pay the costs of issuance associated with the sale of the Bonds (see "PLAN OF FINANCING – Purpose of the Bonds").

CUSIP PREFIX: 366133

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas, (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on December 3, 2019.

Goldman Sachs

BofA Securities Wells Fargo Securities

MATURITY SCHEDULE

CUSIP Prefix: 366133[1]

Par Amount	Maturity	Interest Rate	Initial Yield		CUSIP Suffix[1]
$ 9,080,000	3/1/2021	5.000%	1.240%		NC6
10,765,000	3/1/2022	5.000%	1.270%		ND4
11,320,000	3/1/2023	5.000%	1.320%		NE2
10,750,000	3/1/2024	5.000%	1.400%		NF9
10,200,000	3/1/2025	5.000%	1.470%		NG7
10,720,000	3/1/2026	5.000%	1.570%		NH5
11,275,000	3/1/2027	5.000%	1.660%		NJ1
11,850,000	3/1/2028	5.000%	1.760%		NK8
12,465,000	3/1/2029	5.000%	1.870%		NL6
13,105,000	3/1/2030	5.000%	1.950%		NM4
975,000	3/1/2031	4.000%	2.110%	(2)	NN2
1,015,000	3/1/2032	4.000%	2.180%	(2)	NP7
1,055,000	3/1/2033	4.000%	2.310%	(2)	NQ5
1,100,000	3/1/2034	4.000%	2.390%	(2)	NR3
1,145,000	3/1/2035	4.000%	2.480%	(2)	NS1
1,190,000	3/1/2036	4.000%	2.520%	(2)	NT9
1,240,000	3/1/2037	4.000%	2.560%	(2)	NU6
1,290,000	3/1/2038	4.000%	2.600%	(2)	NV4
1,340,000	3/1/2039	4.000%	2.630%	(2)	NW2

$7,575,000 4.000% Term Bond due March 1, 2044 at a Price of 110.713% to Yield 2.790% [2] - CUSIP No. [1] NX0
$11,335,000 4.000% Term Bond due March 1, 2050 at a Price of 110.058% to Yield 2.860% [2] - CUSIP No. [1] NY8

(Interest to accrue from the Delivery Date)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. The City, the Financial Advisor and the Underwriters take no responsibility for the accuracy of such numbers.
(2) Priced to the March 1, 2030 optional redemption date at par.

Bonds Optional Redemption. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2031, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS –Optional Redemption").

Mandatory Sinking Fund Redemption. . . The Bonds maturing on March 1 in the years 2044 and 2050 are subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the date of redemption as described under "THE BONDS – Mandatory Sinking Fund Redemption."

No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their respective responsibilities to investors under federal securities laws as applied to the facts and circumstance of this transaction but the Underwriters do not guarantee the accuracy or completeness of such information.

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

NEITHER THE CITY, THE UNDERWRITERS NOR THE FINANCIAL ADVISOR, MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Garland (the "City") is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), located in Dallas, Collin and Rockwall Counties, Texas. The City covers approximately 57 square miles (see "INTRODUCTION").
THE BONDS	The $140,790,000 City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2019A (the "Bonds") are issued as serial bonds maturing on March 1 in each of the years 2021 through 2039 inclusive and as term bonds maturing on March 1 in the years 2044 and 2050 (see "THE BONDS - Description of the Bonds" and "THE BONDS– Mandatory Sinking Fund Redemption").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the date of initial delivery to the Underwriters, and is payable September 1, 2020 and each March 1 and September 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption").
AUTHORITY FOR ISSUANCE	The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, particularly Chapter 1207, Texas Government Code, as amended, and an Ordinance (the "Ordinance") adopted by the City Council of the City (see "THE BONDS - Authority for Issuance").
SECURITY AND SOURCE OF PAYMENT FOR THE BONDS	The Bonds constitute special obligations of the City and are payable, both as to principal and interest, together with the Bonds Similarly Secured and any Additional Bonds (each as defined in the Ordinance) solely from and secured by a lien on and pledge of the Net Revenues of the City's Electric Utility System (the "System" or "Electric System"), such lien and pledge being subject and subordinate to the lien on and pledge of the Net Revenues to the Prior Lien Bonds but superior to the lien on and pledge of the Net Revenues to the City's Electric System commercial paper notes (see "VARIABLE RATE PROGRAMS"). The City will covenant in the Ordinance that it will not issue any additional obligations that are on a parity with the outstanding Prior Lien Bonds. At such time as there are no Prior Lien Bonds outstanding, the Bonds Similarly Secured, together with any Additional Bonds, will become obligations equally secured by a first lien on and pledge of the Net Revenues of the System. **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Security and Source of Payment").
BONDS REDEMPTION	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2031, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS –Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.
BONDS USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding Electric System revenue debt described in Schedule I – Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, (ii) pay a portion of the City's outstanding Electric System commercial paper notes authorized in 2018 (the "Refunded Notes") (see "VARIABLE RATE PROGRAMS") and (iii) pay the costs of issuance associated with the sale of the Bonds. (see "PLAN OF FINANCING – Purpose of the Bonds").
RATINGS	The Bonds and the Previously Issued Bonds have been rated "A+" (positive outlook) by S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "AA-" (stable outlook) by Fitch Ratings ("Fitch") without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD .... The City has never defaulted in the payment of its System revenue bonds.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 30-Sep	Estimated City Population(1)	Gross Revenues(2)	Operating Expenses (3)	Net Available For Debt Service	Annual Debt Service Requirements (4)	Coverage of Debt	Number of Meters
2014	228,060	$ 378,621,613	$312,954,736	$ 65,666,877	$ 9,929,481	6.61	69,262
2015	231,618	341,110,573	283,279,931	57,830,642	15,130,446	3.82	69,491
2016	233,206	281,736,385	215,335,038	66,401,347	15,969,726	4.16	69,533
2017	235,885	282,899,702	214,058,309	68,841,393	17,070,660	4.03	69,929
2018	236,786	291,017,128	222,169,714	68,847,414	18,662,064	3.69	70,964

(1) Source: Estimates of North Central Texas Council of Governments and the City Planning Department.
(2) Includes Non-Operating Revenues as provided for on Table 6 herein; excludes transfers from Rate Mitigation Fund.
(3) Excludes Depreciation, Amortization of Other Assets and actuarial determined pension expense as Operating Expenses.
(4) Includes Prior Lien Bonds and Previously Issued Bonds debt service requirements.

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Scott Lemay Mayor	6 Months	May, 2021	Store Planner
David Gibbons District 1	3 Years	May, 2020	Retired
Debra Morris District 2	1 Year	May, 2020	Retired
Jerry Nickerson District 3	2 Years	May, 2021	Engineer
Jim Bookout District 4	1 Year	May, 2020	Retired
Richard Aubin Mayor Pro-Tem District 5	3 Years	May, 2020	Attorney
Robert Vera District 6	2 Years	May, 2021	Business Owner
Dylan Hedrick Deputy Mayor Pro-Tem District 7	6 Months	May, 2021	Engineer
Robert John Smith District 8	2 Years	May, 2021	Chief Information Security Officer

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City
Bryan L. Bradford	City Manager	25 Years
Mitch Bates	Deputy City Manager	33 Years
John Baker	Assistant City Manager	35 Years
Matt Watson	Finance Director	12 Years
Eloyce René Dowl	City Secretary	10 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors .... Weaver & Tidwell
Dallas, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
Dallas, Texas

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

OFFICIAL STATEMENT

RELATING TO

$140,790,000
CITY OF GARLAND, TEXAS
ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, NEW SERIES 2019A

INTRODUCTION

This Official Statement, which includes Schedule I and Appendices hereto, provides certain information regarding the issuance of $140,790,000 City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2019A (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds (the "Ordinance"), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE ORDINANCE").

The City of Garland, Texas ("City") is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1891, and first adopted its Home Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and eight Councilmembers. The term of office is three years with the term of office of the Mayor and four of the Councilmembers expiring in odd-numbered years and the term of the other four Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, sanitation collection services, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2000 Census population for the City was 215,768, while the 2010 Census population was 226,876. The City's estimated population for 2020 is 242,504. The City covers approximately 57 square miles.

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

PLAN OF FINANCING

PURPOSE OF THE BONDS. . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding Electric System revenue debt described in Schedule I – Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, (ii) pay a portion of the City's outstanding Electric System commercial paper notes authorized in 2018 (the "Refunded Notes") (see "VARIABLE RATE PROGRAMS" and (iii) pay costs of issuing the Bonds.

REFUNDED NOTES. . . The principal and interest due on the Refunded Notes are to be paid on the redemption date of such Refunded Notes from funds to be deposited with U.S. Bank, N.A. (the "Commercial Paper Notes Paying Agent"). The Ordinance provides that from a portion of the proceeds of the sale of the Bonds, the City will deposit with the Commercial Paper Notes Paying Agent the amount necessary to accomplish the discharge and final payment of the Refunded Notes on the redemption date of December 3, 2019. By the deposit with the Commercial Paper Notes Paying Agent, the City will have effected the defeasance of all of the Refunded Notes in accordance with the law.

REFUNDED OBLIGATIONS ... The Refunded Obligations are being redeemed on the respective dates set forth in Schedule I hereto (the "Redemption Dates"). The principal and interest due on the Refunded Obligations are to be paid on the respective Redemption Dates from funds to be deposited pursuant to a certain escrow agreement (the "Escrow Agreement") with Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters and other available funds of the City, if any, the City will deposit with the Escrow Agent the amount that will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their respective Redemption Dates. Prior to the respective Redemption Dates, such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and such funds may be either (i) held uninvested in the Escrow Fund, or (ii) used to purchase direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations.

Samuel Klein and Company, will verify at the time of delivery of the Bonds to the initial purchaser of the Bonds that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds (see "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations").

By the deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report or Samuel Klein and Company, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from the Net Revenues of the System.

USE OF BOND PROCEEDS. . . Proceeds from the sale of the Bonds, together with the transfer of Prior Debt Service Funds, are expected to be expended as follows:

Sources of Funds		
	Par Amount of Bonds	$ 140,790,000.00
	Net Premium	24,100,299.20
	Prior Debt Service Funds	1,513,212.50
	Total Sources of Funds	$ 166,403,511.70
Uses of Funds		
	Refunding Escrow Deposit for Refunded Obligations	$ 124,122,467.55
	Deposit for Refunded Notes	41,305,000.00
	Underwriters' Discount	583,152.63
	Costs of Issuance	392,891.52
	Total Uses of Funds	$ 166,403,511.70

THE BONDS

DESCRIPTION OF THE BONDS. . . The Bonds are dated December 1, 2019, and will mature, on March 1 in each of the years 2021 through 2050 in the amounts shown on page 2 hereof. Interest on the unpaid principal amounts will accrue from the date of initial delivery to the Underwriters and will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on September 1 and March 1 of each year until maturity or prior redemption, commencing September 1, 2020. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

AUTHORITY FOR ISSUANCE. . . The Bonds are authorized and issued pursuant to the general laws of the State, particularly, Chapter 1207, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT. . . The Bonds are special obligations of the City payable, both as to principal and interest together with the Bonds Similarly Secured and any Additional Bonds (each as defined in the Ordinance), solely from and secured by a lien on and pledge of the Net Revenues of the City's Electric Utility System (the "System" or "Electric System") after payment of maintenance and operating expenses, such lien and pledge, however, being subordinate to the lien on and pledge of the Net Revenues to the Prior Lien Bonds (identified and defined in the Ordinance) but superior to the lien on and pledge of the Net Revenues to the City's Electric System commercial paper notes (see "VARIABLE RATE PROGRAMS"). Maintenance and operating expenses include contractual payments which under State law and their provisions are established as operating expenses. The City has reserved the right to issue additional obligations (the "Additional Bonds") payable on a parity with the Bonds Similarly Secured from a lien on and pledge of the Net Revenues (see "THE BONDS – Additional Bonds"). The Previously Issued Bonds (as defined in the Ordinance), the Bonds and the Additional Bonds are collectively referred to as the "Bonds Similarly Secured". The City has covenanted in the Ordinance that it will not issue any additional obligations that are on a parity with the outstanding Prior Lien Bonds. At such time as there are no Prior Lien Bonds outstanding, the Bonds Similarly Secured will become obligations equally secured by a first lien on and pledge of the Net Revenues of the System. (See "SELECTED PROVISIONS OF THE ORDINANCE").

The City has outstanding Prior Lien Bonds secured by and payable from Net Revenues senior to the Bonds Similarly Secured, as follows:

Dated Date	Amount Outstanding as of 11/5/2019	Issue Description
June 15, 2011	$5,765,000	Electric Utility System Revenue Bonds, Series 2011
November 1, 2011	$1,920,000	Electric Utility System Revenue Refunding Bonds, Series 2011A (1)
May 1, 2013	$7,360,000	Electric Utility System Revenue Refunding Bonds, Series 2013
	$15,045,000	

(1) Excludes the Refunded Obligations.

The Bonds are the seventh series of the Bonds Similarly Secured (the "Bonds Similarly Secured" are also sometimes identified as "New Series Bonds"), secured by and payable from a junior and subordinate pledge of the Net Revenues of the System. After the issuance of the Bonds, the City will have the following Bonds Similarly Secured outstanding:

Dated Date	Amount Outstanding as of 11/5/2019	Issue Description
June 1, 2014	$71,780,000	Electric Utility System Revenue Refunding Bonds, New Series 2014
February 1, 2015	$9,330,000	Electric Utility System Revenue Refunding Bonds, New Series 2015
November 15, 2016	$9,795,000	Electric Utility System Revenue Refunding Bonds, New Series 2016A
November 15, 2016	$34,605,000	Electric Utility System Revenue Refunding Bonds, New Series 2016B
May 15, 2018	$31,480,000	Electric Utility System Revenue Refunding Bonds, New Series 2018
February 15, 2019	$147,610,000	Electric Utility System Revenue Refunding Bonds, New Series 2019
December 1, 2019	$140,790,000	Electric Utility System Revenue Refunding Bonds, New Series 2019A
	$445,390,000	

The Bonds are not a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

RESERVE FUND. . .As additional security for the Bonds and any other Bonds Similarly Secured and under certain conditions, a Reserve Fund for the Bonds Similarly Secured may be required to be maintained in an amount calculated pursuant to a formula set forth in the Ordinance. Any amounts required to be accumulated in the Reserve Fund will be provided in accordance with the provisions of the Ordinance. At the time of the issuance of the Bonds, the Reserve Fund is not required to be funded. (see "SELECTED PROVISIONS OF THE ORDINANCE – Reserve Fund").

PLEDGED REVENUES. . . Subject to the prior lien on and pledge of the Net Revenues to the payment and security of the Prior Lien Bonds, the Net Revenues of the System with the exception of those in excess of the amounts required to establish and maintain the Reserve Fund and Bond Fund are irrevocably pledged for the payment of the Bonds Similarly Secured and interest thereon. The Bonds and any other Bonds Similarly Secured, if issued, are equally and ratably secured by a lien upon and pledge of the Net Revenues of the System subject to the prior lien on and pledge of the Net Revenues to the payment and security of the Prior Lien Bonds, but superior to the liens on and pledge of the Net Revenues to the City's Electric System commercial paper notes (see "VARIABLE RATE PROGRAMS") (see "SELECTED PROVISIONS OF THE ORDINANCE").

RATES . . . The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System sufficient to pay all operating, maintenance, depreciation, replacement and improvement expenses, any other charges of the System to maintain the Bond Fund, to maintain the Reserve Fund at the Required Reserve amount and to pay all other outstanding indebtedness against the System as and when the same becomes due (see "SELECTED PROVISIONS OF THE ORDINANCE", and "THE SYSTEM" – Rate Mitigation Fund").

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2031, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while they are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

MANDATORY SINKING FUND REDEMPTION. . . The Bonds maturing on March 1 in the years 2044 and 2050 (collectively, the "Term Bonds") are subject to mandatory sinking fund redemption in the principal amounts and at the price of par plus accrued interest to the redemption date as described below:

Term Bonds Due March 1, 2044

Redemption Date		Principal Amount
March 1, 2040		$1,395,000
March 1, 2041		$1,455,000
March 1, 2042		$1,510,000
March 1, 2043		$1,575,000
March 1, 2044	(maturity)	$1,640,000

Term Bonds Due March 1, 2050

Redemption Date		Principal Amount
March 1, 2045		$1,705,000
March 1, 2046		$1,775,000
March 1, 2047		$1,845,000
March 1, 2048		$1,925,000
March 1, 2049		$2,000,000
March 1, 2050	(maturity)	$2,085,000

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by the lot the numbers of the Term Bonds to be redeemed on the next following March 1 from moneys set aside for that purpose in the Bond Fund (as defined in the Ordinance). Any Term Bonds not selected for prior redemption shall be paid on the date of its stated maturity.

The principal amount of Term Bonds is required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date by reason of maturity, redemption, or otherwise), is provided by depositing in trust with the Paying Agent/Registrar, or an authorized escrow agent (1) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due theron or (2) Government Obligations, certified by an independent public accounting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment. The Ordinance provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under applicable laws of the State of Texas. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Obligations or that for any other Government Obligation will be maintained at any particular rating category.

Upon such deposit as described above, the Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS…The City, may, without the consent of or notice to any Holders of Bonds, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the Holders of any Bond, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the City may, with the written consent of the Holders of Bonds owning a majority in aggregate principal amount of the Bonds then Outstanding, amend, add to or rescind any of the provisions of the Ordinance; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition or rescission shall (a) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor or the rate of interest thereon or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (b) give any preference to any Bond over any other Bond or (c) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or rescission.

ADDITIONAL BONDS . . . The City may issue Additional Bonds payable from and secured by a lien on and pledge of the Net Revenues of the System in the same manner and to the same extent as the Outstanding Bonds Similarly Secured, subject, however, to complying with certain conditions in the Ordinance. See "SELECTED PROVISIONS OF THE ORDINANCE" for terms and conditions to be satisfied for the issuance of Additional Bonds.

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

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered (see "THE BONDS – Transfer, Exchange and Registration").

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

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

Effect of Termination of Book-Entry-Only System In the event that the Book-Entry-Only System is discontinued, printed Bonds will be issued to Participants or to the Beneficial Owners, as the case may be, and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar for the Bonds is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner.

Principal of the Bonds will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, a Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to the beneficial owners thereof and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 30 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the fifteenth day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

REGISTERED OWNERS' REMEDIES. . . The Ordinance provides that in the event the City (a) defaults in payments to be made to the Bond Fund and Reserve Fund as required by the Ordinance or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the Holder or Holders of any Bond shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the Ordinance. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. The enforcement of such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the pledged Net Revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

THE SYSTEM

THE ELECTRIC SYSTEM. . . The System was started in 1923. The System currently serves 70,964 meters (approximately 80% of the electric customers within the City; the remaining 20% are served by other retail providers). The System does not serve any retail customers outside of the City limits, but it does provide wholesale power to other cities and cooperatives (see "-Wholesale Energy Customers").

The City owns and operates electric generating stations designated as the Ray Olinger Power Plant (ERCOT capacity of 403MW) located at Lavon Lake and Spencer Power Plant (ERCOT capacity of 118MW) located in Denton, Texas, and the Lewisville Hydro Facility (ERCOT capacity of 2MW) located in Lewisville, Texas. All of the City owned and operated generating facilities use natural gas as the primary boiler fuel with the exception of the Lewisville Hydro Facility.

In 1975, the City, together with the cities of Bryan, Denton and Greenville (together with the City, the "Member Cities") created the Texas Municipal Power Agency ("TMPA"). TMPA is a joint power agency without taxing power, and a separate municipal corporation and political subdivision of the State that operates in accordance with Chapter 163, Texas Utilities Code, as amended. TMPA's power generation consists of the Gibbons Creek Steam Electric Station located in Grimes County, Texas, and includes a single net 470 megawatt ("MW") Wyoming Powder River Basin ("PRB") coal fueled steam electric plant. Effective October 1, 2018, none of the Member Cities, including the City, elected to extend their Power Sales Contract. On June 6, 2019, the TMPA Board approved the cessation of production of power from the Gibbons Creek Steam Electric Station. ERCOT was notified by TMPA that the generating facility would be formally retired from operation effective October 23, 2019. TMPA and the Member Cities are currently reviewing proposals for the possible sale of Gibbons Creek generating facilities. See "THE SYSTEM – Texas Municipal Power Agency" and "THE SYSTEM – Joint Operations Agreement and TMPA Requests for Proposal of Sale of Certain Facilities."

The City's Electric Transmission and Distribution Divisions are responsible for the construction, operation, maintenance, and repair of the transmission and distribution facilities of the System. Included are 32 substations, 290 linear miles of transmission line, 388 linear miles of overhead distribution lines and 601 linear miles of underground distribution lines. The City is designated by the American Public Association as a Reliable Public Power Provider, a designation held by only a small percentage of the nation's more than 2,000 public power utilities.

In 2015, RagingWire Data Centers and the City entered into an Economic Development Agreement whereby RagingWire plans to construct one million square feet of data center space, with a projected load of 80MW that will be served by the System. In January 2016, the System began delivering power to the first of RagingWire's five phases of its planned $389 million data center campus. In 2017, Digital Realty and the City entered into an Economic Development Agreement whereby Digital Realty plans to construct data center facilities on a 47-acre site. The planned $1 billion data center complex is expected to have an ultimate load of l50MW that will be served by the System and developed in three phases over the next twenty to twenty-five years.

PURCHASE POWER AGREEMENTS. . . The City has entered into several renewable resource purchase power agreements. As renewable energy prices fell, the City took advantage of the price competitiveness of these products as well as enhanced the diversity of its energy portfolio. In addition, the City is selling a portion of the output of its renewable resources through purchase power agreements to other ERCOT municipal and electric cooperatives.

The City entered into a twenty (20) year fixed-price, energy purchase power agreement for Panhandle Wind with Spinning Spur Wind III, LLC. The facilities commenced operations on September 28, 2015. The City is purchasing 26% of the output from the 194MW facility.

The City entered into a twenty-five (25) year fixed-price, energy purchase power agreement for Coastal Wind with Los Vientos Windpower V, LLC. The facilities commenced operations on December 23, 2015. The City is purchasing 45.96% of the output from the 110MW facility.

The City entered into a twenty (20) year fixed-price, energy purchase power agreement for Coastal Wind with Albercas Wind Energy II, LLC. The facilities commenced operations on November 13, 2016. The City is purchasing 26.04% of the output from the 96MW facility for its retail use; the remaining percentage is sold under separate energy purchase power agreements to: the city of Boerne; the city of Farmersville; Fayette Electric Cooperative; Kerrville Public Utility Board; San Bernard Electric Cooperative; and the city of Seguin.

The City entered into a fourteen (14) year fixed-price, energy purchase power agreement for Panhandle Wind with Salt Fork Wind, LLC. The facilities commenced operations on December 1, 2016. The City is purchasing 23.33% of the output from the 150MW facility for its retail use; the remaining percentage is sold under separate energy purchase power agreements to: Central Texas Electric Cooperative; Fayette Electric Cooperative; Kerrville Public Utility Board; San Bernard Electric Cooperative; and the city of Weatherford.

The City entered into a fifteen (15) year fixed-price, energy purchase power agreement for West Texas Solar with BNB Lamesa Solar, LLC. The facilities commenced operations on April 27, 2017. The City is purchasing 50.98% of the output from the 102MW facility for its retail use; the remaining percentage is sold under separate energy purchase power agreements to: the city of Boerne; the city of Farmersville; Fayette Electric Cooperative; Greenville Electric Utility System; San Bernard Electric Cooperative; the city of Seguin; and the city of Weatherford.

In 2018, the City entered into an 8-year firm bilateral, fixed-price, energy purchase power agreement commencing in January 2019 and ending in December 2026 for the City's retail load. The transaction consists of 75 MW for weekday on-peak (5 x 16) and 50 MW for weekend and off-peak (2 x 16 and 7 x 8) through December 2020. After December 2020, the weekend volume (2 X 16) reduces to 25 MW.

The City entered into a fifteen (15) year fixed-price, energy purchase power agreement for West Texas Solar with Engie Long Draw, LLC. It is anticipated that the facilities will commence commercial operations by June 2020. The City is purchasing 11.11% of the output from the 225MW facility.

The City entered into a fifteen (15) year fixed-price, energy purchase power agreement for West Texas Solar with Concho Bluff, LLC. It is anticipated that the facilities will commence commercial operations by December 2020. The City is purchasing 33.33% of the output from the 150MW facility.

The City entered into a fifteen (15) year fixed-price, energy purchase power agreement for North Texas Solar with Samson Solar Energy, LLC. It is anticipated that the facilities will commence commercial operations by June 2022. The City is purchasing 25MW of output from the facility.

CITY OWNED AND OPERATED GENERATING UNITS. . . Shown below is certain information on the City owned and operated generating units:

Station	Type	Unit Number	ERCOT Capacity (MW)	Year Placed In Service
Ray Olinger	Steam Turbine	1	78.0	1967
Ray Olinger	Steam Turbine	2	107.0	1971
Ray Olinger	Steam Turbine	3	143.0	1975
Ray Olinger	Combustion Turbine	4	75.0	2001
Spencer	Steam Turbine	4	57.0	1966
Spencer	Steam Turbine	5	61.0	1973
Lewisville	Hydro	1	1.8	1991
			522.8	

The City's current power supply consists of a diverse mix of wind, solar, and bilateral agreements. These agreements, coupled with the City's length in owned-generation resources, provides it the flexibility to achieve lower-cost market purchases while mitigating its exposure to market price increases.

POWER INTERCHANGE. . . The City is a member of the Electric Reliability Council of Texas ("ERCOT"), the regional reliability coordinating organization for electric power systems in Texas. The City has access to the ERCOT intrastate network of transmission. Under the ERCOT Systems all generators have access to the statewide transmission system. Costs of access to the transmission system are allocated to load entities based upon their load ratio share of statewide transmission costs of service. Revenues for operation of the transmission portion of the System within the statewide system are based upon transmission costs of service ("TCOS") as filed with the Public Utility Commission of Texas.

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TABLE 1 - ELECTRIC RATE SCHEDULES OF THE CITY (EXCLUDES RECOVERY ADJUSTMENT FACTOR) [(1)]

Residential Service Rate

Customer Charge	$ 5.34	Per Month
November/May	0.0528	Per kWh 0-600 kWh, $0.037 All Over 600 kWh
June/October	0.0561	Per kWh

General Service - Small (0-20 kW Demand)

		0 / 2,000	All over 2,000
Customer Charge	$ 11.55		
All months		$0.0602 per kWh	$0.0549 per kWh

General Service - Large (20 kW and Greater Demand)

Energy:		Demand: November/April		Demand: May/October	
0-60,000 kWh	$0.0276 Per kWh	First 200 kW	$6.88 Per kW	0-200 kW	$8.53 Per kW
All over 60,000	$0.0235 Per kWh	All over 200 kW	$6.33 Per kW	All over 200 kW	$7.98 Per kW

Public Institutional Electric Service Rate

Customer Charge	$19.25
November/April	$0.0413 Per kWh
May/October	$0.0520 Per kWh

High Tension Service Rate (5,000 kW and Greater Demand)

Energy	
0-6,000,000	$0.0056 Per kWh
Over 6,000,000	$0.0033 Per kWh
Demand Charge	$8.25 Per kWh

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(1) The Recovery Adjustment Factor is a charge per kWh that allows the System to recover costs not recovered by base rates. The Managing Director of the System has the authority to set the Recovery Adjustment Factor on a monthly basis.

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TABLE 2 - ENERGY SALES AND CUSTOMER INFORMATION OF THE CITY (FISCAL YEAR ENDED 9-30) [1]

	2019		
Type of Customer	Energy Sales (kWh)	Revenues [2]	Number of Meters
Residential	905,977,090	$ 92,877,791	65,031
Commercial	796,143,187	71,911,661	6,609
Industrial	251,570,414	11,005,119	7
Total	1,953,690,691	$ 175,794,571	71,647

	2018			2017		
Type of Customer	Energy Sales (kWh)	Revenues	Number of Meters	Energy Sales (kWh)	Revenues	Number of Meters
Residential	942,162,794	$ 97,233,842	64,404	854,421,732	$ 88,013,063	63,443
Commercial	817,492,590	74,670,784	6,552	792,251,777	72,647,933	6,480
Industrial	240,670,362	11,213,575	8	240,659,336	11,646,997	6
Total	2,000,325,746	$ 183,118,201	70,964	1,887,332,845	$ 172,307,993	69,929

	2016			2015		
Type of Customer	Energy Sales (kWh)	Revenues	Number of Meters	Energy Sales (kWh)	Revenues	Number of Meters
Residential	874,231,423	$ 89,178,594	63,084	925,369,465	$ 100,921,513	63,102
Commercial	786,353,677	72,158,434	6,441	794,787,473	78,303,778	6,382
Industrial	263,900,394	14,100,355	8	276,492,608	16,187,119	7
Total	1,924,485,494	$ 175,437,383	69,533	1,996,649,546	$ 195,412,410	69,491

(1) Excludes wholesale energy customers.
(2) Preliminary, unaudited.

TABLE 3 - ENERGY PRODUCTION OF THE CITY (FISCAL YEAR 9-30)

	2019	2018	2017	2016	2015
Owned Capacity (MW)	523	523	526	530	530
Firm Purchase Capacity (MW) [1]	75	221	221	221	221
Retail Wind / Solar PPAs (MW)	210	210	210	100	50
Retail Peak Demand (MW)	462	479	441	481	473
Wholesale Wind / Solar PPAs (MW)	236	236	236	-	-

(1) 2015-2018 represents generation capacity from Gibbons Creek. 2019 represents 8-year, firm, fixed price bilateral purchase commencing January 2019. Effective October 17, 2017, Gibbons Creek entered into a seasonal operations mode, operating during the summer months only (June- September). The City and the cities of Bryan and Denton agreed to proratably assume the city of Greenville's portion of Gibbons Creek's output after September 1, 2018 through September 30, 2018. The City's portion of Gibbon Creek's output during this period was 52.2%. Effective October 1, 2018, none of the Member Cities, including the City, elected to extend the TMPA agreement. On June 6, 2019, the TMPA Board approved the cessation of production of power from the Gibbons Creek Steam Electric Station. ERCOT was notified by TMPA that the facility would be formally retired from operation effective October 23, 2019. See "THE SYSTEM – Texas Municipal Power Agency."

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Wholesale Energy Customers . . . In addition to serving its retail load, the City provides wholesale power supply to wholesale customers in ERCOT. The City currently provides full load requirement services to the city of Farmersville and partial load requirement services to the city of College Station, Fayette Electric Cooperative, San Bernard Electric Cooperative, the city of Weatherford, the city of Greenville, and Central Texas Electric Cooperative. In addition to the previously mentioned sales of renewable resources to wholesale customers, the following provides the terms of the current contracts the City has with its wholesale customers.

Wholesale Customer	Term
Fayette Electric Cooperative	thru Dec 2025
San Bernard Electric Cooperative	thru Dec 2021
City of College Station	thru Dec 2027
City of Weatherford	thru Dec 2026
City of Farmersville	thru Dec 2027
City of Greenville	thru Apr 2020
Central Texas Electric Cooperative	thru Dec 2026

Texas Municipal Power Agency . . . TMPA is governed by a Board of Directors made up of two representatives from each Member City and is empowered to plan, finance, acquire, construct, own, operate and maintain facilities to be used in the business of generation, transmission and sale of electric energy to each Member City. Each of the Member Cities entered into separate but identical Power Sales Contracts with TMPA (as amended, the "TMPA Agreement"). For more than 40 years, the TMPA Agreement governed the relationship between, and the rights and obligations of, TMPA and each of the Member Cities with respect to, among other items, generation, including Gibbons Creek, transmission and sale of electric energy to each Member City. Under the terms of the TMPA Agreement, each of the Member Cities was unconditionally obligated to pay to TMPA, without offset or counterclaim and without regard to whether energy was delivered by TMPA to the Member Cities, its percentage of TMPA's Annual System Cost as defined in the TMPA Agreement, including the payment of TMPA's debt service requirements and operating and maintenance expenses in the following percentages: City of Bryan – 21.7%; City of Denton – 21.3%; City of Garland – 47.0% and City of Greenville – 10.0%. On September 1, 2018 TMPA made the final debt service payment on TMPA's generation debt which extinguished the Member City's unconditional obligation with respect to such TMPA debt. The TMPA Agreement has expired by its terms and none of the Member Cities elected to extend the TMPA Agreement beyond September 30, 2018.

On June 6, 2019, the TMPA Board approved the cessation of production of power from the Gibbons Creek Steam Electric Station. ERCOT was notified by TMPA that the generating facility would be formally retired from operation effective October 23, 2019. TMPA and the Member Cities are currently reviewing proposals for the possible sale of Gibbons Creek generating facilities. Even without the operation of Gibbons Creek, TMPA still owns and operates transmission facilities and is in the process of reclaiming its lignite mining land. These operations, as well as the generation operations are provided for under the Joint Operating Agreement. See also "THE SYSTEM – Joint Operating Agreement and TMPA Request for Proposal of Sale of Certain Facilities".

<u>TMPA's Transmission Facilities</u>. TMPA-owned transmission system consists of 345-kV and 138-kV switchyard facilities and transmission line facilities in the vicinity of the Gibbons Creek Station, as well as additional 345-kV and 138-kV lines and substation facilities in Brazos, Collin, Dallas, Denton, Grimes, Hunt, Robertson and Rockwall counties of Texas. These facilities provide 345-kV ties to Oncor Electric Delivery Company and Centerpoint Energy at several points throughout the ERCOT system. These facilities provide ties to the Member Cities, Oncor Electric, Centerpoint Energy, and Brazos Electric Power Cooperative, Inc. at a number of points in the ERCOT system. TMPA's outstanding long-term and short-term debt obligations are all associated with TMPA's transmission facilities and are supported by TMPA's transmission revenues.

Texas Municipal Power Agency Litigation, Administrative Actions, and Settlement Agreement . . . The TMPA Board, the City, and the other Member Cities have, from time-to-time, initiated administrative actions at the PUC and engaged in intermittent litigation to resolve certain disputes relating to transmission charges, setting of rates and reimbursements, and other matters implicating the interpretation of the TMPA Agreement and each Member City's obligation thereunder.

On December 10, 2009, the TMPA Board approved a Global Compromise Settlement Agreement Regarding Certain Litigation, Administrative Proceedings, and Other Disputes among and between the City of Bryan, Texas, the City of Denton, Texas, the City of Garland, Texas, the City of Greenville, Texas and the Texas Municipal Power Agency (the "Settlement Agreement"). The City Council approved the Settlement Agreement in December 2009. Additionally, each of the governing bodies of the other Member Cities approved the Settlement Agreement, and the Settlement Agreement was executed by all parties. The Settlement Agreement, by its terms, became effective on December 17, 2009.

The Settlement Agreement resulted in a compromise of disputed claims among the TMPA and the Member Cities. One of the provisions of the Settlement Agreement required each Member City to provide TMPA the funds necessary to pay each Member City's proportionate share of the scrubber refurbishment project to control emissions of sulfur dioxide and mercury at Gibbons Creek (the "Scrubber Project"). The City's proportionate share of the Scrubber Project was 47%. The Settlement Agreement required

TMPA to apply the funds received from the Member Cities for the Scrubber Project to provide additional capacity to its commercial paper program, with such additional capacity to be used solely for the purpose of issuing commercial paper notes that will mature on or before September 1, 2018. The Member Cities were required to provide their respective funds for the Scrubber Project by May 1, 2010.

In addition, the Settlement Agreement required each Member City to provide TMPA the funds necessary to pay each Member City's proportionate share of the "Refundable Generation Related Debt" issued by TMPA, which consisted of the Texas Municipal Power Agency Subordinate Lien Revenue Refunding Bonds, Series 2003, in the aggregate principal amount of $56,935,000, the Texas Municipal Power Agency Subordinate Lien Revenue Refunding Bonds, Series 2004, in the aggregate principal amount of $77,335,000, and the Texas Municipal Power Agency Subordinate Lien Revenue Refunding Bonds, Series 2004A, in the aggregate principal amount of $61,385,000. The City's proportionate share of the Refundable Generation Related Debt was 47%. TMPA was obligated to apply the funds received from the Member Cities to redeem the Refundable Generation Related Debt within ninety (90) days of the date any Member City issued debt for such purpose. The Member Cities were required to provide their respective funds for the redemption of the Refundable Generation Related Debt by May 1, 2010.

JOINT OPERATING AGREEMENT AND TMPA REQUEST FOR PROPOSAL OF SALE OF CERTAIN FACILITIES … TMPA and the Member Cities entered into a Joint Operating Agreement ("JOA") effective September 1, 2016. The JOA was amended effective September 15, 2016 ("Amendment No. 1"), in large part to accommodate a proposed sale of certain assets of TMPA, including Gibbons Creek and a portion of the transmission facilities of TMPA. Amendment No. 1 was conditioned on the closing of that sale, but in May 2017 negotiations for that sale were finally discontinued and Amendment No. 1 became ineffective in accordance with its terms. A second amendment to the JOA ("Amendment No. 2") was negotiated and became effective on September 22, 2017. In addition to removing the terms of Amendment No. 1, Amendment No. 2 (i) clarified provisions related to mine reclamation bonds; (ii) provided for some sales of TMPA transmission assets ($250,000 individual / $500,000 total per year); and (iii) allowed for seasonal operations notification without enacting the 24-month termination provision. Effective September 17, 2019 the JOA was amended ("Amendment No. 3") to provide for the (i) clarification of entities entitled to vote on matters related to TMPA Generation Business subsequent to the expiration of the TMPA Power Sales Contract, (ii) exemption of financial commitments relating to mine reclamation bonding from certain Member Cities approvals and (iii) selling of TMPA mine tracts that are under mine reclamation bonding given that certain rights may be retained by TMPA to enable completion of the reclamation. The JOA consists of the original agreement dated September 1, 2016 as amended by Amendment No. 2 and Amendment No. 3. The JOA shall remain in effect until the dissolution of TMPA or termination by the Member Cities.

On June 6, 2019, the TMPA Board approved the cessation of production of power from the Gibbons Creek Steam Electric Station. ERCOT was notified by TMPA that the facility would be formally retired from operation effective October 23, 2019. Even without the operation of Gibbons Creek, TMPA still owns and operates transmission facilities and is in the process of reclaiming its lignite mining land. These operations, as well as the generation operations are provided for under the JOA. The JOA represents the post-2018 plans for TMPA and the Member Cities and is intended to provide terms of agreement for (1) TMPA operations outside the scope of the TMPA Agreement, (2) matters relating to decommissioning of Gibbons Creek, (3) disposition of TMPA assets, and (4) matters relating to dissolution of TMPA, at such time as it may be dissolved. Among other matters, the JOA (1) allocates the costs of TMPA transmission operations to the Member Cities in accordance with Member City percentages as they existed at expiration of the TMPA Agreement, (2) establishes formulas for determining each Member City's ownership interest in TMPA assets (such calculations generally being based on each City's proportional share of payments made to TMPA) and used to allocate TMPA assets or proceeds of the sale thereof to each Member City, and (3) provides for the allocation among the Member Cities of TMPA transmission assets if a majority of the Member Cities authorize the transfer of ownership of the TMPA transmission assets. The JOA divides TMPA assets and operations into three business categories – generation, transmission, and mining – and establishes protocols for Member Cities to exit one or more business categories.

The JOA creates a reserve account to be held by an escrow agent for decommissioning costs for Gibbons Creek to be funded at $30,000,000, and a reserve account to be held by an escrow agent for indemnification costs for environmental claims against Member Cities to be funded at $5,000,000 or such other amount approved by the Member Cities. The decommissioning and indemnification reserves are to be funded over time from surplus TMPA operating revenues and from asset sale proceeds after payment of any related debt. Decommissioning costs above amounts in the decommissioning reserve account are to be allocated to the Member Cities. Under the JOA as written, the TMPA Board of Directors is obligated to adopt a decommissioning plan no later than September 1, 2017 for Gibbons Creek at such time as it may be removed from service. However, pending the effort to sell Gibbons Creek, discussed below, the Member Cities have executed documentation waiving and suspending this deadline until such time as the effort to sell Gibbons Creek is discontinued. Finally, the JOA requires Member City approval for a number of TMPA actions, including the: (i) sale of all or part of TMPA transmission assets to a third party, (ii) adoption of a budget or amended budget that exceeds 20% of the previous year's budget, (iii) issuance of debt (other than transmission debt), (iv) execution of a contract exceeding a term of two years, or a contract for more than $10 million, and (v) sale of property having a value in excess of $10 million (other than mining property).

In January 2016, June 2017, and May 2019, TMPA issued requests for proposals ("RFPs") regarding the proposed sale of the Gibbons Creek generating station. Proposals received through the January 2016 and June 2017 RFPs were pursued, but negotiations were ultimately discontinued. Proposals received through the May 2019 RFP are currently under evaluation. The City can make no assurances regarding whether a qualifying proposal for the sale of Gibbons Creek generating facilities and certain TMPA transmission assets will be selected. See "THE SYSTEM – The Electric System" for a discussion on how the City has replaced the output from Gibbons Creek. The City does not anticipate a sale of the transmission assets prior to September 1, 2020, when TMPA transmission debt can be redeemed or prepaid.

Operating Expenses of the City and Rate Covenant . . . The JOA provides that all obligations of a Member City under the JOA shall constitute an operating expense of the Member City's electric system payable solely from the revenues and receipts of such electric system. Under the JOA, each Member City has covenanted to establish, maintain and collect rates and charges for the electric service of its electric system which shall produce revenues at least sufficient, together with other revenue available to such electric system and available electric system reserves, to enable it to pay to TMPA, when due, all amounts payable by such Member City under the JOA.

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY . . . The electric utility industry in the State in general has been, and in the future may be, affected by a number of factors that could impact the financial condition and competitiveness of the System. Such factors include:

- prevailing governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission ("FERC"), the United States Environmental Protection Agency ("EPA"), the Texas Commission on Environmental Quality ("TCEQ"), the North American Electric Reliability Corporation ("NERC"), the PUC and ERCOT, with respect to:

    - wholesale market design, including allocation of transmission congestion costs;
    - transmission cost rate structure;
    - purchased power and recovery of investments;
    - acquisitions and disposal of assets and facilities;
    - operation and construction of facilities;
    - present or prospective wholesale and retail competition;
    - changes in and compliance with environmental and safety laws and policies; and
    - developments in Federal law with respect to the ability of the City and TMPA to finance and operate facilities and make energy sales in a manner that permits them to finance facilities with, and honor existing covenants with respect to, tax-exempt debt;
    - reliability standards put forth by Electric Reliability Organizations under FERC authority;

- federal legislation to expand FERC authority to address cyber-security vulnerabilities in the electric utility industry;

- legislation passed by the Texas Legislature to restructure the electric utility industry in Texas or any amendments that may be enacted to that legislation in future Texas legislative sessions;

- increased costs of compliance and production resulting from possible Federal legislation to curb the generation of greenhouse gases, primarily carbon dioxide;

- competition from "self-generation" of electric energy by certain industrial and commercial customers;

- increased costs or decreased revenues resulting from conservation and demand-side management programs on the timing and use of electric energy;

- power costs and availability, including the continued development, and financial stability of owners of, merchant power plants in the State;

- weather conditions and other natural phenomena, and acts of sabotage, wars or terrorist activities;

- unanticipated population growth or decline, and changes in market demand and demographic patterns;

- changes in business strategy, development plans or vendor relationships;

- competition for retail and wholesale customers;

- access to adequate and reliable transmission facilities to meet changing demands;

- unanticipated changes in interest rates, commodity prices or rates of inflation;

- unanticipated changes in operating expenses and capital expenditures;

- commercial bank market and capital market conditions;

- competition for new energy development and other business opportunities;

- legal and administrative proceedings and settlements;

- inability of the various counterparties to meet their obligations with respect to the Electric System's power purchase arrangements;

- significant changes in the Electric System's relationship with its employees, including the availability of qualified personnel;

- significant changes in critical accounting policies material to the System; and

- actions of rating agencies

- issues related to cyber and physical security.

The City cannot fully predict what effects such factors will have on the operations and financial condition of the Electric System, but the effects could be significant. The discussion of such factors herein does not purport to be comprehensive or definitive, and any or all of these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the Bonds should obtain and review such information.

REGULATORY MATTERS

TEXAS DEREGULATION STRUCTURE, STATUS AND ISSUES . . . The following discussion, as well as the discussion set forth under "The New Nodal Design Rule", is presented for the purpose of providing information concerning the current Texas legal and market structure. The Texas market is unique in many respects from deregulated markets in other parts of the United States, in part due to the isolation of the market in ERCOT, which is essentially a transmission grid and associated generation facilities with few interconnects to other transmission grids. While the City has not "opted in" to full retail competition, it does participate in the wholesale energy market through its use of power sale agreements.

The wholesale energy market in ERCOT was established by legislation enacted in the 1995 Texas Legislature, and has been significantly modified and developed through enactment of SB 7 and the commencement of retail electric choice in Texas on January 1, 2002. The discussion below describes some of the effects on the market and the challenges presented to the market as a whole, as well as, in some instances, local regions within ERCOT that are facing particular effects of deregulation. The continuing development of wholesale and retail competition in the ERCOT market will affect the planning, actions, options, cost structure and other essential factors of the Electric System.

The information in this section is derived from various PUC and ERCOT source materials, and in particular, portions of this section are excerpted from the 2005, 2007, 2009, 2011, 2013, 2015, 2017, and 2019 PUC Reports to the Texas Legislature (the 2005, 2007, 2009, 2011, 2013, 2015, 2017, and 2019 Reports, collectively the "PUC Legislative Reports"). The 2019 PUC Report is available in full on the PUC website at https://www.puc.texas.gov/industry/electric/reports/scope/2019/2019scope_elec.pdf and previous biennial reports to the Texas Legislature are available in full on the PUC website at http://www.puc.texas.gov/industry/electric/reports/scope/ScopeArchive.aspx. Except for specific references to the City or as otherwise noted as being provided by another source or entity, all expressions of opinion, summaries of events and statistical information contained in such sections are from the PUC Legislative Reports. The City does not take responsibility for the content of the PUC Legislative Reports on either the PUC or ERCOT websites or in ERCOT reports. References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this official statement.

In general, the restructuring of the electric utility industry in accordance with SB 7 continues to evolve, and the City is observing and evaluating the changes in the developing energy market in the State. The elimination of the price to beat ("PTB") rate on January 1, 2007 and the "go-live" implementation of the Nodal Market in ERCOT on December 1, 2010 were key dates in the evolution of the restructured market.

Since January 1, 2002 when consumer choice began in competitive areas of ERCOT, there has been continued development within ERCOT of a market-driven wholesale market in which energy is a commodity. It is apparent that traditional planning methods using known generation resources paired with known load has become less important as a planning approach in the market in general. As the competitive market matures in Texas, the market will almost certainly experience ebbs and flows in the construction of new generation and transmission facilities, and some of the existing generation will be displaced by newer resources, which may affect the market price of energy on both the retail and wholesale levels, as well as the demands on, and capacity of, the existing electric transmission system.

ERCOT . . . ERCOT is one of 10 Regional Reliability Councils in the NERC. The ERCOT bulk electric system is located entirely within the State of Texas and serves more than 25 million customers, representing approximately 90% of Texas' electrical load. The ERCOT service region covers more than 75%, or 200,000 square miles, of the State and contains a total of approximately 46,500 miles of transmission lines and over 650 generation units. ERCOT also manages financial settlement for the competitive wholesale bulk-power market and administers retail switching for 8 million premises in competitive choice areas. The all-time peak demand in ERCOT occurred on August 12, 2019 when 74,666 MWs of power was used. ERCOT is connected electrically to other reliability councils through two direct current lines, providing only limited import/export capability. Other electric reliability councils, including the Southwest Power Pool and the South East Reliability Council, serve areas in the Texas panhandle, east Texas and west Texas.

In response to legislative directive, ERCOT amended its articles of incorporation to establish an independent system operator ("ISO") in 1996. Under ERCOT's organizational structure, the ISO reports to the ERCOT Board of Directors. ISO responsibilities include security operations of the bulk system, facilitation and efficient use of the transmission system by all market participants, and coordination of regional transmission planning among transmission owning utilities and providers. Under Texas law, ERCOT is required to perform four primary functions: ensuring non-discriminatory access to the transmission and distribution systems for all electricity buyers and sellers; ensuring the reliability and adequacy of the regional electric network; ensuring that information related to customer retail choice is provided in a timely manner; and ensuring that electricity production and delivery are accurately accounted for among all regional generators and wholesale buyers and sellers. The PUC has primary jurisdiction over ERCOT. Legislation enacted in 2005 clarified that the PUC has complete authority to oversee and investigate ERCOT's finances, budget, and operations as necessary to ensure that ERCOT is accountable. ERCOT regulations require that each market participant, including municipally owned utilities ("MOUs"), either be, or engage, a qualified scheduling entity ("QSE") to submit schedules and ancillary services bids and settle payments with ERCOT.

Individual electric utilities own sections or components of the ERCOT transmission grid and are responsible for operating and maintaining their own transmission lines and equipment. The ISO coordinates the operation of the transmission grid to ensure its reliability, and ERCOT coordinates with the various transmission-owning electric utilities to make sure the transmission system will meet the needs of the electric market. With the adoption of SB 7, investor owned utilities have "unbundled" their respective electric generation business, electric transmission and distribution business and retail electric business from one another. See "THE SYSTEM - SB 7, TMPA and the Member Cities."

TRE . . . With its delegated authority from the NERC, the Texas Regional Entity ("TRE") began operations in 2007 for the purpose of monitoring, reporting, and enforcing compliance with the NERC reliability standards in ERCOT.

Overview of the Senate Bill 7 Market Structure . . . SB 7 dramatically altered the production and sale of electricity to retail customers in the State. Prior to SB 7, all retail customers were served by integrated investor-owned electric utilities, electric cooperatives ("Electric Co-ops"), or MOUs. The PUC certificated the service areas of utilities, Electric Co-ops, and MOUs, where, for the most part, these entities were granted the exclusive right and obligation to serve customers in an area. Integrated utilities, MOUs, and Electric Co-ops built generation plants and constructed transmission and distribution facilities and performed retail functions such as billing and customer service to meet their obligations to serve. The PUC set electric rates, for those utilities over which it had rate-making authority, that gave those utilities the opportunity to earn a reasonable return on prudent investments and to recover reasonably incurred expenses, but that were also just and reasonable to retail customers. As described below, the implementation of the Nodal Design Rule dramatically altered the wholesale market dynamics in ERCOT.

The wholesale electric market was opened to competition as a result of the amendments to the Texas Public Utility Regulatory Act ("PURA") adopted by the Legislature in 1995. As a part of these amendments, independent power producers ("IPPs") were granted access to the transmission lines of utilities, Electric Co-ops, and MOUs in order for IPPs and power marketers to move power to wholesale customers.

As noted above, SB 7, adopted by the Legislature in 1999, established a framework to allow retail electric customers to select a provider of electricity other than the traditional utility beginning in January 1, 2002, unless the PUC delayed competition for a utility's service area. The governing boards of Electric Co-ops and MOUs were granted the authority to decide if and when to open their service areas to customer choice. The City has not adopted retail customer choice.

Although transmission and distribution facilities remain regulated by the PUC, the prices for the production and sale of electricity to both wholesale and retail customers are now predominantly dictated by market forces instead of regulatory rate-setting procedures. Customers with peak demand of one MW or less were provided access to the regulated PTB rate until January 1, 2007 (beginning January 1, 2005, affiliated retail energy providers ("REPs") were permitted to offer rates lower than the price to beat), and the PUC is required to designate "providers of last resort" ("POLRs") to ensure that all customers have access to electricity in the competitive market. The POLR for the City would be determined when and if the City ever elected to opt into a retail competition.

SB 7 established a framework for retail competition that is different from that adopted in other states. Formerly integrated investor-owned utilities were required to separate their business functions into three distinct companies: a power generation company ("PGC"), a transmission and distribution utility ("TDU"), and an REP. PGCs operate as wholesale providers of generation services, in the same manner as independent generators. REPs operate as retail providers of electricity and energy services, and are the entities that have the primary contact with retail customers in the new market. TDUs remain regulated by the PUC, and are required to provide non-discriminatory access to the transmission and distribution grid at rates and terms of access prescribed by the PUC.

In Texas, ERCOT performs functions in the retail market that are performed by the TDUs in other states that have introduced retail competition. Key elements in the design of the ERCOT retail market are the creation of a single, large retail market throughout the region and the use of a neutral third party to perform tasks related to the scheduling of power and settlement functions. ERCOT also serves as the registration agent for all retail transactions. All customer switch requests, move-in and move-out requests, and monthly electricity usage data flow through ERCOT.

REPs generally provide electricity to customers by purchasing wholesale electricity from generators located within the ERCOT region. REPs use a QSE to schedule power through ERCOT to meet their customers' daily energy needs. All schedules and transactions within ERCOT "flow," which means that schedules are not contingent upon a determination that there is adequate transmission capacity available to move power from the generation resource to the load. If all of the schedules submitted for a particular day or hour cannot be accommodated because of transmission constraints, ERCOT uses a market-based congestion management system to clear the congestion and maintain reliability. The costs associated with clearing the congestion are assigned to market participants under methods outlined in the protocols adopted by ERCOT (the "ERCOT Protocols" or the "Protocols") and approved by the PUC. As described below under "Congestion Under Nodal Design" the Nodal Design Rule has altered the way in which some costs associated with clearing and congestion are processed.

Generation Capacity Adequacy. . . According to the ERCOT Long-Term Hourly Peak Demand and Energy Forecast December 2018 (the "ERCOT LTDEF"), the peak demand on the ERCOT system from 2009-2018 has increased at a rate of 1.6% per year. The current forecast for 2019 through 2028 indicates a 2.1% average annual increase in ERCOT's peak demand.

According to the May 2019 Capacity, Demand, and Reserves report from ERCOT, currently there are over 18,000 MW of generation within ERCOT that are over 40 years in age. Generation maturity is important to ERCOT planners in determining available capacity, long-range reliability, and whether there will be enough new capacity to compensate for load growth requirements. Age is one indication of the efficiency and maintenance cost of a generating unit, which are major factors in the decommissioning of units.

Since 1995 the ERCOT system has added approximately 339 facilities, added new units to existing plants, and upgraded existing units. The new generation facilities added includes over 23,824 MW of wind generation. These new plants, especially the wind generation, have resulted in significant changes which have placed new challenges on the adequacy and the reliability of the existing transmission grid.

According to the January 2019 update to the PUC's "New Electric Generating Plants in Texas Since 1995" report, companies in the electric business have made significant investments in Texas (State-wide, including non-ERCOT areas) in recent years. About 77,678 MW of new generating capacity has been added in Texas since 1995, and some 74,180 MW of new capacity has been announced but has not yet begun construction. The most recent Capacity, Demand, and Reserves report from ERCOT (published on May 8, 2019) indicates that the reserve margin in the ERCOT region is expected to be at 10.5% for 2020, below the target reserve margin of 13.75%. The drop of the reserve margin below ERCOT's target is primarily the result of the retirement of several large coal plants and the delay in the construction of planned generation facilities.

The chart below provides information on ERCOT projected summer reserve margin for the years 2020 through 2024. ERCOT experiences peak demand during the summer; projected winter reserve margins are substantially higher than the projected summer margins.

Year	Summer Load Forecast (MW)	Total Resources Available (MW)	Reserve Margin
2020	74,705	82,521	10.5%
2021	76,683	88,359	15.2%
2022	78,449	88,644	13.0%
2023	80,365	88,644	10.3%
2024	81,981	88,389	7.8%

Source: ERCOT Report on the Capacity, Demand, and Reserves in the ERCOT Region, 2020-2029, May 8, 2019.

Congestion Under Nodal Market Design . . . On April 5, 2006 the PUC issued an order accepting the ERCOT proposed draft protocols for implementing a nodal market design in Texas initially by January 1, 2009. The ERCOT Nodal Market had a "go live" date on December 1, 2010. In the nodal market, there is no intra-zonal congestion, with the result that all congestion is treated in a manner similar to current zonal (or inter-zonal) congestion with the exception of how the cost of congestion is determined and to which party that cost is assigned. Under the nodal market design, all points of receipt or delivery into the ERCOT transmission system are assigned a value of energy at that unique point. The difference between the prices between any two points is considered the imputed cost of transmission between those two points, including any congestion costs.

ERCOT acts as a centralized dispatching agent, charging all loads, or users for electricity based on calculated nodal prices and paying all providers, or generators, of energy based on the appropriate nodal price for the point where their energy is injected into the transmission system. Zones will still be used in the nodal market design, but only for financial settlement purposes. Under the approved Texas version of the nodal market design, all loads, or users of energy within a designated zone, will pay the same average price based on the weighted average price of all load nodes in that zone. The zones initially established in the draft nodal protocols approved by the PUC are basically the four existing zones plus three zones for three non-opt-in entities ("NOIEs"), specifically, the municipal utilities of San Antonio, Austin, and the Lower Colorado River Authority. Up to seventeen additional non-opt-in utilities may also request their own zone designations prior to the implementation of the protocols, if they desire. The PUC's order also initiated a proceeding to examine the issues of creating and changing load zones in a nodal market to ensure that any changes occur in a systematic procedural manner that do not adversely impact any parties. The PUC initiated Project No. 37052 to develop critical performance metrics and criteria for the ERCOT nodal market.

PUC Regulatory Activities

Wholesale Market Oversight . . . In September 2006, the PUC selected Potomac to serve as the independent market monitor ("IMM") for ERCOT, a function that was legislated at the request of the PUC by the 2005 Texas Legislature. The IMM has the authority to conduct monitoring, analysis and reporting activities but has no enforcement authority. A PUC rule provides that the IMM shall report directly to the PUC any potential market manipulations, including market power abuse, and any violations of PUC rules or ERCOT Protocols.

The PUC rule establishes the IMM as an office independent from ERCOT, which is not subject to the supervision of ERCOT with respect to its monitoring and investigative activities. ERCOT funds the operations of the IMM, but the budget and expenditures of the IMM are subject to PUC supervision and oversight. The ethical standards governing the IMM director and staff are intended to prevent conflicts of interest between the IMM and a market participant or an affiliate of a market participant. The rule took effect in April 2006.

ERCOT Oversight by the PUC . . . Legislation enacted in 2005 clarified that the PUC has complete authority to oversee and investigate ERCOT's finances, budget, and operations as necessary to ensure that ERCOT is accountable.

Renewable Energy Mandate . . . SB 7 established the State's goal for renewable energy in 1999 but made no special provisions for transmission to interconnect renewable resources. The rapid development of wind power in west Texas since 2001 has shown that wind farms can be built more quickly than traditional transmission facilities; however, this timing difference poses a dilemma for planning: it is difficult to know whether a new line will be needed if the generation facilities do not yet exist, but a wind farm is difficult to finance if there is no certainty that sufficient transmission will be available to deliver generated electricity. Senate Bill 20, enacted by the Texas Legislature in 2005 ("SB 20") increased the state's renewable energy goal. SB 20 directs that the cumulative installed renewable capacity in the State must total 2,280 MW by January 1, 2007; 3,272 MW by January 1, 2009; 4,264 MW by January 1, 2011; 5,256 MW by January 1, 2013; and 5,880 MW by January 1, 2015. Further, the PUC is directed to establish a target of 10,000 MW by January 1, 2025. The legislation includes a target of 500 MW from renewable resources other than wind power. SB 20 also authorized the PUC to regulate in this area, and specifically authorized the PUC to identify an area with sufficient renewable energy potential, known as competitive renewable energy zones ("CREZs") and pre-designate the need for transmission facilities serving the area even if no specific renewable generation projects exist or are under construction. The designation of CREZs in regions with developable renewable resources would be partially based on financial commitments of wind project developers desirous of building in the zone. The PUC issued an order in Docket No. 33672 on October 7, 2008 designating five CREZs, three in west Texas and two in the Panhandle and selecting a transmission scenario to transmit a total of 18,500 MW of wind power from west Texas and the Panhandle to metropolitan areas of the state. Estimated cost of the transmission projects were $6.9 billion. As of the beginning of 2019, over 24,000 MW of wind capacity was installed in the State.

In Docket No. 35665, the PUC identified the major transmission improvements needed to serve the CREZs and selected the transmission providers who will construct both the "priority" CREZ lines and the "subsequent" CREZ transmission projects. The City appealed the final order of the PUC designating the transmission providers of the CREZ transmission lines in *City of Garland, Texas, v. Public Utility Commission of Texas,* Cause No. D-1-GV-09-001199, in the state district court of Travis County, Texas. On January 15, 2010, the district court issued its final order in that cause, reversing and remanding the PUC's final order in Docket No. 35665. As a result of the court's decision, the PUC established a new docket (Docket No. 37902) for the matters that the PUC considered on remand of its prior order, and established another new docket (Docket No. 37928) regarding the portion of the order designating the transmission providers for the CREZ "priority" projects, which the City did not appeal. On March 30, 2010, the Commission issued its Order on Remand in Docket No. 37902. Docket No. 36802 was also created to establish a sequence for the orderly filing and processing of the CCN application proceedings related to the "subsequent" CREZ transmission projects.

In Project No. 34577, the PUC amended PUC Substantive Rule 25.174 to provide specific factors for determining whether sufficient financial commitment has occurred within the CREZ zones in order for the related CCN applications to go forward. In adopting that rule amendment, the PUC determined that sufficient financial commitment has occurred in the Central, Central West and McCamey CREZs. In Docket No. 37567, the PUC considered whether sufficient financial commitment has occurred in the Panhandle A and B CREZs. On February 11, 2010, the PUC voted to issue an order finding that sufficient financial commitment has occurred in Panhandle A and B, subject to the posting of collateral by affected renewable generators in accordance with the rule. The PUC identified the major transmission improvements needed to serve the CREZs and selected the transmission providers that constructed the improvements. The actual routing was developed in subsequent CCN application proceedings.

The City participated in the CREZ process through the construction of the Bakersfield – McCamey North – Odessa 345-kV transmission lines, which are a combined 75 miles in length. The original estimated cost for the Bakersfield – McCamey North – Odessa 345-kV transmission lines was $100.9 million; however, the final project costs were $89 million due to lower than expected material costs. The lines were energized in January 2014. The City filed an interim transmission cost of service ("TCOS") with the PUC on June 16, 2014. The interim TCOS rate was approved by the PUC on August 15, 2014. Subsequent to the approval of the interim TCOS rate by the PUC, the City filed a full TCOS with the PUC on September 23, 2014. The full TCOS rate was approved by the PUC on February 18, 2015.

Emerging Issues

Demand Response . . . Demand response, the ability of customers to reduce usage in response to high prices or grid conditions, will play an increasing role in the electricity market in the coming years. Some customers have the ability to respond to high prices by reducing usage at times when the price of electricity rises to a high level. This option may be attractive to additional customers, if developments in metering allow smaller customers to have their consumption metered at intervals shorter than one month and if they take advantage of retail prices that are based on wholesale prices. For ERCOT's settlement system to allow smaller customers to respond readily to spot market prices, advanced metering will be required. With the development of advanced meters, REPs have the chance to offer demand response products to smaller customers, which in turn allow customers to have more control over their electric bills. The PUC adopted a rule on advanced metering in May 2007.

Alternative Transmission Models . . . According to the PUC, there has been interest in building transmission under a different set of rules. A power generation company might, for example, be willing to build and operate transmission facilities at its own expense (with no support from regulated rates) to connect to the transmission grid, without incurring the obligation to provide open-access to other entities. Such an arrangement might, for example, permit one or more generation companies that are outside of ERCOT to connect their facilities to the ERCOT transmission network at their own expense, without running the risk that they would be obligated to provide service to other customers. A similar transmission arrangement might permit a group of wind generators to build transmission to move the power they generate from West Texas to a location closer to population centers in East and Central Texas. Developers might also be interested in building merchant transmission connections between ERCOT and other power regions (the eastern or western United States or Mexico), where the interconnections are limited today.

Federal Regulation of Electric Transmission Services

The Energy Policy Act of 1992. The Federal Energy Policy Act of 1992 (the "Energy Policy Act") greatly expanded the authority of FERC to order utilities, including utilities within ERCOT, to provide transmission service for other utilities, qualifying facilities, and independent power producers. FERC also has authority to determine the prices that may be charged for transmission, but has generally deferred to the PUC electric transmission open access rules for access and pricing within ERCOT.

Retail Wheeling. The authority to order retail wheeling, which allows a retail customer to be located in one utility's service area and to obtain power from another utility or non-utility source, is specifically excluded from the enhanced authority granted to FERC under the Energy Policy Act. However, while the States may have authority to determine whether retail wheeling will be permitted, FERC has determined that it has jurisdiction over the rates, terms and conditions of retail wheeling.

FERC Final Rules and Proposed Rulemakings in Federal Regulation of Electric Utilities. To establish foundations necessary to develop a competitive wholesale electricity market and effectuate the transmission access provisions of the Energy Policy Act, on April 24, 1996, FERC issued two final rules ("FERC Final Rules") on non-discriminatory open access transmission services by public utilities and stranded cost recovery. The first of the FERC Final Rules, Order No. 888, requires all public utilities that own, control or operate facilities used for transmitting electric energy in interstate commerce to (i) file open-access, non-discriminatory transmission tariffs containing, at a minimum, the non-price terms and conditions set forth in the order and (ii) functionally unbundle wholesale power services by (1) applying unified transmission tariffs system to all customers, (2) providing separate rate systems for wholesale generation, transmission and ancillary services and (3) relying on the same electronic information dissemination network that its transmission customers rely on in selling and purchasing energy. The second of the FERC Final Rules, Order No. 889, requires all public utilities to establish or participate in an Open Access Same-Time Information System (OASIS) that meets certain specifications, and comply with standards of conduct designed to prevent employees of a public utility (or any employees of its affiliates) engaged in wholesale power marketing functions from obtaining preferential access to pertinent transmission system information.

FERC stated that its overall objective is to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. FERC also indicated that it intends to apply the principles set forth in the FERC Rules to the maximum extent to municipal and other non-FERC regulated utilities, both in deciding cases brought under the Federal Power Act and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs.

Although the FERC Rules do not directly regulate municipally-owned and other non-FERC-regulated utilities, the FERC Rules have a significant impact on such utilities' operations. The FERC Rules have significantly changed the competitive climate in which the non-FERC regulated utilities operate, giving their customers much greater access to alternative sources of electric transmission services. The rules require them to provide open access transmission service conforming to the requirements for investor owned utilities whenever they are properly requested to do so under the Energy Policy Act or as a condition of taking transmission service from an investor owned utility. In certain circumstances, the non-FERC-regulated utilities are required to pay compensation to their present suppliers of wholesale power and energy for stranded costs that may arise when the non-FERC-regulated utilities exercise their option to switch to an alternative supplier of electricity.

Over the past several years, various efforts have been made to provide some interstate connections with the ERCOT transmission grid. In May 2014, FERC issued its Final Order Directing Interconnection and Transmission Service in Docket No. TX11-1-001 directing the City to interconnect the Southern Cross Transmission project. The Southern Cross Transmission project is a high voltage, direct current transmission line that will provide bi-directional transmission capacity of approximately 2000 MW between

ERCOT and the SERC Reliability Corporation. The Order stipulates that the interconnection will not result in ERCOT utilities becoming subject to the jurisdiction of FERC. The facilities necessary for the interconnection will be conveyed to the City for $1 and the City will be reimbursed for the operation, maintenance, and repair of the facilities. In September 2016, the PUC approved the certificate of convenience and necessity for the interconnection. It is anticipated that the project will be completed and in service by 2021.

Energy Policy Act of 2005. The U.S. Congress amended the Federal Power Act in 2005 to authorize the FERC to approve transmission reliability standards developed by NERC. Once approved, the transmission reliability standards are applicable to transmission systems in all states, excepting Alaska and Hawaii. The reliability standards are applicable to transmission operators in ERCOT, including MOU's.

Proposed Federal Legislation

Many bills have been introduced in the United States Congress to deregulate the electric utility industry on the Federal or state level. Many of the bills provide for open competition in the furnishing of electricity to all retail customers (*i.e.*, retail wheeling). In addition, various bills have been introduced that would impact the issuance of tax-exempt bonds for electric transmission and generation facilities. No prediction can be made as to whether these bills or any future proposed Federal bills will become law or, if they become law, what their final form or effect would be.

Environmental Regulation

General. Electric utilities, in general, are subject to numerous environmental statutes, regulations, and other rules administered at the federal, state, and local level. These environmental rules are subject to change and tend to increase and become more stringent over time. Consequently, the City cannot predict whether the System Units and the Gibbons Creek Steam Electric Station ("Gibbons Creek") with the current operations practices and control technology in place will always be in compliance with present or future regulations or will always be able to obtain all required environmental licenses and permits. However, the decision on June 6, 2019 to permanently close Gibbons Creek may change how these rules are applied to Gibbons Creek – some rules may remain in effect, some may no longer be applicable, and some may come into play for the closure of the operation. Potential changes that may affect System Units and Gibbons Creek are discussed below.

The Clean Power Plan ("CPP") / Affordable Clean Energy ("ACE") Rule. The intent of these rules is to regulate emissions of carbon dioxide ("CO2"), and their potential to affect climate change, from fossil fuel fired electric generating units.

To this end, EPA published the Clean Power Plan in the Federal Register on October 23, 2015. The rule called for every state to submit a State Implementation Plan ("SIP") to reduce CO2 emissions from power plants by September 6, 2016. However, the U.S. Supreme Court stayed the CPP on February 9, 2016 and EPA published its proposal to repeal the CPP on October 16, 2017. EPA published a proposed replacement rule – the Affordable Clean Energy (ACE) rule – on August 31, 2018. The public comment period on the proposed ACE rule closed on October 30, 2018.

Restrictions on emissions of Greenhouse Gases ("GHGs") imposed by EPA, TCEQ, legislation, or civil litigation could have an adverse effect on the City's Electric System. The City cannot predict whether climate change legislation will be enacted in this or any future session of Congress, or whether State legislation could be enacted that would regulate carbon dioxide emissions. Moreover, the City cannot predict the financial impact that any such legislation, if finally enacted and signed into law, would have on the City or the electric market in general.

Since Gibbons Creek is no longer operating, it is not subject to this new rule.

Steam Electric Effluent Limitations Guidelines ("ELG") Rule. The intent of this rule is to regulate the composition of wastewaters (the liquid component) associated with "wet scrubbing" of flue gases while the CCR rule (discussed below) regulates the solid components (coal ash and gypsum). EPA published the Effluent Limitations Guidelines rule on November 3, 2015. On September 13, 2017 EPA postponed compliance dates for scrubber wastewater and bottom ash transport water from November 2018 to November 2020 pending reconsideration of the rule. A final rule has not been issued to date.

TMPA is monitoring progress of the proposed rule to determine what its potential impacts to Gibbons Creek might be once it is finalized.

Coal Combustion Residuals ("CCR") Rule. This rule regulates the "solid" components associated with coal combustion as opposed to the Steam Electric Effluent Limitations Guidelines rule which regulates the "liquid" components.

On April 17, 2015 EPA published the Coal Combustion Residuals rule to regulate the combustion solids generated at coal-fired power plants including the various types of coal ash and gypsum (a product from the wet scrubber). The rule went into effect on October 19, 2015. TMPA performed work to comply with this rule including installation and monitoring of additional groundwater wells. The deadline for completion of the first phase of groundwater monitoring was October 17, 2017 and the deadline for completion of engineering analyses and certifications on CCR-related facilities was October 17, 2018. TMPA is currently in compliance with all requirements of this rule. The CCR rule is under reconsideration by EPA and federal compliance requirements may therefore change.

In addition, the federal rule may be replaced in Texas by a state CCR program. Such programs became authorized by the Water Infrastructure for the Nation (WIIN) Act signed into law on December 16, 2016. EPA approved Oklahoma's CCR program on January 16, 2018. Texas is developing its own CCR program and the Texas legislature allocated funds to TCEQ for this purpose on April 6, 2017. However, the City cannot predict if, and when, the state program will be implemented.

The System Units and Gibbons Creek produce industrial solid wastes and Gibbons Creek maintains a landfill for waste disposal. These facilities are generally responsible for the liabilities associated with proper waste disposal and any related site contamination based upon improper management of these wastes. Hazardous substances at the System Units could expose the City to potential liabilities associated with the cleanup of contaminated soil and groundwater under federal or state "Superfund" statutes. If, in the future, coal ash produced at the Gibbons Creek facility were to be reclassified as a hazardous substance, it could expose TMPA to potential liabilities.

National Ambient Air Quality Standards ("NAAQS") for Ozone. The EPA has established national ambient air quality standards for six regulated pollutants: ozone, lead, carbon monoxide, sulfur dioxide, nitrogen dioxide, and particulate matter. When a pollutant concentration in an area exceeds a standard, the area is classified as "nonattainment" for that pollutant. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and "attain" compliance with the appropriate standard. This so-called State Implementation Plan or "SIP" entails enforceable control measures and time frames.

For ozone non-attainment SIPs, the emission reductions are generally targeted at nitrogen oxide and volatile organic compound emission sources because it is believed that the chemical reaction between these compounds in the presence of sunlight leads to ozone formation. While Gibbons Creek is not located in an ozone non-attainment area, the Texas Commission on Environmental Quality ("TCEQ") has concluded that emissions from electric utilities located in central and east Texas are contributing to ozone formation in the: the Dallas-Fort Worth and Houston-Galveston-Brazoria, ozone nonattainment areas. As a result, in April 2000 the TCEQ issued final rules that required the reduction of nitrogen oxide emissions in large electric utilities located in 31 east and central Texas counties, including Grimes County. Gibbons Creek completed a series of upgrades to its combustion controls to reduce nitrogen oxide emissions and is currently in compliance with these rules.

EPA has an obligation to revisit the NAAQS every five years, and that process has resulted in the tightening of the ozone standard. In response, states must develop new SIPs designed to ensure that nonattainment areas will continue to make progress toward attainment of those more-stringent standards. In July 1997, EPA adopted a revised and more stringent ozone standard based on an 8-hour average of ozone concentrations, as compared to the prior standard based on a 1-hour average. TCEQ was required to submit to EPA new SIP rules in June 2007 to address compliance with this new 8-hour ozone standard. EPA also lowered the ozone standard in 2008. Up to this point, implementation of the 8-hour SIP in these two non-attainment areas has not resulted in additional control requirements for the System Units and Gibbons Creek. While there are no currently pending SIP rule revisions that apply to the System Units and Gibbons Creek, it is possible that such rules could be included in future modifications to either the Dallas-Fort Worth or Houston-Galveston SIPs.

It is also possible that future changes to the ozone standard could require additional nitrogen oxide controls. On October 1, 2015, EPA published a final rule setting the 8-hour ozone standard at 70 parts per billion ("ppb"). TCEQ is preparing a SIP in response to this rule. If TCEQ elects to impose additional nitrogen oxide rules on electric generation sources within, or the counties adjacent to, the Dallas-Fort Worth or Houston-Galveston nonattainment areas, it is possible that these controls could require operating or mechanical changes at the System Units. Since Gibbons Creek is no longer operating, it is not subject to this rule.

EPA made its final initial nonattainment designations under the 2015 ozone standard in 2018 and has not designated either Grimes or Brazos Counties as nonattainment. However, if the TCEQ elects to impose additional emissions control requirements on the electric generation sources located in east or central Texas that are outside of the designated ozone nonattainment areas, it is possible that those control requirements could require changes to the System Units.

New Source Review ("NSR"). The Federal Clean Air Act ("FCAA"), the Texas Clean Air Act ("TCAA"), and the agency rules implementing these statutes regulate air emissions from power plants through a number of different programs. For example, both the FCAA and TCAA contain new source review requirements that require pre-construction permits authorizing the discharge of air emissions from new or modified facilities. In 1999, EPA initiated a major enforcement initiative targeting older coal-fired electric generation plants and has asserted that many of these plants underwent major modifications in the past without appropriate permit authorization under the NSR rules. One of the goals of this enforcement initiative is to force these older coal plants to go through the air permitting process and then install significant upgrades to their air emission controls consistent with current permitting criteria.

There has been considerable controversy over what kinds of activities or changes represent a facility modification that requires a permit amendment as distinguished from activities that are considered routine maintenance. Several federal appellate courts, including the U.S. Supreme Court, have recently addressed aspects of this controversy and EPA also sought to clarify certain aspects of the NSR applicability rules. On December 7, 2017, EPA issued a guidance document on NSR applicability and how to calculate emission increase for purposes of determinate if an activity required a permit amendment in an attempt to resolve some of the uncertainty. Up to this point, the System Units and Gibbons Creek have not been subject to investigation as part of this enforcement initiative. Since Gibbons Creek is no longer operating, it is not subject to this rule.

Rules for the Regulation of "Acid Rain" (Sulfur Dioxide and Nitrogen Oxide) Emissions. Sulfur dioxide ("SO2") and nitrogen oxide ("NOx") emissions were identified in the 1960s as the main cause of acid rain and a variety of rules have been introduced to regulate them.

The FCAA, originating in 1967 with the Air Quality Act, has imposed increasingly stringent controls on air emissions from industrial facilities, including electric power generation facilities like Gibbons Creek. Significant changes to the FCAA were made with the 1990 Amendments. Gibbons Creek became subject to the SO2 emission requirements but, based on the switch from lignite to Powder River Basin coal as a fuel, was able to reduce its SO2 emissions.

In March 2005, EPA issued the Clean Air Interstate Rule ("CAIR") to provide more stringent standards for SO2 and NOx from power plants. However, CAIR was vacated by the U.S. Court of Appeals for the Washington D.C. (the "D.C. Circuit") Circuit on July 11, 2008. It was reinstated as an interim measure by the same court on December 28, 2008 while the EPA worked on a replacement rule. In keeping with its proactive strategy, TMPA completed the refurbishment of the scrubber at Gibbons Creek in April 2011 to further reduce its SO2 emissions.

In August 2011, EPA published the replacement rule, known as the Cross-State Air Pollution Rule ("CSAPR") which also included cap-and-trade programs for annual SO2 and annual NOx emissions. These programs came into effect on January 1, 2012. However, on August 21, 2012, the D.C. Circuit vacated CSAPR and remanded rulemaking to EPA. In the meantime, CAIR was reinstated until October 23, 2014 when the D.C. Circuit Court of Appeals lifted the stay on CSAPR. Then, on July 28, 2015, the D.C. Circuit Court decided that CSAPR emissions budgets for Texas and other states were invalid and remanded the rule to EPA for reconsideration. On October 26, 2016, EPA published a final CSAPR rule that retains only the NOx summer season (May through September) program for Texas. This became effective in the summer season of 2017. The System Units have sufficient summer season NOx emission credits under the currently applicable CSAPR and permit requirements for their expected nitrogen oxide. Since Gibbons Creek is no longer operating, it is not subject to this rule.

In the future, the System Units may need to purchase nitrogen oxide credits or install additional nitrogen oxide emission controls depending upon operating rates and the final allocation of emission credits under the CSAPR or the ozone NAAQS. The System Units hope to comply with nitrogen oxide limits through the use of existing combustion controls. In the event additional nitrogen oxide credits are needed, the System Units believe they will have the option of purchasing such credits.

Mercury Emissions. EPA has promulgated rules that establish standards for mercury emissions from coal-fired electric generating units under Section 112 of the FCAA. The new standards were issued in February 2012 under the new name of Mercury and Air Toxics Standards ("MATS") with a compliance deadline of April 16, 2015. Provision was made under the rule for a one-year extension, if warranted. TMPA requested and obtained the extension to April 15, 2016 in order to obtain sufficient time to adequately investigate and test mercury control technologies under different operating scenarios. The testing was successfully completed and TMPA is in compliance with the MATS rule. Since Gibbons Creek is no longer operating, it is not subject to this rule.

Thermal Discharges – 316(a) Rule. Thermal discharge limits are regulated under Section 316(a) of the Clean Water Act. Thermal discharges for water returning back into Lake Lavon will also be in the renewal for the System Units. In 2010, the EPA began issuing interim objections to draft Texas Pollutant Discharge Elimination System ("TPDES" or wastewater) permits with temperature limits that exceeded the receiving water segment criteria. At that time, the TCEQ began negotiations with the EPA to develop a strategy to address thermal discharges into surface waters in Texas. The TCEQ and the EPA agreed that TCEQ will develop screening procedures to develop thermal limits in TPDES permits as needed to comply with state water quality standards or as approved under Section 316(a) of the Clean Water Act. The System Units are currently in the permit renewal cycle. A draft permit issued by the Wastewater Permitting Section of the TCEQ has been received for review and comment. The draft indicates that the Executive Director of the TCEQ will be initiating changes to evaluation procedures and/or rulemaking that may affect thermal requirements for these facilities. Since Gibbons Creek is no longer operating, it is not subject to this rule.

Cooling Water Intakes – 316(b) Rule. Power plant cooling water intake structures are regulated under Section 316(b) of the Clean Water Act. On August 15, 2014 EPA published a final rule on power plant cooling water intakes (known as the Clean Water Act Section 316(b) Rule). This rule is also being implemented by the state through the TPDES permitting program. Permit-specific provisions will be applied at the time of permit renewal. The current TPDES permit for Gibbons Creek expires on May 1, 2020 and on July 9, 2019 TMPA submitted its permit renewal application to TCEQ, the main regulatory authority for this permit in Texas. However, the indications are that, since Gibbons Creek is no longer operating, it will not be subject to this rule.

The System Units are currently in the permit renewal cycle. A draft permit has been received and is under review. The Ray Olinger Power Plant (System Unit) completed and submitted an Impingement Mortality Characterization Study in March 2008. The report concluded that annual fish impingement is exceptionally low at the Olinger Plant due to seasonal operation. Nevertheless, the City is not in a position to assess what, if any, impact these studies may have on future wastewater permit requirements or the possibility of new environmental control costs being imposed on the Olinger Plant.

TMPA Mine Closure and Related Remediation Obligations. The Gibbons Creek Lignite Mine, which was the original source of fuel for the Gibbons Creek Steam Electric Station, was closed in 1996. The reclamation of the mine site and the release of reclamation obligations has been an ongoing activity since that time. Currently, field reclamation activities are essentially complete and TMPA is in the process of applying for bond release with the Railroad Commission of Texas, the main regulatory authority.

TMPA originally had approximately 8,810 acres under mine reclamation bond. As of the end of fiscal year 2019 TMPA has obtained full bond release on approximately 3,010 acres (34%) and has submitted applications for final bond release on another 4,300 acres (49%). TMPA will continue to aggressively pursue bond release. It is projected that by the end of fiscal year 2020, much of the area will have been released from all reclamation obligations. In the meantime, land maintenance and mandatory long-term monitoring programs will continue to meet all permitting and regulatory requirements.

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DEBT INFORMATION

TABLE 4 – ELECTRIC SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Prior Lien Debt Service[1] Principal	Interest	Total D/S	Outstanding New Series Debt Service Principal	Interest	Total D/S	The Bonds (New Series) Principal	Interest	Total D/S	Total Electric Utility Syst. Revenue Debt Service [2]	% of Principal Retired
2020	$ 3,445,000	$ 460,338	$ 3,905,338	$ 10,750,000	$ 14,213,681	$ 24,963,681	$ -	$ 5,022,692	$ 5,022,692	$ 33,891,711	
2021	1,570,000	370,288	1,940,288	11,280,000	13,688,606	24,968,606	9,080,000	6,519,900	15,599,900	42,508,794	
2022	1,615,000	326,737	1,941,737	11,830,000	13,123,956	24,953,956	10,765,000	6,023,775	16,788,775	43,684,469	
2023	1,655,000	281,737	1,936,737	12,435,000	12,517,331	24,952,331	11,320,000	5,471,650	16,791,650	43,680,719	
2024	1,705,000	233,656	1,938,656	13,045,000	11,909,431	24,954,431	10,750,000	4,919,900	15,669,900	42,562,988	24.16%
2025	1,755,000	182,288	1,937,288	12,070,000	11,316,506	23,386,506	10,200,000	4,396,150	14,596,150	39,919,944	
2026	485,000	144,025	629,025	12,275,000	10,713,731	22,988,731	10,720,000	3,873,150	14,593,150	38,210,906	
2027	510,000	119,150	629,150	11,195,000	10,126,981	21,321,981	11,275,000	3,323,275	14,598,275	36,549,406	
2028	535,000	93,025	628,025	11,550,000	9,558,356	21,108,356	11,850,000	2,745,150	14,595,150	36,331,531	
2029	565,000	66,938	631,938	11,135,000	8,991,231	20,126,231	12,465,000	2,137,275	14,602,275	35,360,444	49.92%
2030	590,000	40,950	630,950	11,700,000	8,420,356	20,120,356	13,105,000	1,498,025	14,603,025	35,354,331	
2031	615,000	13,838	628,838	12,305,000	7,820,231	20,125,231	975,000	1,150,900	2,125,900	22,879,969	
2032	-	-	-	12,940,000	7,189,106	20,129,106	1,015,000	1,111,100	2,126,100	22,255,206	
2033	-	-	-	13,600,000	6,525,606	20,125,606	1,055,000	1,069,700	2,124,700	22,250,306	
2034	-	-	-	14,285,000	5,832,756	20,117,756	1,100,000	1,026,600	2,126,600	22,244,356	68.00%
2035	-	-	-	8,025,000	5,296,581	13,321,581	1,145,000	981,700	2,126,700	15,448,281	
2036	-	-	-	8,410,000	4,916,381	13,326,381	1,190,000	935,000	2,125,000	15,451,381	
2037	-	-	-	8,815,000	4,513,056	13,328,056	1,240,000	886,400	2,126,400	15,454,456	
2038	-	-	-	6,310,000	4,175,256	10,485,256	1,290,000	835,800	2,125,800	12,611,056	
2039	-	-	-	6,580,000	3,906,881	10,486,881	1,340,000	783,200	2,123,200	12,610,081	77.64%
2040	-	-	-	6,890,000	3,597,606	10,487,606	1,395,000	728,500	2,123,500	12,611,106	
2041	-	-	-	7,235,000	3,244,481	10,479,481	1,455,000	671,500	2,126,500	12,605,981	
2042	-	-	-	7,605,000	2,882,075	10,487,075	1,510,000	612,200	2,122,200	12,609,275	
2043	-	-	-	7,970,000	2,510,197	10,480,197	1,575,000	550,500	2,125,500	12,605,697	
2044	-	-	-	8,375,000	2,110,475	10,485,475	1,640,000	486,200	2,126,200	12,611,675	87.55%
2045	-	-	-	8,770,000	1,718,575	10,488,575	1,705,000	419,300	2,124,300	12,612,875	
2046	-	-	-	9,140,000	1,345,775	10,485,775	1,775,000	349,700	2,124,700	12,610,475	
2047	-	-	-	9,530,000	957,025	10,487,025	1,845,000	277,300	2,122,300	12,609,325	
2048	-	-	-	9,935,000	551,575	10,486,575	1,925,000	201,900	2,126,900	12,613,475	
2049	-	-	-	8,615,000	172,300	8,787,300	2,000,000	123,400	2,123,400	10,910,700	99.55%
2050	-	-	-	-	-	-	2,085,000	41,700	2,126,700	2,126,700	100.00%
	$ 15,045,000	$ 2,332,969	$ 17,377,969	$ 304,600,000	$ 193,846,109	$ 498,446,109	$ 140,790,000	$ 59,173,542	$ 199,963,542	$ 715,787,620	

(1) Excludes the Refunded Obligations.

(2) Excludes the Series 2018 Notes. See "VARIABLE RATE PROGRAMS" for a discussion of the Series 2018 Notes which are subordinate to the City's outstanding Prior Lien Bonds, Bonds Similarly Secured (also "New Series Debt") and any Additional Bonds.

TABLE 5 - AUTHORIZED BUT UNISSUED REVENUE BONDS

The City has no authorized but unissued System revenue bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL SYSTEM REVENUE BONDS. . . The City may issue additional System Revenue Bonds within the next 12 months.

CAPITAL IMPROVEMENT PROGRAM. . . . The City Council annually adopts a Capital Improvement Program (the "CIP") that consists of projects that involve the construction of infrastructure and major facilities and the acquisition of large equipment. The CIP, which is adopted on a calendar-year basis, details expected resources and planned expenditures over a five-year period, lists projects for each capital improvement fund and provides descriptions of projects and funding sources. The CIP budget differs from the City's operational budget because of its "multi-year" focus, which means that a project can span more than one fiscal year. In approving the CIP, the City Council actually appropriates the funds for the plan year, while approving, in concept, the plan for future years. The CIP is developed for planning purposes and may identify projects that will be deferred or omitted entirely in future years; only projects for the current fiscal year are included in the City's adopted budget. In addition, as conditions change, new projects may be added that were not identified in the prior year programs.

For 2019, the CIP includes approximately $279.7 million in total budgeted expenditures for all City capital projects, including general obligation, water, wastewater and electric projects. The total CIP for the five-year period of 2019-2023 includes approximately $832 million of anticipated capital improvement projects. The City Council adopted CIP document is available on the City website at: http://www.garlandtx.gov.

VARIABLE RATE PROGRAMS. . . . Pursuant to an ordinance adopted by the City Council in 2018, the City established an $80 million revolving commercial paper notes (the "2018 Notes") program for System capital improvements. Principal and interest on the 2018 Notes are payable from draws on a direct-pay letter of credit issued by Bank of America, N.A. that is scheduled to expire on July 1, 2021. A portion of the proceeds of the Bonds will be used to refund $41,305,000 of the 2018 Notes. The 2018 Notes are subordinate to outstanding Prior Lien Bonds, the Bonds Similarly Secured and any Additional Bonds. Approximately $36 million will remain outstanding in the 2018 Notes after the Bonds are issued.

PENSION FUND

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

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

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credit for service since the plan began are 200% of the employee's accumulated contributions. In addition, the City granted another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

A summary of the plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required to vesting	5
Service retirement eligibility	age 60 with five or more years of service or with 20 years of service regardless of age

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,366
Inactive employees entitled to but not yet receiving benefits	608
Active employees	2,005
	3,979

Contributions

The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.11% and 11.26% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for fiscal year 2018, were $16,665,242, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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 asset 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	6.35
Core Fixed Income	10.0	1.00
Non-Core Fixed Income	20.0	3.90
Real Return	10.0	3.80
Real Estate	10.0	4.50
Absolute Return	10.0	3.75
Private Equity	5.0	7.75
Total	100.0 %	

Discount Rate

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

Changes in the Net Pension Asset

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balance at December 31, 2014	$906,262,805	$848,810,046	$57,452,759
Changes for the year:			
Service Cost	22,270,032		22,270,032
Interest (on the total pension liability)	60,506,232		60,506,232
Difference between expected and actual experience	928,620		928,620
Change in assumptions	-		-
Benefit payments, including refunds of employee contributions	(42,018,404)	(42,018,404)	-
Contributions-employer		15,640,715	(15,640,715)
Contributions – employee		10,035,625	(10,035,625)
Net investment income		117,621,308	(117,621,308)
Administrative expense		(609,672)	609,672
Other		(30,898)	30,898
Net changes	41,686,480	100,638,674	(58,952,194)
Balance at December 31, 2016	$947,949,285	$949,448,720	$ (1,449,435)

Sensitivity of the net pension liability to changes in the discount rate.

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1 % Increase 7.75%
$ 114,618,370	$ (1,499,435)	$ (98,885,496)

Pensions Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $18,775,910.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 804,115	$ (3,630,607)
Difference in assumption changes	6,956,291	-
Difference between projected and actual investment earnings on pension plan investments	-	(23,588,768)
Employer contributions subsequent to the measurement date	12,622,974	-
	$ 20,383,380	$ (27,219,375)

Deferred outflows of resources of $12,622,974 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2019	$ 2,689,380
2020	873,520
2021	(11,179,575)
2022	(11,881,429)
2023	39,135
Total	$ (19,458,969)

OTHER POST EMPLOYMENT BENEFITS. . . In addition to providing benefits through the TMRS, the City has opted to provide eligible retired employees with the following post-employment benefits:

Plan Description

The City makes available health care benefits to all employees who work for the City of Garland a minimum of five years, meet the Texas Municipal Retirement System (TMRS) criteria listed on page 70, and elect coverage at the time of retirement and maintain continuous, uninterrupted coverage. Benefit provisions are established by management and funding is approved by City Council annually, during the budget process.

In 2008, the City established an irrevocable trust fund in an effort to begin funding the actuarial determined OPEB unfunded liability and to ensure that funding is available in the future for retiree medical benefits. In 2018, the City Council approved a transfer of $1,250,000 to the trust, and a long-term funding strategy was implemented to increase the annual contribution to this trust with a goal of fully funding the annual OPEB obligation after ten years.

The OPEB trust investments are held in the Public Agencies Retirement Services (PARS) Post-retirement Health Care Plan Trust by its trustee, US Bank. US Bank has delegated investment management responsibilities to HighMark Capital Management, Inc. (Investment Manager), a SEC- registered investment advisor. The Trust investment guideline mandates a diversified portfolio designed to generate long-term returns that, when combined with contributions, will result in sufficient assets to pay future obligation associated with the retiree health plan.

Benefits Provided

The City of Garland provides insurance to eligible pre-65 retirees, their spouses and dependents through the City's self-insured group health plan. Post-65 retirees are offered a fully insured Medicare Supplement Plan through Hartford, who assumes all claims risk liability on this group of retirees. The City makes contributions towards retiree health care benefits. However, the City reduces its liability and risk by capping the annual increase to the City contribution to a maximum of 3% per year. For FY2018, the monthly City contribution per participant for the retiree group as a whole was $459.

As of December 31, 2017 biennial actuarial valuation, the Plan's membership consisted of the following:

Number of plan members	Medical
Retirees and dependents currently receiving benefits	310
Inactive members entitled to benefits, but not yet receiving them	441
Active members	1,871
Total	2,622

Contributions and Funding Policy

The City has the authority to establish and amend the Plan contributions. The City makes an annual contribution to the Trust fund; the funding is established and approved by City Council as part of the City budget process. For the year ended September 30, 2018, the City's average contribution rate was 3.38 percent of the covered-employee payroll. Monthly retiree premiums are utilized to fund current medical claims and are based on the benefit election of the Plan member.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Actuarial Valuation Date	12/31/2017
Actuarial Cost Method	Entry Age Normal
Asset valuation method	Market value
Inflation	2.50%
Projected salary increase	3.00%
Discount rate	4.14%
Healthcare cost trend rates	All years capped at 3.0%
Mortality	Combined RP-2014 Dynamic table projected using MP-2017 representative rates per thousand for the RP-2014 mortality table

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Rate of Return

The long-term expected rate of return on OPEB plan investments will be managed on a total return basis which takes into consideration both investment income and capital appreciation. The target allocation and best estimates of 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)	
Large Cap Core	26.50	%	6.70	%
Mid Cap Core	5.00		7.00	
Small Cap Core	7.50		7.90	
Real Estate	1.75		5.70	
International	6.00		7.30	
Emerging Markets	3.25		9.70	
Short Term Bond	10.00		3.80	
Intermediate Term Bond	33.50		4.50	
High Yield	1.50		6.00	
Cash	5.00		2.10	
Total	100.00	%		

The long-term expected rate of return 6.75%

Discount rate

The discount rate used to measure the Total OPEB Liability was 4.14%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the OPEB plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments to current active and inactive employees. Therefore, the long- term expected rate of return on OPEB plan investments was applied to all period of projected benefit payments to determine the total OPEB liability.

The discount rate for the 12/31/2017 measurement was 4.14% which caused an actuarial gain.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at December 31, 2016	$70,652,262	$3,767,364	$ 66,884,898
Changes for the year:			
Service Cost	2,260,181		2,260,181
Interest (on the total OPEB liability)	3,284,435		3,284,435
Difference between expected and actual experience	(1,303,593)		(1,303,593)
Change in assumptions	7,017,755		7,017,755
Benefit payments, including refunds of employee contributions	(3,529,580)	(3,529,580)	-
Contributions-employer		4,779,579	(4,779,579)
Net investment income		527,289	(527,289)
Administrative expense		(21,120)	21,120
Net changes	7,729,198	1,756,168	5,973,030
Balance at December 31, 2017	$ 78,381,460	$5,523,532	$ 72,857,928

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.14%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.14%) or 1-percentage-point higher (5.14%) than the current rate:

1% Decrease 3.14%	Current Single Rate Assumption 4.14%	1 % Increase 5.14%
$ 87,187,486	$ 72,857,928	$ 61,892,285

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.14%, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percernage point higher than the current healthcare cost trend rate

1% Decrease 2.0%	Current Single Rate Assumption 3.0%	1 % Increase 4.0%
$ 62,019,181	$ 72,857,928	$ 86,762,734

OPEB Plan Fiduciary Net Position

The Plan is a single-employer plan and does not issue a publicly available financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of $6,502,862.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ -	$ (1,009,564)
Difference in assumption changes	5,434,885	-
Difference between projected and actual investment earnings on pension plan investments	-	(196,694)
Employer contributions subsequent to the measurement date	2,792,726	-
	$ 8,227,611	$ (1,206,258)

Deferred outflows of resources of $2,792,726 related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in OPEB expense as follows:

Year ended September 30,	
2019	$ 1,239,668
2020	1,239,668
2021	1,239,668
2022	509,623
Total	$ 4,228,627

SUPPLEMENTAL DEATH BENEFITS PLAN (SDBF)

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members and retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered a other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (pay as you go plan). The retiree portion of the SDBF is considered to be a single-employer, defined benefit OPEB plan.

Detail information about the SDBF OPEB plan is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee's entire careers. The SDBF contribution rate for retirees is .04%.

As of December 31, 2017, membership in the plan consisted of the following:

Inactive employees currently receiving benefits	1,061
Inactive members entitled to benefits, but not yet receiving them	199
Active members	2,005
Total	3,265

The City's OPEB liability is measured as of December 31, 2017, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2017.

Actuarial Assumptions

Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.31%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates-disabled retirees	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to a 3% floor.

Discount rate: For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of measurement date. The municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA index").

Changes in Total OPEB Liability

Beginning at December 31, 2016	$ 6,225,775
Service Cost	214,962
Interest on the total OPEB liability	238,314
Change in assumptions	542,752
Benefit payments	(57,323)
Net change in total OPEB liability	938,705
Ending at December 31, 2017	$ 7,164,480

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

The following presents the Total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

1% Decrease 2.31%	Current Discount Rate Assumption 3.31%	1 % Increase 4.31%
$ 8,548,658	$ 7,164,480	$ 6,077,217

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of $540,395.

At September 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Difference in assumption changes	$ 455,633
Employer contributions subsequent to the measurement date	45,653
	$ 501,286

Deferred outflows of resources of $45,653 related to OPEB resulting from retiree contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in OPEB expense as follows:

Year ended September 30,	
2019	$ 87,119
2020	87,119
2021	87,119
2022	87,119
2023	87,119
Thereafter	20,038
Total	$ 455,633

SELF INSURANCE

Self-insurance for general and auto liability exposure and workers' compensation is maintained in the Self-Insurance Fund of the Internal Service Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of $5,517,229 were collected from funds that participate in these. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and workers' compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2018, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2018 claims payable as of September 30, 2018 was estimated at $6,500,950.

Long-Term Disability (LTD) claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. Based on a current independent actuarial analysis, an actuarially determined liability of $3,112,604 has been established for projected future claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 208 a short-term liability of $2,223,841 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

There were no significant reductions in insurance coverage in the current year from coverage in the prior year, nor have there been any settlements that have exceeded insurance coverage for each of the past three fiscal years.

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2017 and 2018 were:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End	Current Portion
Self-Insurance – 2017	$ 7,262,640	$ 760,911	$ -	$ 760,911	7,262,640	2,774,500
Self-Insurance – 2018	7,262,640	4,052,123	(761,690)	4,052,123	6,500,950	2,774,500
Long-Term Disability – 2017	2,875,700	440,182	-	440,182	2,875,700	490,000
Long-Term Disability – 2018	2,875,700	175,051	236,904	175,051	3,112,604	490,000
Group Health – 2017	1,881,834	21,006,586	(217,946)	21,006,586	1,663,888	1,663,888
Group Health – 2018	1,663,888	21,174,363	559,953	21,174,363	2,223,841	2,223,841

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FINANCIAL INFORMATION

TABLE 6 - CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2018	2017	2016	2015	2014
Operating Revenues					
Charges for Services [(1)]	$ 287,169,337	$ 279,846,202	$ 278,334,789	$ 338,473,487	$ 376,657,906
Other	1,353,744	606,519	635,617	705,531	725,327
Total Operating Revenues	$ 288,523,081	$ 280,452,721	$ 278,970,406	$ 339,179,018	$ 377,383,233
Operating Expenses:					
Salaries and Benefits [(2)]	$ 23,599,855	$ 23,444,359	$ 23,868,980	$ 22,716,785	$ 21,469,028
Demand Charges	38,599,035	39,238,135	43,401,416	66,456,406	49,209,149
Energy and Fuel Purchases [(3)]	129,119,453	123,502,208	119,278,782	167,388,110	214,756,435
Maintenance Repairs and Supplies	10,758,526	11,074,271	12,352,272	10,978,668	11,232,868
Insurance and Other Expenses	3,142,116	2,647,610	3,056,069	3,280,124	3,859,840
Insurance Claims Payable	358,571	253,336	268,008	302,682	305,748
General and Administrative	16,592,158	13,898,390	13,109,511	12,157,156	12,121,668
Total	$ 222,169,714	$ 214,058,309	$ 215,335,038	$ 283,279,931	$ 312,954,736
Non Operating Revenues					
Intergovernmental	$ -	$ 609,323	$ 86,952	$ -	$ -
Gain (loss) on Derivative Investment	(65,125)	48,946	-	-	-
Other	-	110,000	1,273,903	400,000	-
Investment Income	2,559,172	1,678,712	1,405,124	1,531,555	1,238,380
Total Non Operating Revenues	$ 2,494,047	$ 2,446,981	$ 2,765,979	$ 1,931,555	$ 1,238,380
Net Available for Debt Service	$ 68,847,414	$ 68,841,393	$ 66,401,347	$ 57,830,642	$ 65,666,877
Debt Service Requirements	$ 18,662,064	$ 17,070,660	$ 15,969,726	$ 15,130,446	$ 9,929,481
Debt Service Coverage [(4)]	3.69x	4.03x	4.16x	3.82x	6.61x
Electric Meters	70,964	69,929	69,533	69,491	69,262

(1) The decrease Charges for Services from FYE 2014 to FYE 2016 was primarily a result of the reduction in wholesale customer load served.

(2) Excludes actuarial determined pension expense and Other Post Employment Benefit (OPEB) expense.

(3) The decrease in Energy and Fuel Purchases from FYE 2014 to FYE 2016 was primarily a result of the reduction in wholesale customer load served.

(4) Excludes transfers from Rate Mitigation Fund, Depreciation, and Amortization of Other Assets. As of October 15, 2019, the City has $135,315,000 aggregate principal amount of general obligation debt outstanding that it considers to be self-supporting from the surplus net revenues of the System (the "Self-Supporting GO Debt"). The City will refund $113,950,000 of Self-Supporting GO Debt with proceeds of the Bonds. After delivery of the Bonds, the City will have $3,685,000 Self-Supporting GO Debt with a de minimis $1,000 pledge of net revenues, $11,860,000 Self-Supporting GO Debt secured in part by a pledge of the surplus revenues of the System and $5,820,000 Self-Supporting GO debt without a pledge of net revenues of the System; such pledges being subordinate in all respects to the pledge of net revenues of the System to the City's outstanding Prior Lien Bonds, Bonds Similarly Secured (subordinate lien) and the System's Series 2018 Notes, and any additional bonds or obligations issued in the future and secured by a pledge of the net revenues of the System. Nevertheless, it is the City's intention to pay the Self-Supporting GO Debt, from annual transfers of surplus net revenues of the System. After delivery of the Bonds, the average annual debt service (2020-2021) on the Self-Supporting GO Debt will be $10,980,188 and the maximum annual debt service will be $20,704,750 in the fiscal year ending September 30, 2020. After delivery of the Bonds, the final maturity of the Self-Supporting GO Debt is during the fiscal year ending September 30, 2021.

FYE 2019 FINANCIAL PERFORMANCE. . . As of October 9, 2019, the System's preliminary, unaudited financial performance shows a significant increase in net available for debt service compared to FYE 2018. FYE 2019 preliminary, unaudited net available for debt service is estimated to increase by over $32 million, to $101 million. This is primarily driven by the reduction in demand charges due to the maturity of TMPA's generation debt. The current estimated FYE 2019 net available for debt service does not include the FY 2019 TMPA refund of $13.9 million to the City, which is expected to be approved by the TMPA Board in December 2019 and would increase the net available for debt service by $13.9 million.

RATE MITIGATION FUND. . . The City maintains, by charter, a rate mitigation fund that can only be used to reduce debt obligations of the City incurred in connection with providing electric energy to the City or to mitigate the City's future electric utility rate requirements. As of September 30, 2018, the rate mitigation fund balance was $156,551,361. The final maturity of TMPA generation system indebtedness was September 1, 2018. In anticipation of an increase in TMPA's debt service requirement in 2018, the City anticipated drawing upon the rate mitigation fund in fiscal year 2018. The City budgeted a rate mitigation transfer of $52,500,000 for fiscal year ending September 30, 2018. The actual amount of the transfer was $25,000,000 because of the System's better than budgeted performance.

The City budgeted $8,000,000 to be transferred to the System's operating fund from the rate mitigation fund during the fiscal year ending September 30, 2014, $29,700,000 in fiscal year ending September 30, 2015, $7,500,000 in fiscal year ending September 30, 2016 and $10,000,000 in fiscal year ending September 30, 2017, however, because of the System's better than budgeted financial performance for each of these fiscal years, no monies were transferred from the rate mitigation fund into the System's operating fund. For fiscal year ending September 30, 2019, the City budgeted $29,250,000 to be transferred to the System's operating fund from the rate mitigation fund; however, due to better than budgeted performance, no monies were transferred from the rate mitigation fund into the System's operating fund.

HEDGING ACTIVITIES . . . In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, the City has established a Risk Management Program. This program was authorized by the City Council and is led by the Risk Oversight Committee. Under this program, the City enters into forward contracts for natural gas and energy for the purpose of reducing exposure to natural gas and energy price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. The City typically settles these contracts by delivery of certain commodities.

TABLE 7 - COVERAGE AND FUND BALANCES (1)

All System REVENUE Debt Average Annual Principal and Interest Requirements, 2020-2050 (1)	$	23,089,923
Coverage of Average Annual Requirements by Audited 2018 Net Available for Debt Service		2.98x
All System REVENUE Debt Maximum Annual Principal and Interest Requirements, 2022(1)	$	43,684,469
Coverage of Maximum Requirements by Audited 2018 Net Available for Debt Service		1.58x
Prior Lien Bonds Outstanding as of 11/1/2019	$	15,045,000
New Series Bonds Outstanding as of 11/1/2019		304,600,000
The Bonds (New Series)		140,790,000
Electric Utility System Commercial Paper Notes Outstanding as of 11/1/2019(2)		77,000,000
TOTAL Projected Electric Utility System Revenue Bonds	$	537,435,000
Debt Service Reserve Fund Balance, 11/1/2019 (3)	$	-

(1) Includes the Bonds.

(2) The maximum amount of 2018 Notes that can be issued is $80,000,000. The 2018 Notes are subordinate to the outstanding Prior Lien Bonds, the Bonds Similarly Secured (including the Bonds) and any Additional Bonds. A portion of the proceeds of the Bonds will be used to refund $41,305,000 of the 2018 Notes. Approximately $36 million will remain outstanding in the 2018 Notes after the Bonds are issued. See "VARIABLE RATE PROGRAMS."

(3) The City is not required to have a reserve fund for the Bonds Similarly Secured (or New Series Bonds) unless the revenue debt coverage dips below 1.50x. The City may fund such reserve fund with a surety bond.

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TABLE 8 - VALUE OF THE SYSTEM

	For Fiscal Year Ended September 30,				
	2018	2017	2016	2015	2014
Electric System	$734,131,307	$582,545,662	$557,422,051	$530,684,333	$521,842,370
Land	26,756,449	13,974,571	15,514,169	10,696,211	10,030,714
Total Value	$760,887,756	$596,520,233	$572,936,220	$541,380,544	$531,873,084
Less: Accumulated Depreciation	213,868,225	202,752,669	192,910,899	183,140,184	176,029,001
	$547,019,531	$393,767,564	$380,025,321	$358,240,360	$355,844,083
Plus: Construction in Progress	18,805,171	116,701,729	32,650,155	18,035,063	12,290,960
Net Property, Plant and Equipment	$565,824,702	$510,469,293	$412,675,476	$376,275,423	$368,135,043

TABLE 9 - CITY'S EQUITY IN SYSTEM

	For Fiscal Year Ended September 30,				
	2018	2017	2016	2015	2014
Net Property, Plant and Equipment	$ 565,824,702	$ 510,469,293	$412,675,476	$376,275,423	$368,135,043
Cash and Investments	199,374,263	229,689,291	243,959,273	237,791,963	253,693,775
Other Assets	148,529,552	142,442,936	172,436,913	224,967,215	169,251,626
Total Assets	$ 913,728,517	$ 882,601,520	$829,071,662	$839,034,601	$791,080,444
Revenue Bonds Payable	$ 210,360,928	$ 193,711,249	$164,511,826	$175,362,237	$185,654,342
General Obligation Bonds Payable	11,319,535	17,626,605	23,893,916	29,934,272	36,327,775
Certificates of Obligation Payable	149,022,448	163,297,391	177,430,483	191,585,219	135,738,125
Variable Notes	159,440,000	123,280,000	69,910,000	25,000,000	-
Other Liabilities	35,698,566	40,239,731	29,970,916	32,584,561	40,056,061
Total Liabilities	$ 565,841,477	$ 538,154,976	$465,717,141	$454,466,289	$397,776,303
City's Equity in System	$ 347,887,040	$ 344,446,544	$363,354,521	$384,568,312	$393,304,141
Percent Equity in System	38.16%	39.02%	43.83%	45.83%	49.72%

FINANCIAL POLICIES

Basis of Accounting . . . All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental fund types and agency funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into investments in capital assets, net of related debt, and registered and unrestricted net assets. Proprietary fund-type operating statements represent increases and decreases in net total assets. Proprietary fund types are accounted for using the accrual basis of accounting.

General Fund Balance . . . It is the City's policy to maintain a balance which is greater than 30 days of adjusted working capital, less debt service, in immediately accessible cash and investments. If the fund balance is drawn down in any one year, the fund balance will be restored in the following year.

Use of Bond Proceeds . . . It is the City's policy that debt will only be issued to finance long-term capital projects, that debt will not be issued to fund current expenditures, and that debt will not be issued with a maturity longer than the estimated life of the project.

Budgetary Procedures . . . It is the City's policy that a multi-year financial forecast shall be prepared annually, to be issued as a planning tool in developing the following year's operating budget. The budget is developed by the City staff and presented to the City Council for consideration.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

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TABLE 10 - CURRENT INVESTMENTS

As of September 30, 2019 the following percentages of the City's investable funds were invested in the following categories of investments.

Type of Investments	Book Value Amount	Percent
Federal Agency Coupon Securities	264,516,931	51.61%
Certificates of Deposit	6,080,200	1.19%
Investment Pool	241,956,664	47.21%
	$ 512,553,795	100.00%

SELECTED PROVISIONS OF THE ORDINANCE

The following are selected provisions of the Ordinance. These excerpts should be qualified by reference to the exact terms of the Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Ordinance and section headings contained in the following excerpts are to sections contained in the Ordinance.

SECTION 10. Definitions. For all purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds and the pledge and appropriation of revenues therefor, the following definitions are provided:

(a) The term "Additional Bonds" shall mean the additional parity revenue obligations authorized to be issued in accordance with the terms and conditions prescribed in Section 21 hereof.

(b) The term "Annual Debt Service Requirements" shall mean, for any Fiscal Year, the principal of and interest on all Bonds Similarly Secured coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such Debt, or be payable in respect of any required purchase of such Debt by the City) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the City:

(1) Committed Take Out. If the City has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the City's obligation to repay the amounts advanced for such discharge or purchase constitutes Debt, then the portion of the Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Debt to be discharged or purchased, shall be added;

(2) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Debt due (or payable in respect of any required purchase of such Debt by the City) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Debt being referred to herein as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if the City Manager or the Finance Director or a designee of either shall deliver to the City a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the City has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of and interest on Bonds Similarly Secured, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) Variable Rate.

(i) Except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Obligations then proposed to be issued shall be deemed to be the average for the then immediately preceding five (5) years of the SIFMA Index, plus twenty (20) basis points; provided, however, that (i) if, after the issuance of the Variable Rate Obligations then proposed to be issued, more than 20% of the aggregate of the Bonds Similarly Secured Outstanding will bear interest at a variable rate and (ii) any Bond Similarly Secured is then insured by a Bond Insurer, the rate of interest on Variable Rate Obligations then proposed to be issued shall be deemed to be the greater of (x) the most recently announced thirty (30) year Revenue Bond Index published by The Bond Buyer, a financial journal published, as of the date the Ordinance was adopted, in the City of New York, New York or (y) 1.25 times the average variable rate borne by any Variable Rate Obligations then Outstanding during the then immediately preceding twelve-month period, and

(ii) Except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Obligations outstanding at the time of such calculation shall be deemed to be the lesser of (i) the then current per annum rate of interest borne by such Variable Rate Obligations or (ii) the average per annum rate of interest borne by such Variable Rate Obligations during the then immediately preceding twelve-month period; provided, however, that for any period during which (a) more than 20% of the aggregate of the Bonds Similarly Secured then Outstanding bear interest at a variable rate and (b) any Bond Similarly Secured is then insured by a Bond Insurer, the rate of interest on such Variable Rate Obligations shall be the greater of (x) the most recently announced 30-year Revenue Bond Index published by The Bond Buyer, a financial journal published, as of the date the Ordinance was adopted, in the City of New York, New York, (y) the rate of interest then in effect with respect to such Variable Rate Obligations in accordance with their terms, or (z) 1.25 times the average variable rate borne by such Variable Rate Obligations during the then immediately preceding twelve-month period;

(6) Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted if the City does not anticipate in its annual budget that it will make any payments on the guarantee. If however, the City is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Bonds and calculations of annual debt service requirements with respect to such guarantee shall be made assuming that the City will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the City no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) Commercial Paper. With respect to any Bonds Similarly Secured issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Bonds Similarly Secured shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) Credit Agreement Payments. If the City has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments made by the City in connection with the termination or unwinding of a Credit Agreement), from either the City or the Credit Provider, shall be included in such calculation except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the City or the Credit Provider, shall be excluded from such calculation.

(c) The term "Bonds" shall mean the "City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2019A," dated December 1, 2019, authorized by this Ordinance.

(d) The term "Bonds Similarly Secured" shall mean, collectively, the Bonds, the Previously Issued Bonds and any Additional Bonds.

(e) The term "City" shall mean the City of Garland, Texas.

(f) The term "Consultant" shall mean an independent firm, person or corporation recognized as having expertise and with a favorable reputation for special skill and knowledge in the operations and financing of municipal electric light and power facilities and systems similar in size to the System.

(g) The term "Credit Agreement" shall mean, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Bonds Similarly Secured, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of Bonds Similarly Secured and on a parity therewith.

(h) The term "Credit Facility" shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on Bonds Similarly Secured would rate the Bonds Similarly Secured fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Bonds Similarly Secured would rate the Bonds Similarly Secured in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds Similarly Secured and the interest thereon; and, in any case, no lower than the rating assigned by a Rating Agency to the Bonds Similarly Secured.

(i) The term "Credit Provider" shall mean any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

(j) The term "Debt" shall mean, with respect to the System, all:

(1) indebtedness incurred or assumed by the City for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the City that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the City whether or not the City has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the City, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the City in prior Fiscal Years.

(k) The term "Fiscal Year" shall mean the 12 month period ending September 30th of each year; provided, however, the City may change the Fiscal Year to another period of not less than 12 calendar months, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

(l) The term "Gross Revenues" shall mean those revenues, income, and receipts derived or received by the City from the operation and ownership of the System, including interest income and earnings from the investment or deposit of money in any Fund created by the Ordinance or another ordinance or authorizing document associated with the Bonds or Additional Bonds or maintained by the City in connection with the System, and money transferred to the System Fund, other than those amounts subject to the payment of the United States of America as rebate pursuant to Section 148 of the Code. The term "Gross Revenues", however, does not include refundable meter deposits, restricted gifts, grants in aid of construction or "transition charges" or similar charges imposed pursuant to the Texas Utilities Code, Subchapter G of Chapter 39, as amended, or similar law imposed for the payment of "transition bonds".

(m) The term "Government Obligations", as used herein, shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

(n) The term "Maturity" shall mean, when used with respect to any Debt, the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

(o) The term "Net Revenues" shall mean for any period of time the Gross Revenues of the System less the Operation and Maintenance Expenses incurred during such period.

(p) The term "New Series 2018 Bonds" shall mean the "City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2018," dated May 15, 2018.

(q) The term "Operation and Maintenance Expense" means the expenses of operation and maintenance of the System, including all salaries, labor, material, repairs, and extensions necessary to render efficient service, provided, however, that only such repairs and extensions, as in the judgment of the City, reasonably and fairly exercised by the passage of appropriate ordinances are necessary to render adequate service, or such as might be necessary to meet some physical accident or condition which would otherwise impair any Bonds Similarly Secured. Operation and Maintenance Expenses shall include the purchase of power. Depreciation shall not be considered as an expense of operation and maintenance.

(r) The term "Outstanding" when used in this Ordinance with respect to the Bonds means, as of the date of determination, all Bonds and Bonds Similarly Secured theretofore issued and delivered, except:

(1) those Bonds or Bonds Similarly Secured theretofore cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds or Bonds Similarly Secured for which payment has been duly provided by the City in accordance with the provisions of Section 39 hereof by the irrevocable deposit with the Paying Agent/Registrar of money or Government Obligations, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds or Bonds Similarly Secured are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the ordinance authorizing the issuance of such Bonds or Bonds Similarly Secured or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds or Bonds Similarly Secured that have been mutilated, destroyed, lost or stolen and for which replacement bonds have been registered and delivered in lieu thereof.

(s) The term "Owner," with respect to any Bond shall mean the person in whose name such Bond is registered on the register kept by the Paying Agent/Registrar.

(t) The term "Paying Agent/Registrar" shall mean the person or entity designated as such pursuant to Section 3 of this Ordinance.

(u) The term "Previously Issued Bonds" includes (i) City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2014, dated June 1, 2014, (ii) City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2015, dated February 1, 2015, (iii) City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2016A, dated November 15, 2016, (iv) City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2016B, dated November 15, 2016, (v) City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2018, dated May 15, 2018 and (vi) City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2019, dated February 15, 2019.

(v) The term "Prior Lien Bonds" includes (i) "City of Garland, Texas, Electric Utility System Revenue Bonds, Series 2011," dated June 15, 2011, (ii) "City of Garland, Texas Electric Utility System Revenue Refunding Bonds, Series 2011A," dated November 1, 2011 (the 2021-2024 maturities to be refunded by the Bonds) and (iii) "City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, Series 2013" dated May 1, 2013.

(w) The term "Stated Maturity" shall mean, when used with respect to any Debt or any installment of interest thereon, any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

(x) The term "System" shall mean the City's Electric Utility System, including all present and future extensions, additions, replacements and improvements thereto.

(y) The term "Term of Issue" shall mean, with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) thirty (30) years.

(z) The term "Variable Rate Obligations" shall mean Bonds Similarly Secured that bear interest at a rate per annum which is subject to adjustment so that the actual rate of interest is not ascertainable at the time such Bonds Similarly Secured are issued; provided, however, that upon the conversion of the rate of interest on a Variable Rate Obligation to a fixed rate of interest (whether or not the interest rate thereon is subject to conversion back to a variable rate of interest), such Bond Similarly Secured shall not be treated as a "Variable Rate Obligation" for so long as such Bond Similarly Secured bears interest at a fixed rate.

The City reserves the right to establish accounts within the Bond Fund for the payment of obligations, including specifically obligations incurred under a Credit Agreement or a Variable Rate Obligation; that is declared to be a Bond Similarly Secured in the ordinance authorizing the execution of such Credit Agreement or such Variable Rate Obligation.

SECTION 11. Pledge of Revenues. The City hereby covenants and agrees that, subject only to the prior lien on and pledge of the Net Revenues of the System to the payment and security of the Prior Lien Bonds (including the establishment and maintenance of the special funds created for the payment and security thereof) under the terms and conditions of the ordinances and proceedings pertaining to their authorization, the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Outstanding Bonds Similarly Secured, are hereby irrevocably pledged to the payment and security of the Outstanding Bonds Similarly Secured, including the maintenance of the special funds herein created in connection with the issuance of the Bonds, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System and be valid and binding without any filing or recording except for the filing of this Ordinance in the records of the City.

Texas Government Code, Chapter 1208, as amended, applies to the issuance of the Bonds and the pledge of the revenues granted by the City under this Section of this Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are Outstanding and unpaid such that the pledge of the revenues granted by the City under this Section of this Ordinance is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the Holders of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 12. Rates and Charges. The City hereby covenants and agrees with the Holders of the Bonds that rates and charges for electric utility services afforded by the System will be established and maintained to provide Gross Revenues, including the money transferred to the System Fund for the sole purpose of compliance with this Section 12, sufficient at all times to:

(a) Pay for all operation, maintenance, depreciation, replacement, and betterment charges of said System;

(b) Maintain the Bond Fund;

(c) Maintain the Reserve Fund at the Required Reserve Amount; and

(d) Pay all other outstanding indebtedness against said System as and when the same becomes due.

SECTION 13. Fund Designations. The City hereby covenants and agrees that all revenues derived from the operation of the System shall be kept separate and apart from all other funds of the City, and the following Funds or Accounts shall be created and established in connection with the issuance of the Bonds (to the extent such funds are required to be established and to the extent such funds have not previously been created and established) and shall continue to be kept and maintained during the period of time any Bonds Similarly Secured are Outstanding, to wit:

(a) City of Garland, Texas Electric Utility System Fund, hereinafter called the "System Fund," which Fund is kept and maintained at a depository bank of the City.

(b) City of Garland, Texas New Series Electric Utility System Interest and Sinking Fund, hereinafter called the "Bond Fund," which Bond Fund is hereby declared to be the combined interest and sinking fund created for the payment of principal of and interest on any Outstanding Bonds Similarly Secured, and the same shall continue to be a single fund for the payment of principal of and interest on such Outstanding Bonds Similarly Secured. The Bond Fund shall be kept and maintained at a City depository, as custodian of the pledged revenues, and moneys deposited therein shall be used solely for the purpose of paying the principal of and interest on the Outstanding Bonds Similarly Secured when and as the same become due and payable.

(c) City of Garland, Texas New Series Electric Utility System Revenue Reserve Fund, hereinafter called the "Reserve Fund," which Reserve Fund, if required to be established and maintained as set forth herein or as set forth in an ordinance of the City relating to the issuance of Additional Bonds, shall be kept and maintained at a City depository, and moneys or instruments or any combination of both deposited in the Reserve Fund shall be used to pay principal of and interest on any Outstanding Bonds Similarly Secured falling due at any time when there is insufficient money available in the Bond Fund for such purpose.

It is specifically provided, however, that the City may change the custodian of the Bond Fund and the Reserve Fund without impairing the obligation of contract with the Holders of the Bonds, if the new custodian for such Fund or Funds is a financial institution with trust powers. In no event shall a change of the custodian of either of the Bond Fund or the Reserve Fund be considered as a change in the purpose for which such Funds were created and established as provided in this Ordinance, and the City covenants that it will cause such Funds to be timely utilized for the respective purposes for which they were created.

The City reserves the right to establish and maintain additional funds and accounts in connection with payment or support of the Outstanding Bonds Similarly Secured and the money on deposit in any such fund or account on the last day of the Fiscal Year may be used for any lawful purpose related to the Outstanding Bonds Similarly Secured and any proposed obligations which would be Bonds Similarly Secured when issued, including being applied to any Net Revenue calculations associated with Additional Bonds.

SECTION 14. System Fund. The City hereby covenants and agrees that all revenues and income of every nature derived and to be derived from the operation of the System shall be deposited from day to day as collected into the System Fund, and the reasonable and proper maintenance and operation expenses of the System shall be paid therefrom. All moneys deposited therein which are not required for the payment of maintenance and operating expenses of the System shall be appropriated and used, first to the payment of any principal, interest or reserve requirements of any Outstanding Prior Lien Bonds, second, to the payment of any principal, interest or reserve requirements of any Outstanding Bonds Similarly Secured, third to the payment of any principal, interest or reserve requirements of any outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System subordinate to the lien on and pledge of the Net Revenues to any Outstanding Bonds Similarly Secured and fourth, for any purpose authorized by applicable law.

SECTION 15. Bond Fund. The following provisions shall govern the maintenance and use of the Bond Fund: the City covenants that from the funds in the System Fund, after paying or making provision for the payment of the necessary and reasonable expenses of operation and maintenance of the System, the City shall pay into the Bond Fund during each year in which any of the Bonds Similarly Secured are Outstanding, an amount equal to one hundred percent (100%) of the amount required to meet the principal and interest payments falling due on or before the next maturity date of the Outstanding Bonds Similarly Secured. An amount of moneys in the Bond Fund sufficient to pay principal and interest next coming due shall be transferred to the Paying Agent/Registrar on or before the principal or interest payment date.

SECTION 16. Reserve Fund. (a) Establishment. A Reserve Fund shall not be required to be established or maintained by the City for the payment of the Bonds or any other Bonds Similarly Secured so long as the Net Revenues of the System for a Fiscal Year equal or exceed one hundred fifty per cent (150%) of the annual debt service requirements of Bonds Similarly Secured due and payable in such Fiscal Year. If for any Fiscal Year such Net Revenues do not exceed 150% of the annual debt service requirements of the Bonds Similarly Secured, the City shall be obligated to establish and maintain on the books of the City a separate fund or account designated as the Reserve Fund. Upon being established and except as provided below, the amount on deposit to the credit of the Reserve Fund shall be maintained for the benefit of the owners of the Bonds Similarly Secured. The amounts deposited to the credit of the Reserve Fund shall be in a special fund maintained at a depository of the City. Monies or investments held in the Reserve Fund shall be used for the purpose of retiring the last of the Bonds Similarly Secured as they become due or paying principal of and interest on the Bonds Similarly Secured when and to the extent the amounts in the Bond Fund are insufficient for such purpose.

When a Reserve Fund is required to be established as noted above and while the same is required to be maintained, the Required Reserve Amount to be accumulated and maintained in such Fund shall be determined and re-determined as follows:

(1) ten per cent (10%) of the average annual debt service requirement for all Bonds Similarly Secured if the Net Revenues for the previous Fiscal Year were less than 150% of the annual debt service requirement for such Fiscal Year;

(2) twenty per cent (20%) of the average annual debt service requirement for all Bonds Similarly Secured if the Net Revenues for the previous Fiscal Year were less than 140% of the annual debt service requirement for such Fiscal Year, but greater than or equal to 130% of the annual debt service requirement for such Fiscal Year;

(3) thirty per cent (30%) of the average annual debt service requirement for all Bonds Similarly Secured then Outstanding if the Net Revenues for the previous Fiscal Year were less than 130% of the annual debt service requirement for such Fiscal Year, but greater than or equal to 120% of the annual debt service requirement for such Fiscal Year;

(4) forty per cent (40%) of the average annual debt service requirement for all Bonds Similarly Secured if the Net Revenues for the previous Fiscal Year were less than 120% of the annual debt service requirement for such Fiscal Year, but greater than or equal to 110% of the annual debt service requirement for such Fiscal Year; and

(5) fifty per cent (50%) of the average annual debt service requirement for all Bonds Similarly Secured if the Net Revenues for the previous Fiscal Year were less than 110% of the annual debt service requirement for such Fiscal Year.

The City shall review the amount, if any, on deposit in the Reserve Fund within thirty (30) days of the receipt of the audited financial statements applicable to the System for the preceding Fiscal Year to determine compliance with the provisions of subparagraph (i), (ii), (iii), (iv) and (v) of subsection (a) of this Section 16. If at any time the City is required to fund the Required Reserve Amount, or to increase the Required Reserve Amount, the Required Reserve Amount or increase in the Required Reserve Amount, as applicable, shall be funded as provided in subsection (b) of this Section 16 in not more than sixty (60) substantially equal consecutive monthly deposits commencing not later than the month following the receipt of audited financial statements for the System for the preceding Fiscal Year.

(b) Funding. The Required Reserve Amount shall be established and maintained with Net Revenues of the System, transfer(s) of funds from refunded obligations, proceeds of sale of Bonds Similarly Secured, or by depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more surety bonds or insurance policies issued by a company or institution which at the time of such deposit has a rating in one of the two highest rating categories by two nationally recognized rating agencies or services, or any combination thereof. The City hereby covenants and agrees to accumulate in the Reserve Fund the Required Reserve Amount either by depositing, from Net Revenues, in not more than sixty (60) substantially equal monthly payments, which initial fractional payment thereof shall be made on or before the fifteenth (15th) day of the month next following the determination that additional amounts need to be accumulated in the Reserve Fund to satisfy the Required Reserve Amount or by funding the Reserve Fund in the Required Reserve Amount from funds received from the transfer of funds from refunded obligations, from proceeds of sale of Bonds Similarly Secured, or by depositing one or more surety bonds or insurance policies issued by a company or companies meeting the aforesaid criteria, or any combination of the foregoing.

Concurrently with the delivery of a series of Additional Bonds, the appropriate City officials shall determine the Required Reserve Amount as well as the amount then held in the Reserve Fund, and the amount of such difference shall be deposited in the said Reserve Fund (i) by depositing to the credit of the Reserve Fund (concurrently with the delivery of the then proposed Additional Bonds) cash or an additional surety bond or insurance policy or revised surety bond or revised insurance policy with coverage in an amount sufficient to provide for the new Required Reserve to be fully or partially funded, or (ii) at the option of the City, in not more than sixty (60) substantially equal consecutive monthly payments, cash, the initial payment to be made on or before the fifteenth (15th) day of the month next following the month in which such Additional Bonds are delivered (or 1/60th of the balance of the additional amount not deposited immediately in cash or provided by a surety bond or insurance policy).

When and so long as the cash and investments in the Reserve Fund and/or coverage afforded by a surety bond or insurance policy held for the account of the Reserve Fund total not less than the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (or so much thereof as shall then be required to be contained therein if Additional Bonds have been issued and the City has elected to accumulate all or a portion of the Required Reserve Amount with Net Revenues), the City covenants and agrees to cause monthly deposits to be made to the Reserve Fund on or before the fifteenth (15th) day of each month (beginning the month next following the month the deficiency in the Required Reserve Amount occurred by reason of a draw on the Reserve Fund or as a result of a reduction in the market value of investments held for the account of the Reserve Fund) from Net Revenues of the System in an amount equal to either (i) one-sixtieth (1/60th) of the Required Reserve Amount until the total Required Reserve Amount then required to be maintained in said Fund has been fully restored or (ii) the amounts to pay principal of and interest on Bonds Similarly Secured held by an insurer, or evidenced by an instrument of assignment entitling an insurer to payment of principal of and interest on Bonds Similarly Secured, as a result of payments or draws made on a surety bond or insurance policy held for the account of the Reserve Fund, and such payments will result in (x) the principal of and/or interest on such Bonds Similarly Secured to be paid and (y) the restoration and replenishment of the surety bond or insurance policy coverage representing all or a portion of the Required Reserve Amount.

During such time as the Reserve Fund contains the total Required Reserve Amount, the City may, at its option, withdraw all surplus in the Reserve Fund over the Required Reserve Amount and deposit such surplus in the System Fund. Any such amount to be withdrawn that is allocated to proceeds of Bonds Similarly Secured shall be deposited to the Bond Fund or otherwise used for only such purposes as other bond proceeds may be used.

If the Reserve Fund is required to be established as provided in (a) above, and for two consecutive Fiscal Years, the Net Revenues of the System for a Fiscal Year equal or exceed one hundred fifty per cent (150%) of the annual debt service requirements of Bonds Similarly Secured due and payable in such Fiscal Year, then the Reserve Fund does not need to be maintained and the amounts in the Reserve Fund may be deposited to the Bond Fund or otherwise used for only such purposes as other bond proceeds may be used.

SECTION 17. Deficiencies in Funds. If in any month the City shall, for any reason, fail to pay into the Bond Fund or Reserve Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Net Revenues of the System for the following month or months, and such payments shall be in addition to the amounts otherwise required to be paid into said Funds during such month or months.

SECTION 18. Excess Revenues. Any Net Revenues in excess of those required to establish and maintain the special Funds as herein required may be used for any other lawful purpose.

SECTION 19. Security of Funds. All moneys deposited in the Funds referred to in this Ordinance shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and shall be used only for the purposes permitted by this Ordinance and the ordinances authorizing the issuance of other Bonds Similarly Secured.

SECTION 20. No Additional Obligations to be Issued on a Parity with the Prior Lien Bonds - Obligations of Inferior Lien and Pledge. The City will not hereafter issue any additional obligations with a lien on and pledge of the Net Revenues on a parity with the lien on and pledge of the Net Revenues associated with the Prior Lien Bonds or create or issue evidences of indebtedness for any purpose possessing a lien on the Net Revenues of the System superior to that to be possessed by the Bonds Similarly Secured. The City, however, retains the right to create and issue evidences of indebtedness whose lien on and pledge of the Net Revenues of the System shall be subordinate to that possessed by the Bonds Similarly Secured.

SECTION 21. Issuance of Additional Bonds. In addition to the right to issue obligations of inferior lien as authorized by the laws of the State of Texas, the City hereby reserves the right to issue additional parity obligations. The Additional Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Net Revenues of the System in the same manner and to the same extent as the Outstanding Bonds Similarly Secured, and the Outstanding Bonds Similarly Secured and any Additional Bonds shall in all respects be of equal dignity. The Additional Bonds may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) A certificate is executed by the Mayor and Finance Director (or other officer of the City having primary responsibility for the financial affairs of the City) to the effect that no default exists in connection with any of the covenants or requirements of the ordinances authorizing the issuance of all then Outstanding Bonds Similarly Secured;

(b) A certificate is executed by the Mayor and Finance Director (or other officer of the City having primary responsibility for the financial affairs of the City) to the effect that the Bond Fund and the Reserve Fund each contains the amount then required to be on deposit therein;

(c) A certificate is executed by a certified public accountant to the effect that, in his or her opinion, the Net Revenues of the System either for the last complete Fiscal Year of the City, or for any 12 consecutive calendar month period ending not more than 90 days prior to the passage of the ordinance authorizing the issuance of such Additional Bonds were at least 1.25 times the average annual principal and interest requirements for the calculation period of all then Outstanding Prior Lien Bonds and Outstanding Bonds Similarly Secured and for the installment or series of Additional Bonds then proposed to be issued and 1.00 times the maximum annual principal and interest requirements for all then Outstanding Prior Lien Bonds and Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Bonds then being issued. However, (i) should the certificate of the accountant certify that the Net Revenues of the System for the period covered thereby were less than required above, and (ii) a change in the rates and charges for electric utility services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (iii) a Consultant having a favorable reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Revenues of the System covered by the accountant's certificate would have been, in his or her opinion, equal to at least 1.25 times the average annual and 1.00 times the maximum annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Prior Lien Bonds and Outstanding Bonds Similarly Secured after giving effect to the issuance of the proposed Additional Bonds, then, in such event, the coverage specified in the first sentence of this subparagraph (c) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by a Consultant's certificate to the above effect. The term Net Revenues, as used in this subparagraph (c), shall mean the Net Revenues of the System, but excluding and not deducting any charges or disbursements which under standard accounting practice should be charged to capital expenditures;

(d) The Additional Bonds are scheduled to mature on March 1 or September 1, or both, and the interest thereon is scheduled to be paid on March 1 and September 1, provided, however, if the City issues Variable Rate Obligations, such Variable Rate Obligations may mature and pay interest on such date or dates provided in the ordinance authorizing the issuance of such Variable Rate Obligations; and

(e) The ordinance authorizing the issuance of such Additional Bonds provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased by an additional amount not less than the applicable percentage of the average annual debt service requirements for the Bonds Similarly Secured, taking into account the proposed Additional Bonds and that such additional amount shall (i) be so accumulated within sixty (60) months from the date of the Additional Bonds by the deposit in the Reserve Fund of the necessary sums in substantially equal consecutive monthly installments; or (ii) be deposited therein transfers of lawfully available funds, proceeds of sale of Bonds Similarly Secured or depositing to the credit of the Reserve Fund one or more surety bonds or insurance policies as provided in this Ordinance; provided, however, that the aggregate amount to be accumulated in the Reserve Fund shall never be required to exceed the applicable percentage of the average annual debt service requirements for all Bonds Similarly Secured taking into account the series of Additional Bonds then proposed to be issued; and

(f) All calculations of maximum and average annual debt service requirements made pursuant to this Section shall be made based upon the actual rate of interest to be borne by the Additional Bonds then proposed to be issued.

Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the City may deem to be in the best interest of the City and its inhabitants, and if fewer than all such Outstanding Bonds Similarly Secured are refunded, the proposed refunding bonds shall be considered as "Additional Bonds" under the provisions of this Section, and the certificate(s) required in subdivision (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).

SECTION 22. Maintenance and Operation - Insurance. The City covenants and agrees that the System shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds are Outstanding, the City agrees to maintain insurance on the System of a kind, including self-insurance by the City, and in an amount not less than, customarily carried by municipal corporations in the State of Texas engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City from doing so.

SECTION 23. Records - Accounts - Accounting Reports.

(a) The City hereby covenants and agrees that so long as any of the Bonds remain Outstanding, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System separate and apart from all other records and accounts of the City in accordance with accepted accounting principles prescribed for municipal corporations. The Owner of any Bond or any duly authorized agent or agents of such Owner shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that as soon as possible following the close of each Fiscal Year it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants or licensed public accountants.

(b) Expenses incurred in making the audits above referred to are to be regarded as maintenance and operating expenses of the System and paid as such. Copies of the aforesaid annual audit shall be immediately furnished to the Executive Director of the Municipal Advisory Council of Texas at his or her office in Austin, Texas, and, upon written request to the Purchasers and any subsequent Owners of the Bonds.

SECTION 24. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Bond Fund and Reserve Fund as required by this Ordinance or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Holder or Holders of any Bond shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive. Notwithstanding anything in this Ordinance to the contrary, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

SECTION 25. Special Covenants. The City hereby further covenants as follows:

(a) That it has the lawful power to pledge the revenues supporting this issue of Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, including said power existing under Texas Government Code, Chapter 1502, as amended, that the Bonds when issued, shall be ratably secured under said pledge of income in such manner that one Bond Similarly Secured shall have no preference over any other Bond Similarly Secured.

(b) That, other than for the payment of the Prior Lien Bonds, the Previously Issued Bonds and the Bonds, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System that is on a parity with the pledge of the Net Revenues to Bonds Similarly Secured. The Net Revenues have been pledged to the City's Electric Utility System Commercial Paper Notes, Series 2018 (a portion of which are being discharged with proceeds of the Bonds), subject to the lien on and pledge of the Net Revenues to the Outstanding Prior Lien Bonds and the Outstanding Bonds Similarly Secured.

(c) That, as long as any of the Prior Lien Bonds and the Bonds Similarly Secured issued prior to the issuance of the New Series 2018 Bonds or any interest thereon remain Outstanding, the City will not sell or encumber the System or any substantial part thereof; provided that this shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System; also, with the exception of the Additional Bonds expressly permitted by this Ordinance to be issued, it will not encumber the Net Revenues thereof unless such encumbrance is made subordinate to the lien on and pledge of said Net Revenues to any Prior Lien Bonds or Bonds Similarly Secured.

(d) That no free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

(e) At such time as there are no Outstanding Prior Lien Bonds or Bonds Similarly Secured issued prior to the issuance of the New Series 2018 Bonds, the City may sell or exchange at any time and from time to time any properties and facilities constituting the System if the City shall have received a certificate executed by the Finance Director stating that the sale or exchange of such property or facilities will not materially adversely affect the financial condition of the City or its ability to satisfy the System's rate covenants. The proceeds of any such sale or exchange shall be used by the City, at the option of the City, (i) to acquire additional System facilities; (ii) to purchase, defease, or redeem System Debt; or (iii) for any other lawful purpose. Additionally, the portion of property comprising personal property or machinery, properties, and equipment which has become obsolete or otherwise unneeded in the operation of the System may be sold or otherwise disposed in any manner deemed appropriate by the City acting through the City Manager, the Finance Director or a designee of either of such City representatives.

To the extent that it legally may, the City further covenants and agrees that, so long as any of the Bonds Similarly Secured, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing electric utility system other than that owned by the City.

SECTION 26. Bonds are Special Obligations. The Bonds are special obligations of the City payable from the pledged Net Revenues of the System, and the Holders thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

SECTION 27. Bonds are Negotiable Instruments. That each of the Bonds shall be deemed and construed to be a "security," and as such a negotiable instrument, within the meaning of Texas Business and Commerce Code, Chapter 8, as amended.

SECTION 28. Investments. Moneys in the Bond Fund and the Reserve Fund may at the option of the City be invested or reinvested from time to time in direct obligations of the United States of America, or other obligations permitted by the Texas Public Funds Investment Act, as amended.

SECTION 29. Payment of Bond. While any of the Bonds are Outstanding, the Mayor, the Finance Director and the City Secretary, individually or jointly, are hereby authorized to transfer or cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds as the same accrue or mature or come due; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds on or before the date of payment for the Bonds.

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TAX MATTERS

TAX EXEMPTION…The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT ON THE BONDS… Each of the Bonds will be deemed to be issued with original issue discount for federal income tax purposes (a "Discount Bond") because the initial interest payment date is more than twelve months after the Bonds will be delivered to the initial purchasers. Additional (or less) original issue discount will also result if the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) is less than (or more than) the amount payable on such Discount Bond at its maturity. A portion of the original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount and downward for the payments denominated as interest allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

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CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS. . . The City will provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2019, financial information and operating data with respect to the City of the general type of information contained in Tables 1 through 10 and (2) within twelve months after the end of each fiscal year ending in or after 2019, audited financial statements of the City. Any financial statements so provided shall be prepared in accordance with the accounting principles described in described in Appendix B, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. If audited financial statements are not available within 12 months after the end of any fiscal year, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in the above-referenced tables by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

NOTICE OF CERTAIN EVENTS…The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, (15) incurrence of a debt obligation, derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the City, or a guarantee of a debt obligation or any such derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, (a) any event described in the immediately preceding paragraph 12 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City and (b) the City intends the words used in the immediately preceding paragraphs 15 and 16 in this Section to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION. . . In connection with its continuing disclosure agreement entered into with respect to the Bonds, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . Except as described below, during the last five years the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

"Table B-5 - Electric System Revenue Supported General Obligation Debt Service Requirements" was inadvertently omitted when the City filed its financial information and operating data for the City's Fiscal Year Ended September 30, 2015. Table B-5 was required to be filed in connection with the City's continuing disclosure agreement for the City's Combination Tax and Electric Utility System Surplus Revenue Refunding Bonds, Series 2015. Table B-5 has now been filed along with a Material Event Notice, dated November 8, 2016, for the late filing and the City has procedures in place to ensure the timely filing of such table in the future.

The ratings on municipal bond insurers have been downgraded with frequency at various times in recent years. Information about the downgrades of municipal bond insurers has been publicly reported. During the previous five years, the City has filed notices of downgrades of municipal bond insurers that insured the City's outstanding obligations, but no assurances can be made that all the filings have been made or made in a timely manner.

OTHER INFORMATION

RATINGS

The Bonds and the Previously Issued Bonds have been rated "A+", with a positive outlook, by S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "AA-", with a stable outlook, by Fitch Ratings ("Fitch"). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

There are currently no lawsuits, claims or other legal matters which would, in the opinion of the City Attorney and City Staff, have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act Chapter 1201 of the Texas Government Code, as amended provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8 of the Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in obligations such as the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, as amended, requires that the Bonds by assigned a rating of not less than "A" or its equivalent as to investment quality by a nationally recognized rating agency, this requirement does not apply, however, to the purchase of obligations such as the Bonds for interest and sinking funds of such entities. See "OTHER INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING" (exclusive of the subcaption "Use of Bond Proceeds"), "THE BONDS" (exclusive of the second and third paragraphs under the subcaption "Security and Source of Payment" and the subcaptions "Book-Entry-Only System" and "Registered Owners' Remedies"), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings"), "SELECTED PROVISIONS OF THE ORDINANCE," and the subcaptions "Legal Opinions" (except for the last sentence of the first paragraph thereof) "Registration and Qualification of Bonds for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain matters relating to the Bonds will be passed upon for the Underwriters by Bracewell LLP, Dallas, Texas, Counsel to the Underwriters, whose fee is contingent upon the sale and delivery of the Bonds. Bracewell LLP also represents the City as Disclosure Counsel in connection with the City's proposed General Obligation Refunding Bonds, Series 2019 and Water and Sewer System Revenue Refunding Bonds, New Series 2019A being issued contemporaneously with the Bonds.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Samuel Klein and Company will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) mathematical computations of yield.

Samuel Klein and Company relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, Samuel Klein and Company has relied on any information provided to it by the City's retained advisors, consultants or legal counsel.

UNDERWRITING FOR THE BONDS

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price of $164,307,146.57 (representing the par amount of the Bonds plus a premium of $24,100,299.20 less an underwriting discount of $583,152.63). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), an underwriter of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

BofA Securities, Inc., has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc., may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement BofA Securities, Inc., may compensate MLPF&S for their selling efforts with respect to the Bonds.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

The Ordinance has approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Bonds by the Underwriters.

/s/ Scott Lemay
Mayor
City of Garland, Texas

ATTEST:

/s/ Eloyce Rene Dowl
City Secretary
City of Garland, Texas

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010

Original Dated Date	Original Maturity Date	Interest Rates	Amount	Call Date
3/1/2010	2/15/2021	5.000%	$ 7,940,000.00	2/15/2020
	2/15/2022	5.000%	9,570,000.00	2/15/2020
	2/15/2023	5.000%	10,060,000.00	2/15/2020
	2/15/2024	5.000%	10,570,000.00	2/15/2020
	2/15/2025	5.000%	11,115,000.00	2/15/2020
	2/15/2026	5.000%	9,680,000.00	2/15/2020
	2/15/2026	4.500%	2,000,000.00	2/15/2020
	2/15/2027	5.000%	12,275,000.00	2/15/2020
	2/15/2028	5.000%	12,905,000.00	2/15/2020
	2/15/2029	5.000%	13,570,000.00	2/15/2020
	2/15/2030	5.000%	14,265,000.00	2/15/2020
			$ 113,950,000.00	

Bonds to be refunded on February 15, 2020 at price of par plus accrued interest.

Electric Utility System Revenue Bonds, Series 2011A

Original Dated Date	Original Maturity Date	Interest Rates	Amount	Call Date
11/1/2011	3/1/2021	5.000%	$ 2,015,000.00	3/1/2020
	3/1/2022	5.000%	2,115,000.00	3/1/2020
	3/1/2023	5.000%	2,225,000.00	3/1/2020
	3/1/2024	4.000%	1,190,000.00	3/1/2020
			$ 7,545,000.00	

Bonds to be refunded on March 1, 2020 at price of par plus accrued interest.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND SIZE

The City of Garland (the "City") is located in Dallas, Collin and Rockwall Counties approximately 14 miles northeast of downtown Dallas. The City encompasses approximately 57 square miles, of which approximately 90% of the developable area is fully developed. The City abuts Dallas and the suburban cities of Richardson and Mesquite on its western and southern boundaries, while on its northern, eastern and a portion of its southern boundaries, it abuts the cities of Rowlett, Sachse and Sunnyvale, as well as several miles of shoreline along Lake Ray Hubbard.

The City is well balanced between residential, commercial and industrial development. The population increased 122%, from 81,437 in 1970 to 180,650 according to the 1990 Census, making Garland the second largest City in Dallas County. The 2010 Census population of the City was 226,876. The 2020 estimated population of the City is 242,504.

Garland is served directly by two railroads, with reciprocal switching agreements with other railroads in the area, and is also served by a national bus line and has park-and-ride bus service to downtown Dallas via Dallas Area Rapid Transit. Commercial air service is afforded by the convenient location of the Dallas-Fort Worth International Airport, Dallas' Love Field and the Garland Heliplex which opened in November of 1989.

Interstate 635 is an eight lane expressway that encircles the outer limits of Dallas, passing through the southwest section of Garland. The President George Bush Turnpike connects the southeastern area of Garland along the Interstate 30 corridor with the northwestern area of Garland. Interstate 30 travels from Garland's eastern boundary at Lake Ray Hubbard along the southern portion of the city. These highways provide convenient automotive access to the Dallas-Fort Worth metropolitan area.

INDUSTRY AND BUSINESS

Garland is known for its economic and industrial base, which consists of more than 5,000 businesses including approximately 300 manufacturing companies. The City has been noted as a manufacturing community since the 1940s, and numerous Fortune 500 corporations along with many others have selected Garland as home base for their strategic operations. The Ten Largest businesses in the City are:

Name of Firm	Type of Business	Approximate Number of Employees
Kraft Foods	Food manufacturer	796
US Food Service	Food manufacturer	520
Atlas Copco	Mining/Drilling equipment manufacturer	460
SilverLine Window	Window manufacturer	425
Hatco (Resistol)	Apparel manufacturer	390
L3 Communications	Military product manufacturer	350
Arrow Fabricated Tubing	Fabricated metals manufacturer	340
Valspar	Paint manufacturer	300
KARLEE	Sheet metal component manufacturer	290
General Dynamics	Precision metal fabrication	275

The industrial sector continues to be strong and active in Garland. The 90+ acre former Raytheon campus has been completely redeveloped and revitalized, including approximately 800,000 square feet of new Class A commercial flex space in three separate facilities, all of which are now occupied with new and expanded Garland companies. Canadian window manufacturer Quest Window Systems opened the company's first U.S. manufacturing and distribution facility with more than $12 million invested in machinery and equipment and will create more than 320 full-time jobs. Nutribiotech USA, a Garland-based nutritional supplement manufacturer, will expand its existing research and development and production facilities from 60,000 square feet to 685,000 square feet with a $100+ million capital investment. Plastipak Packaging and Kirchhoff Automotive, both existing Garland manufacturing companies, will make significant investments in the acquisition and installation of new advanced machinery and equipment at their current locations.

In response to the rapidly increasing data traffic and central location advantage, the DFW market is becoming one of the largest data center markets in the nation. Stream Data Centers' 138,000-square-foot hyperscale DFW VII data center is expected to be completed in the third quarter of 2019. Ultimately, the campus will total approximately 400,000 square feet on 22 acres. Digital Realty, the largest colocation provider in the world, is also increasing its investment in Garland with another $500 million by adding 16 acres of development. The campus will total 1 million square feet on 64 acres.

RagingWire Data Centers opened a 200,000-square-foot facility in 2017 and will continue to expand with an additional 600,000 square feet.

The area along the President George Bush Turnpike has also seen a tremendous amount of commercial development, such as data centers, mixed use and other projects, totaling more than $3 billion in new investments. The City has a growing retail base with developments such as Firewheel Town Center – a lifestyle center featuring numerous department stores, specialty shops, restaurants, a hotel and residential – as well as Bass Pro Shops on Lake Ray Hubbard.

EDUCATION

Most of the City, as well as Rowlett and Sachse, is served by the Garland Independent School District. Small portions of the City lie within the Dallas, Mesquite and Richardson school districts. Garland Independent School District presently has 72 schools with approximately 57,000 students.

Higher educational facilities in the area include Amberton University (formerly Abilene Christian University-Dallas in Garland), Collin County Community College, Eastfield College and Richland College, branches of the Dallas County Community College, Texas A&M Commerce, University of North Texas, Southern Methodist University, Texas Christian University, Texas Wesleyan College, Texas Woman's University, the University of Texas at Arlington, and the University of Texas at Dallas.

FINANCIAL INSTITUTIONS

Several national banks operate full service banking centers and provide branches within various retail stores and shops throughout the City. Numerous savings and loan associations and credit unions are also located in the City.

RECREATION FACILITIES

The Parks and Recreation Department operates 68 parks, with a total of approximately 2,698 acres. Facilities provided include ball fields, swimming pools, golf facilities, recreation buildings and a tennis center, as well as playgrounds and picnic areas. Lake Lavon, 18 miles northeast of the City, has excellent facilities for fishing, swimming, boating and picnicking. Lake Ray Hubbard, formed by Forney Dam on the East Fork of the Trinity River, provides additional swimming, boating and fishing facilities. A part of the shoreline lies within the City limits of the City, and offers areas for lakeside recreational and residential development.

CITY OF GARLAND MISCELLANEOUS STATISTICS

Fiscal Year Ended 9/30	Population [1]	Assessed Valuation	Gas Customers	Electric Customers[2]	Water Customers
2015	231,618	$ 10,449,430,568	44,599	84,003	68,804
2016	233,206	11,201,026,680	43,972	84,100	69,219
2017	235,885	12,393,886,711	44,506	84,369	69,294
2018	238,293	13,637,777,356	47,516	87,337	69,642
2019	239,684	15,094,762,333	44,636	88,636	70,037

(1) Reported by the Dallas Central Appraisal District on the City's annual State Property Tax Board Report.
(2) Includes both ONCOR and the City's System.

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EMPLOYMENT STATISTICS

	City of Garland (Average Annual)					
	2019 (1)	2018	2017	2016	2015	2014
Civilian Labor Force	129,360	125,188	123,258	122,764	120,836	121,705
Total Employed	125,372	120,733	118,794	118,036	115,756	115,260
Total Unemployed	3,988	4,455	4,464	4,728	5,082	6,448
Unemployment Rate	3.1%	3.6%	3.6%	3.9%	4.2%	5.3%

	Dallas County (Average Annual)					
	2019 (1)	2018	2017	2016	2015	2014
Civilian Labor Force	1,403,835	1,359,225	1,333,933	1,305,202	1,273,945	1,268,571
Total Employed	1,358,824	1,308,543	1,282,785	1,253,334	1,219,597	1,200,663
Total Unemployed	45,001	50,682	51,148	51,868	54,348	67,908
Unemployment Rate	3.2%	3.7%	3.8%	4.0%	4.3%	5.4%

Source: Texas Workforce Commission, Labor Market Information.
(1) as of September 2019

BUILDING PERMITS (FISCAL YEAR BASIS)

Year Ended 9/30	Single Family Residential		Multifamily Residential		Industrial and Commercial		Other		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Grand Total
2014	194	$ 43,220,629	2	$ 10,668,665	28	$ 31,354,981	6,020	$ 63,048,440	$ 148,292,715
2015	168	39,752,654	1	1,122,494	31	77,518,287	8,391	137,960,711	256,354,146
2016	181	51,196,467	7	70,383,353	36	63,557,405	4,051	128,160,969	313,298,194
2017	221	66,809,595	9	159,395,004	62	69,912,104	3,144	59,655,518	355,772,221
2018	756	31,689,495	8	43,449,598	388	129,341,995	7,951	15,605,220	220,086,308
2019 (1)	445	29,410,829	20	66,942,926	352	67,664,193	289	34,450,507	198,468,455

Source: City of Garland Building Inspection Department.
(1) Data as of July 31, 2019

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APPENDIX B

EXCERPTS FROM THE FINANCIAL STATEMENTS

CITY OF GARLAND, TEXAS

For the Year Ended September 30, 2018

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Independent Auditor's Report

To the Honorable Mayor, Members of the City Council and City Manager
City of Garland, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garland (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Garland Housing Finance Corporation (GHFC), the discretely presented component unit of the City of Garland as of and for the year ended December 31, 2017. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the GHFC is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
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CPAs AND ADVISORS | WEAVER.COM

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I.D.11 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements and schedules listed in the foregoing table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 14, 2019

GARLAND

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City of Garland, Texas
Management's Discussion and Analysis
(Unaudited)

As management of the City of Garland, we offer readers of the City of Garland's financial statements this narrative overview and analysis of the financial activities of the City of Garland for the fiscal year ended September 30, 2018. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the City of Garland (the City) exceeded its liabilities and deferred inflows at the close of the fiscal year by $844,605,344. Ending net position for governmental activities amount to $187,842,411 and the ending net position for the business type activities amount to $656,762,933.
- Net position for the governmental activities increased $1,392,465 and the net position for the business type activities increased $58,597 for a total increase in the City's net position of $1,451,062. Contributing factors related to the increase in governmental activities and in business type activities are discussed in the governmental activities and business type activities sections of this overview and analysis.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $106,753,621. Of the combined ending fund balances, $56,595,142 is restricted, $19,555,890 is committed, $12,985,580 is assigned, and $17,619,009 is unassigned.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

The statement of net position presents information on all of the City's assets, deferred inflows/outflows, and liabilities 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 of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, landfill, economic development, and culture and recreation. The business-type activities of the City include electric, water, sewer, golf, heliport, storm water, parks performance, and sanitation operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate non-profit corporation for which the City is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 25-26 of this report.

Fund financial statements

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

Governmental funds

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

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

The City maintains thirteen individual governmental funds. The General Fund, the Debt Service Fund, and the Capital Projects Fund, are considered to be major funds. Major funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 27-30 of this report.

Proprietary funds

The City maintains two different types of proprietary funds, enterprise funds and internal service 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 electric, water, sewer, golf, heliport, storm water management, parks performance, and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for group health, self-insurance, long-term disability insurance, fleet, vehicle replacement, information technology, facilities management, warehouse, and customer service operations. The internal service funds are allocated between the governmental and business-type activities based on the level of support each internal service provides to a governmental and business-type activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The electric, water, and sewer operations are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds can be found on pages 111-115 and for the internal service funds on pages 117-119.

The proprietary fund financial statements can be found on pages 31-35 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

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. The notes to the financial statements can be found on pages 38-96 of this report.

Other information

Required supplementary information concerning the General Fund schedule of revenues, expenditures, and changes in fund balances – budget and actual for the year ended September 30, 2018, the net pension liability schedules, and the City's Net Other Postemployment Benefits (OPEB) liability schedules, are presented on pages 97-103 of this report.

Government-wide Financial Analysis

Total assets and deferred outflows at fiscal year-end amount to $2,147,706,811. Current and other assets comprise 30.05% and capital assets comprise 68.51% of the total assets and deferred outflows. Total assets and deferred outflows increased $57,707,072 during the fiscal year primarily as a result of changes in building, improvements, equipment, and systems. Significant additions to fixed asset and construction in progress are described in the capital asset section of this overview and analysis.

Total liabilities and deferred inflows at the end of the fiscal year amount to $1,303,101,467. Long-term liabilities comprise 90.29% and other liabilities comprise 7.52% of the total liabilities and deferred liabilities. Total liabilities and deferred inflows increased $56,256,010 during the fiscal year.

As mentioned earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows (net position) by $844,605,344 for the fiscal year ended September 30, 2018. The largest portion of the City's net position, $609,785,039, represents 72.20% of the total net assets and reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position, $178,470,672, represents 21.13% of the total net assets and represents resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, the City of Garland Charter, grant contracts, and state law. The remaining balance of unrestricted net assets, $56,349,633, represents 6.67% of total net assets and may be used to meet the City's ongoing obligations to citizens and creditors.

A comparative schedule of condensed government-wide net position is presented on the following page.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 203,273,618	$ 190,064,625	$ 442,168,944	$ 458,361,602	$ 645,442,562	$ 648,426,227
Capital assets	433,234,674	399,949,596	1,038,060,107	979,785,820	1,471,294,781	1,379,735,416
Total assets	636,508,292	590,014,221	1,480,229,051	1,438,147,422	2,116,737,343	2,028,161,643
Total deferred outflows of resources	21,677,961	44,278,013	9,291,507	17,560,083	30,969,468	61,838,096
Long-term liabilities						
Outstanding	383,881,567	385,720,772	792,630,170	761,268,277	1,176,511,737	1,146,989,049
Other liabilities	65,640,272	58,060,555	32,386,451	35,594,960	98,026,723	93,655,515
Total liabilities	449,521,839	443,781,327	825,016,621	796,863,237	1,274,538,460	1,240,644,564
Total deferred inflows of resources	20,822,003	4,060,961	7,741,004	2,139,932	28,563,007	6,200,893
Net position:						
Net investment in capital assets	183,437,109	177,385,098	426,347,930	408,670,773	609,785,039	586,055,871
Restricted for:						
Debt Service	5,304,131	5,239,767	7,801,425	7,301,497	13,105,556	12,541,264
Construction	1,344,990	762,777	-	-	1,344,990	762,777
Rate Mitigation	-	-	156,551,361	179,449,020	156,551,361	179,449,020
Housing Assistance	2,113,317	988,727	-	-	2,113,317	988,727
Other Grant Programs	5,355,448	1,373,805	-	-	5,355,448	1,373,805
Unrestricted	(9,712,584)	699,772	66,062,217	61,283,046	56,349,633	61,982,818
Total net position	$ 187,842,411	$ 186,449,946	$ 656,762,933	$ 656,704,336	$ 844,605,344	$ 843,154,282

2018 beginning net position was restated due to the implementation of Governmental Accounting Standards Board (GASB) statement No. 75. See page 47 of the notes to the financial statements for more information.

The total net position increased $1,451,062 in the 2018 fiscal year. Governmental activities increased $1,392,465 while the business-type activities increased this total by $58,597. These increases and decreases are discussed in the governmental activities section and the business-type activities section of this overview and analysis.

Schedule of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 50,187,798	$ 49,335,484	$ 436,268,448	$ 416,473,295	$ 486,456,246	$ 465,808,779
Operating grants and contributions	15,409,934	16,271,994	-	884,150	15,409,934	17,156,144
Capital grants and contributions	11,057,555	12,892,981	3,600,423	3,113,641	14,657,978	16,006,622
General Revenues:						
Property taxes	95,795,752	87,329,443	-	-	95,795,752	87,329,443
Sales taxes	30,129,008	29,894,875	-	-	30,129,008	29,894,875
Other taxes	10,845,365	10,650,995	-	-	10,845,365	10,650,995
Unrestricted interest earnings	2,313,130	1,117,176	3,216,278	1,961,783	5,529,408	3,078,959
Miscellaneous	34,151	606,208	2,100,389	1,395,829	2,134,540	2,002,037
Total Revenues	215,772,693	208,099,156	445,185,538	423,828,698	660,958,231	631,927,854
Expenses:						
General government	34,425,497	33,421,800	-	-	34,425,497	33,421,800
Public safety	108,420,934	107,419,896	-	-	108,420,934	107,419,896
Public works	42,764,067	39,356,985	-	-	42,764,067	39,356,985
Culture and recreation	24,323,627	24,743,188	-	-	24,323,627	24,743,188
Public health	4,405,451	4,682,394	-	-	4,405,451	4,682,394
Interest and fiscal charges	7,339,076	8,391,567	-	-	7,339,076	8,391,567
Electric	-	-	259,269,873	282,989,503	259,269,873	282,989,503
Water	-	-	64,111,798	58,299,626	64,111,798	58,299,626
Sewer	-	-	38,352,152	37,321,258	38,352,152	37,321,258
Golf	-	-	4,583,422	5,080,114	4,583,422	5,080,114
Heliport	-	-	5,315	5,344	5,315	5,344
Storm Water Management	-	-	4,292,213	3,842,023	4,292,213	3,842,023
Parks Performance	-	-	1,248,760	1,259,287	1,248,760	1,259,287
Sanitation	-	-	18,485,025	17,841,828	18,485,025	17,841,828
Total expenses	221,678,652	218,015,830	390,348,558	406,638,983	612,027,210	624,654,813
Change in net position before transfers	(5,905,959)	(9,916,674)	54,836,980	17,189,715	48,931,021	7,273,041
Transfers	40,394,892	30,159,918	(40,394,892)	(30,159,918)	-	-
Increase (decrease) in net position	34,488,933	20,243,244	14,442,088	(12,970,203)	48,931,021	7,273,041
Cumulative effect of change in acctg principle	(33,096,468)	-	(14,383,491)	-	(47,479,959)	-
Net change in net position	1,392,465	20,243,244	58,597	(12,970,203)	1,451,062	7,273,041
Net position - beginning	186,449,946	166,206,702	656,704,336	669,674,539	843,154,282	835,881,241
Net position - ending	$187,842,411	$ 186,449,946	$ 656,762,933	$656,704,336	$ 844,605,344	$ 843,154,282

Governmental activities

Governmental activities increased the City's net position by $1,392,465 in fiscal year 2018. The City's governmental activities unrestricted net position of ($9,712,584) reflects commitments made as part of its other post-employment benefit program (OPEB) that will be funded in future years. More details about these benefits and funding strategy can be found on page 75 of the notes.

Key factors that contributed to this improvement are discussed below.

Revenues by Source – Governmental Activities

Revenues by Source

	2018		2017		Amount	Percentage
	Amount	Percentage	Amount	Percentage	Change	Change
Charges for services	$ 50,187,798	23.26%	$ 49,335,484	23.71%	$ 852,314	1.73%
Operating grants and contributions	15,409,934	7.14%	16,271,994	7.82%	(862,060)	-5.30%
Capital grants and contributions	11,057,555	5.12%	12,892,981	6.20%	(1,835,426)	-14.24%
Property taxes	95,795,752	44.40%	87,329,443	41.97%	8,466,309	9.69%
Sales taxes	30,129,008	13.96%	29,894,875	14.37%	234,133	0.78%
Other taxes	10,845,365	5.03%	10,650,995	5.12%	194,370	1.82%
Unrestricted interest earnings	2,313,130	1.07%	1,117,176	0.54%	1,195,954	107.05%
Miscellaneous	34,151	0.02%	606,208	0.29%	(572,057)	-94.37%
Total Revenues	$ 215,772,693		$ 208,099,156		$ 7,673,537	

Key changes in revenue by source included the following:

Property tax revenue increased $8,466,309 due to an increase in the value of the tax base of 10.7% related to new construction in the City and increases in the existing tax base.

Unrestricted interest earnings increased $1,195,954 as a result of higher yields earned on investments.

Capital grants and contributions decreased $1,835,426 as a result of a decrease in recovery of expenditures related to shared infrastructure construction projects during FY18.

Expenses by Source - Governmental Activities

Expenses by Source

	2018	2017	Change
General government	$ 34,425,497	$ 33,421,800	$ 1,003,697
Public safety	108,420,934	107,419,896	1,001,038
Public works	42,764,067	39,356,985	3,407,082
Culture and recreation	24,323,627	24,743,188	(419,561)
Public health	4,405,451	4,682,394	(276,943)
Interest and fiscal charges	7,339,076	8,391,567	(1,052,491)
Total Expense	$ 221,678,652	$ 218,015,830	$ 3,662,822

The $3,662,822 change in expenses is primarily due to the following:

- Public Works expenses increased $3,407,082 due to a significant increase in infrastructure improvements. It should be noted that over the past several years, the City Council has aggressively addressed declining street and alley conditions. Funding in the FY17-18 budget totaled $26.6 million, a 28.5% increase from the prior year.

Business-type Activities

Business-type activities increased the City's net position by $58,597. Key factors that contributed to the change are discussed below.

- The electric utility incurred a net income of $2,342,626. The net income for the electric utility increased $23,090,436 from the prior fiscal year as a result of the following:
  - Amortization of prepaid demand charge decreased.
  - Fuel and energy purchases and general and administrative expense increased, while salary and benefit expenses decreased.
  - Retail revenue increased.

- The water utility incurred a net income of $7,367,954. Key elements to this change are as follows.
  - Charges for services increased due to a rate increase of 12% and a 9% increase in consumption from the previous year.
  - Operating expenses increased due to a rate increase from NTMWD and an increase in support services expense related to the new billing system upgrade.

- The sewer utility incurred a net income of $927,445. The net income for the sewer utility decreased $1,316,607 from the prior fiscal year as a result of the following:
  - Operating expenses increased $1,030,348 due to positions filled during FY18 which were vacant in FY17, merit/performance raises, as well as an increase in support services expense related to the new billing system upgrade.

- The combined net income for non-major enterprise funds (golf, heliport, storm water management, parks performance, and sanitation) amounted to $458,400.

Revenues by Source – Business-type Activities

	Charges for Service			Operating Grants and Contributions		
	2018	2017	Change	2018	2017	Change
Electric	$ 287,169,337	$ 279,846,202	$ 7,323,135	$ -	$ 609,323	$ (609,323)
Water	76,184,876	63,623,236	12,561,640	-	-	-
Sewer	43,902,151	44,237,184	(335,033)	-	-	-
Non-major Enterprise	29,012,084	28,766,673	245,411	-	274,827	(274,827)
Total	$ 436,268,448	$ 416,473,295	$ 19,795,153	$ -	$ 884,150	$ (884,150)

	Capital Grants and Contributions			Miscellaneous		
	2018	2017	Change	2018	2017	Change
Electric	$ 108,784	$ 11,450	$ 97,334	$ 1,353,744	$ 716,519	$ 637,225
Water	2,319,419	2,098,607	220,812	349,046	338,728	10,318
Sewer	1,172,220	1,003,584	168,636	105,850	106,793	(943)
Non-major Enterprise	-	-	-	291,749	233,797	57,952
Total	$ 3,600,423	$ 3,113,641	$ 486,782	$ 2,100,389	$ 1,395,837	$ 704,552

Expenses by Source – Business-type Activities

	2018	2017	Amount Change	Percentage Change
Electric	$259,269,873	$ 282,989,503	$(23,719,630)	-8.38%
Water	64,111,798	58,299,626	5,812,172	9.97%
Sewer	38,352,152	37,321,258	1,030,894	2.76%
Non-Major	28,614,735	28,028,596	586,139	2.09%
	$390,348,558	$ 406,638,983	$(16,290,425)	-4.01%

Fiduciary funds

In the 2009 fiscal year, the City established an Other Post Employment Benefit Trust Fund which allows the City to capture long-term returns to make progress towards reducing the unfunded liability of post-employment health care. A $1,250,000 contribution in excess of the pay-as-you-go costs was made to the trust fund during the 2018 fiscal year. The City will make future contributions to the trust fund as economic conditions permit to lower the OPEB unfunded actuarial accrued liability and to ensure that funding is available for future retiree medical benefits.

Capital Asset and Debt Administration

Capital Assets

At the end of the 2018 fiscal year, the City had $1,471,294,781 invested in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, an electric system, a water system, and a sewer system. This amount represents a net increase of $91,559,365 or 6.64% increase from the prior fiscal year. Key elements of this change are as follows:

Capital Assets at Fiscal Year-end
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 99,348,015	$ 83,057,383	$ 42,089,765	$ 29,307,887	$ 141,437,780	$ 112,365,270
Construction in Progress	30,726,128	56,485,374	35,501,905	148,914,516	66,228,033	205,399,890
Building, Improvements, equipment and systems	303,160,531	260,406,839	960,468,437	801,563,417	1,263,628,968	1,061,970,256
Total capital assets	$ 433,234,674	$ 399,949,596	$1,038,060,107	$ 979,785,820	$1,471,294,781	$1,379,735,416

Major capital asset additions for the current fiscal year included (amounts rounded to the nearest thousand):

Description	Amount (000's)
GP&L Transmission Poles & Fixtures	$107,277
GP&L Transmission OH Conductor Devices	33,361
Rowlett Creek WWTP Bio solids Expansion & Odor Abatement	26,231
Pleasant Valley Road Bridge including Storm Drainage and Paving Improvements	13,168
GP&L Land Acquisition	12,763
Radio Communications System	10,462
Citywide Street Improvements	7,943
Rosehill Land Acquisition	6,440
Hypermart Land Acquisition	5,931
New Fire Station 5	4,166
GP&L Substation Transmission Equipment	3,298
GP&L Distribution Line Transformers	3,064
GP&L Distribution Street Lights & Signal Systems	2,703
Rowlett Creek WWTP Process Improvements	2,659
Library Materials Management System	2,488
Bridge Remediation Phase 1B	2,447
GP&L Distribution UG Conductors & Devices	2,216
Solid Waste Garbage Collection Equipment	2,041
Parkmont Drive Street & Storm Drainage Improvements	2,025
GP&L Turbogenerator Units	1,934
GP&L Building	1,779
GP&L Distribution Poles, Towers & Fixtures	1,686
Fleet Services Customer Waiting Area	1,607
Water Transmission Mains 16 inch & above	1,568
Firefighting Apparatus	1,358
Relocation Water Mains prior to paving	1,193
Radio Read Water Meters	1,055
Relocation of Sewer Mains prior to paving	1,035
Library Materials	1,021

A few of the Capital Improvement Program projects under construction at the end of the current fiscal year included (amounts rounded to the nearest thousand):

Description	Amount (000’s)
Street Reconstruction	$ 6,813
GP&L Transmission Line-Wylie Switchyard to Firewheel 138KV	2,538
Banner Upgrade 5	2,356
Water Distribution Line-up to 14 inch	2,031
GP&L Apollo Substation Rebuild	1,989
GP&L Dent Road Substation	1,525
Carver Center Renovation	1,378
GP&L Transmission Line-Dent Road to Shelby 138KV	1,280
Sewer Collection Mains	1,192
GP&L ETRM System	1,137
Sewer Infiltration Correction	1,113
Relocation of Water Mains Prior to Paving	1,064
GP&L Distribution OH Line	1,029
Shiloh Road: IH 635 to Kingsley	1,014

Additional information on the City’s capital assets can be found in note IV.C. on pages 56-58 of this report.

Debt

Debt issues outstanding for the fiscal years 2018 and 2017 were as follows:

	Governmental Activities		Business-type Activities		Total		
	2018	2017	2018	2017	2018	2017	Change
Long-Term:							
General obligation bonds	$161,905,000	$181,210,000	$ 18,105,000	$ 26,845,000	$ 180,010,000	$208,055,000	$ (28,045,000)
Certificates of obligation	98,400,000	80,435,000	156,320,000	167,365,000	254,720,000	247,800,000	6,920,000
Utility system revenue bonds	-	-	396,300,000	346,395,000	396,300,000	346,395,000	49,905,000
Commercial paper	-	-	159,440,000	163,280,000	159,440,000	163,280,000	(3,840,000)
Total Long-Term	260,305,000	261,645,000	730,165,000	703,885,000	990,470,000	965,530,000	24,940,000
Short-Term:							
Commercial Paper	6,000,000	-	-	-	6,000,000	-	6,000,000
Tax Note	12,195,000	8,305,000	-	-	12,195,000	8,305,000	3,890,000
Total Short-Term	18,195,000	8,305,000	-	-	18,195,000	8,305,000	9,890,000
Total outstanding debt	$278,500,000	$269,950,000	$730,165,000	$703,885,000	$1,008,665,000	$973,835,000	$34,830,000

During the fiscal year, the City issued the following debt:

Issue	Principal	Bond Ratings: Standard & Poor's	Bond Ratings: Fitch IBCA
Long-term			
Certificates of Obligation Bonds, Series 2018	$ 29,955,000	AA+	AAA
Electric Utility System Revenue Refunding Bonds, New Series 2018	31,985,000	A+	AA-
Water and Sewer System Revenue Refunding Bonds, New Series 2018	48,310,000	AA-	AA
Electric System Notes, Series 2016	131,970,000	A-1+	
Electric Commercial Paper, Series 2018	27,470,000	A+	A+
Short-term			
Tax Anticipation Note, Series 2018	12,195,000		
Total debt financing	$281,885,000		

The proceeds of the Certificates of Obligation Bonds, Series 2018 will be used for the following:

- Constructing, equipping, and improving various facilities in the City,
- Acquiring equipment and vehicles for Firewheel golf course, the environmental waste services department, the solid waste department, the stormwater management department, and the municipal street department,
- Street improvements and infrastructure improvements.

The proceeds of the Electric Utility System Revenue Refunding Bonds, New Series 2018 were used to refund Electric Utility System Revenue Bonds, Series 2008 at the call date and take out $29,425,000 of Electric commercial paper debt, Series 2014.

The proceeds of the Water and Sewer System Revenue Refunding Bonds, New Series 2018 were used to take out $55,000,000 of Water and Sewer commercial paper debt, Series 2015.

In fiscal year 2010, the City along with other TMPA member cities elected to issue bonds based on the percentage of their annual net energy load and placed the proceeds with TMPA. Since the proceeds from the issuance of this debt will benefit the City over future years the City has elected to record an other asset and a corresponding bonds payable liability, reoffering premium, interest and sinking fund deposit, underwriters discount and issuance cost to record this transaction. The other asset of $138,252,850 is being amortized using a straight-line method over a period of 20 years based on the life of the economic benefit that the City is receiving from this transaction. During the current fiscal year, the City amortized $6,912,643 of the asset resulting in a fiscal year-end balance in other assets of $79,495,389. In August, 2017, the TMPA Board of Directors approved a plan of "seasonal operations" in which the Gibbons Creek plant will operate in the summer months beginning in 2018. Operations during years after 2018 will be evaluated on an annual basis. The TMPA other asset becomes impaired as a result of this determination. Further information related to the asset impairment is available on pages 84-86.

In 2015, the City elected to issue Combination Tax & Electric Utility System Surplus Revenue Refunding Bonds for the purpose of prepaying certain contractual obligations to TMPA. Since the proceeds of this debt issuance were placed with an escrow agent and the City received an economic benefit over a period of years, an Other Assets was recorded in the Electric Fund Statement of Net Position in the amount of $59,270,000. The Other Asset was fully amortized at fiscal year-end 2017.

In 2016, the City initiated the $139,245,000 Electric Utility System Note, Series 2016 for the Electric Fund. The Note, which functions similar to commercial paper, has a three-year term with proceeds being used for constructing the Limestone to Gibbons Creek transmission line. The Electric Fund had drawn $131,970,000 at fiscal year-end.

Additional information on the City's debt can be found in note IV.E of this report.

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of $106,753,621, an increase of $1,906,400 from the prior fiscal year.

The General Fund ended the fiscal year with a fund balance of $34,933,337 which was a decrease of $265,088 from the prior fiscal year. The original budget projected a decrease in fund balance of $8,565,974 which was later revised to a decrease of $14,354,894 in fund balance to fund one-time capital and operating needs. Favorable budget variances were experienced for revenues as well as expenditures for the fiscal year. Actual revenues exceeded final budgeted revenues by $1,741,528 and actual expenditures were under the final budget amount by $12,235,600. However, $10,755,524 of this positive budget variance is related to council approved street and infrastructure projects and other encumbrances related to unperformed contracts for good or services (i.e. purchase orders). A budget amendment has been approved by City Council to roll the funding for these projects and encumbrances in the FY18-19 budget year. The remaining favorable budget variance was a result of better than anticipated service charges, and other operational expenditure savings across General Fund departments.

The Debt Service Fund ended the fiscal year with a fund balance of $6,556,425 due to a net increase in fund balance for the fiscal year of $258,376.

The Capital Projects Fund ended the fiscal year with a fund balance of $50,980,542 due to a net decrease in fund balance for the fiscal year of $309,691.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2018, the City Council amended the budget for the General Fund on several occasions. The amendments were comprised of supplemental appropriations and adjusted budgets. Appropriations are adjusted annually for open purchase orders and various grant awards. Budgets are reviewed and adjusted during the fiscal year to address changing operational and/or economic situations. These amendments amounted to increased appropriations of $1,288,044.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2018 was 3.4% and the State of Texas unemployment rate was 3.7%. The City's estimated population of 238,293 (as estimated at January 1, 2018 by the City's Planning department) remained virtually unchanged from the prior year.

The primary focus of the FY 2017-18 Budget was to provide additional resources to address public safety staffing needs, further improvement of the City's street and alley repairs, and addresses various needs in core service areas such as parks, libraries, animal services, and transportation safety. Funding to implement a critical strategy to reduce the City's unfunded liability related to subsidized retiree health-care coverage was also included. Finally, the budget provides pay increases to maintain employee compensation at market levels.

The primary focus of the FY 2018-19 Budget was to begin addressing items that were deferred during the recession and are negatively impacting core City services and quality of life in the Garland community.

- Maintain elevated funding for the street repair program.
- Address public safety staffing needs in police patrol and fire.
- Expand redevelopment focus.
- Bolster City's ability to manage and complete capital projects.
- Elevate park maintenance and expand City-sponsored event venues.
- Enhance the care of animals at the City's shelter.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Department at the City of Garland, 200 North Fifth Street, Garland, TX 75040 or through the City's internet site www.garlandtx.gov.

GARLAND

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City of Garland, Texas
Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	As of December 31, 2017
ASSETS				
Cash and cash equivalents	$ 114,559,495	$ 45,155,126	$ 159,714,621	$ 1,252,879
Investments	78,939,537	28,875,155	107,814,692	101,195
Accounts Receivable, net of allowance for uncollectibles	19,220,377	75,470,345	94,690,722	201,612
Due from other governments	564,813	-	564,813	-
Internal Balances	(22,736,170)	22,736,170	-	-
Inventories	6,431,476	4,470,597	10,902,073	-
Prepaid and other items	18,799	1,629,639	1,648,438	5,000
Restricted Assets:				
Cash and cash equivalents	3,109,814	97,820,705	100,930,519	-
Investments	1,552,791	84,898,175	86,450,966	-
Accrued interest	4,382	302,345	306,727	-
Assets held for resale	516,586	-	516,586	363,545
Capital Assets:				
Land	99,348,015	42,089,765	141,437,780	1,570,767
Construction in Progress	30,726,128	35,501,905	66,228,033	-
Buildings, Improvements,				
Equipment and System (net of accumulated depreciation)	303,160,531	960,468,437	1,263,628,968	-
Other Assets	-	80,402,970	80,402,970	-
Net pension assets	1,091,718	407,717	1,499,435	-
Total assets	636,508,292	1,480,229,051	2,116,737,343	3,494,998
DEFERRED OUTFLOWS OF RESOURCES				
Fair value of energy risk derivatives	-	661,192	661,192	-
Deferred charges on debt refunding	371,410	824,589	1,195,999	-
Deferred charges on pensions	14,840,856	5,542,524	20,383,380	-
Deferred charges on OPEB	6,465,695	2,263,202	8,728,897	-
Total deferred outflows of resources	21,677,961	9,291,507	30,969,468	-
LIABILITIES				
Accounts payable and accrued liabilities	19,265,614	27,438,346	46,703,960	-
Escrow payable	637,690	254,675	892,365	-
Retainage payable	1,792,290	919,800	2,712,090	-
Accrued interest payable	1,588,514	3,523,630	5,112,144	-
Customer deposits	15,897,745	250,000	16,147,745	-
Tax Note Payable	12,195,000	-	12,195,000	-
Commercial Paper	6,000,000	-	6,000,000	-
Unearned revenue	8,263,419	-	8,263,419	1,393,533
Noncurrent Liabilities:				
Due within one year	43,057,998	54,100,318	97,158,316	2,906
Due in more than one year	340,823,569	738,529,852	1,079,353,421	-
Total liabilities	449,521,839	825,016,621	1,274,538,460	1,396,439
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on debt refunding	110,450	26,924	137,374	-
Deferred charges on pensions	19,818,050	7,401,325	27,219,375	-
Deferred charges on OPEB	893,503	312,755	1,206,258	-
Total deferred inflows of resources	20,822,003	7,741,004	28,563,007	-
NET POSITION				
Net investment in capital assets	183,437,109	426,347,930	609,785,039	1,570,767
Restricted for:				
Debt Service	5,304,131	7,801,425	13,105,556	-
Construction	1,344,990	-	1,344,990	-
Rate Mitigation	-	156,551,361	156,551,361	-
Housing	2,113,317	-	2,113,317	-
Other Grant Programs	5,355,448	-	5,355,448	-
Unrestricted net position	(9,712,584)	66,062,217	56,349,633	527,792
Total net position	$ 187,842,411	$ 656,762,933	$ 844,605,344	$ 2,098,559

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

City of Garland, Texas
Statement of Activities
For the Year Ended September 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
			Operating	Capital				Component Unit
		Charges	Grants and	Grants and	Governmental	Business-Type		as of
Functions/Programs	Expenses	for services	Contributions	Contributions	Activities	Activities	Total	12/31/2017
Primary Government								
Governmental activities:								
General government	$ 34,425,497	$ 9,910,970	$ 14,247,375	$ -	$ (10,267,152)	$ -	$ (10,267,152)	$ -
Public safety	108,420,934	19,654,603	668,136	-	(88,098,195)	-	(88,098,195)	-
Public works	42,764,067	18,752,900	-	11,057,555	(12,953,612)	-	(12,953,612)	-
Culture and recreation	24,323,627	1,354,400	8,492	-	(22,960,735)	-	(22,960,735)	-
Public health	4,405,451	514,925	485,931	-	(3,404,595)	-	(3,404,595)	-
Interest and fiscal charges	7,339,076	-	-	-	(7,339,076)	-	(7,339,076)	-
Total governmental activities	221,678,652	50,187,798	15,409,934	11,057,555	(145,023,365)	-	(145,023,365)	-
Business type activities:								
Electric	259,269,873	287,169,337	-	108,784	-	28,008,248	28,008,248	-
Water	64,111,798	76,184,876	-	2,319,419	-	14,392,497	14,392,497	-
Sewer	38,352,152	43,902,151	-	1,172,220	-	6,722,219	6,722,219	-
Golf	4,583,422	3,708,057	-	-	-	(875,365)	(875,365)	-
Heliport	5,315	7,257	-	-	-	1,942	1,942	-
Storm Water Management	4,292,213	4,326,657	-	-	-	34,444	34,444	-
Parks Performance	1,248,760	1,092,368	-	-	-	(156,392)	(156,392)	-
Sanitation	18,485,025	19,877,745	-	-	-	1,392,720	1,392,720	-
Total business-type activities	390,348,558	436,268,448	-	3,600,423	-	49,520,313	49,520,313	-
Total primary government	$ 612,027,210	$ 486,456,246	$ 15,409,934	$ 14,657,978	(145,023,365)	49,520,313	(95,503,052)	-
Component units								
Garland Housing Finance Corp.	$ 246,963	$ 748,327	$ -	$ -	-	-	-	$ 501,364
	$ 246,963	$ 748,327	$ -	$ -				
		General revenues:						
		Sales taxes			30,129,008	-	30,129,008	-
		Franchise fees based on gross receipts			8,912,728	-	8,912,728	-
		Property taxes			95,795,752	-	95,795,752	-
		Hotel/Motel taxes			1,431,266	-	1,431,266	-
		Mixed drink taxes			413,241	-	413,241	-
		Bingo taxes			88,130	-	88,130	-
		Unrestricted investment earnings			2,313,130	3,216,278	5,529,408	7,233
		Miscellaneous			34,151	2,100,389	2,134,540	-
		Transfers			40,394,892	(40,394,892)	-	-
		Total general revenues and transfers			179,512,298	(35,078,225)	144,434,073	7,233
		Change in net position			34,488,933	14,442,088	48,931,021	508,597
		Net position - beginning			186,449,946	656,704,336	843,154,282	1,589,962
		Cumulative effect of change in accounting principle			(33,096,468)	(14,383,491)	(47,479,959)	-
		Net position-beginning, as restated			153,353,478	642,320,845	795,674,323	1,589,962
		Net position-ending			$ 187,842,411	$ 656,762,933	$ 844,605,344	$ 2,098,559

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

City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2018

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 22,272,718	$ 6,506,988	$ 44,853,470	$ 8,205,239	$ 81,838,415
Investments	16,363,861	-	32,898,790	5,992,753	55,255,404
Receivables:					
Accounts, net	12,186,644	-	-	3,558,713	15,745,357
Taxes, net	489,166	385,622	-	-	874,788
Accrued interest	48,779	35	107,815	16,375	173,004
Assessments	16,032	-	-	-	16,032
Other	-	-	574,948	-	574,948
Due from other funds	1,924,636	-	2,217	-	1,926,853
Due from other governments	135,101	-	-	429,712	564,813
Assets held for resale	-	-	-	516,586	516,586
Restricted assets:					
Cash and cash equivalents	-	-	-	1,006,399	1,006,399
Total Assets	$ 53,436,937	$ 6,892,645	$ 78,437,240	$ 19,725,777	$ 158,492,599
LIABILITIES					
Accounts payable and accrued liabilities	$ 12,521,097	$ -	$ 2,468,046	$ 572,824	$ 15,561,967
Accrued interest-CO's	-	-	-	8,242	8,242
Escrow payable	-	-	170,600	467,090	637,690
Due to other funds	44,311	-	961,736	77,975	1,084,022
Unearned revenues	544,687	-	3,404,085	4,314,647	8,263,419
Retainage payable	19,658	-	1,770,950	1,682	1,792,290
Tax note payable	-	-	12,195,000	-	12,195,000
Commercial paper	-	-	6,000,000	-	6,000,000
Total Liabilities	13,129,753	-	26,970,417	5,442,460	45,542,630
DEFERRED INFLOWS OF RESOURCES	5,373,847	336,220	486,281	-	6,196,348
FUND BALANCES					
Fund balances:					
Restricted	2,661,895	6,556,425	41,224,962	6,151,860	56,595,142
Committed	11,399,953	-	-	8,155,937	19,555,890
Assigned	3,230,000	-	9,755,580	-	12,985,580
Unassigned	17,641,489	-	-	(24,480)	17,617,009
Total Fund Balances	34,933,337	6,556,425	50,980,542	14,283,317	106,753,621
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 53,436,937	$ 6,892,645	$ 78,437,240	$ 19,725,777	$ 158,492,599

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

City of Garland, Texas
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2018

Total fund balances - governmental funds	$	106,753,621
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		375,816,272
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		6,196,348
Net pension asset and deferred outflows related to pensions.		13,844,292
Deferred outflows related to OPEB.		5,410,919
Bond interest is not accrued at the fund level.		(1,444,421)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of:		
Bonds payable		(237,650,000)
Landfill closure costs		(13,464,219)
Compensated absences		(22,130,941)
Unamortized premium on refunding		(15,014,299)
Other Post Employment Benefits liability payable		(49,604,756)
Deferred loss on debt refunding		295,498
Deferred gain on debt refunding		(106,707)
Deferred inflows related to pensions.		(17,220,498)
Deferred inflows related to OPEB.		(747,743)
Internal service funds net position adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. Certain assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.		36,909,045
Total net position - governmental activities	$	187,842,411

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

City of Garland, Texas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2018

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 83,444,868	$ 41,727,175	$ -	$ 2,592,054	$ 127,764,097
Franchise fees	8,912,728	-	-	-	8,912,728
Service charges	27,082,445	-	-	-	27,082,445
Licenses and permits	4,488,052	-	-	-	4,488,052
Earnings on investments	669,993	184,515	693,637	155,630	1,703,775
Intergovernmental	1,851,230	-	-	14,386,097	16,237,327
Charges for services	9,819,344	-	-	-	9,819,344
Fines and forfeits	7,234,696	-	-	-	7,234,696
Rents and concessions	771,769	-	-	-	771,769
Assessments	-	-	39,872	-	39,872
Impact fees	-	-	-	1,441,120	1,441,120
Program income	-	-	-	1,405,285	1,405,285
Court awarded seizures	-	-	-	160,403	160,403
Miscellaneous and other	-	60,839	6,438,386	121,656	6,620,881
Total revenues	144,275,125	41,972,529	7,171,895	20,262,245	213,681,794
EXPENDITURES					
Current:					
General government	11,750,399	-	333,446	-	12,083,845
Public safety	95,537,161	-	-	-	95,537,161
Public works	27,150,168	-	-	-	27,150,168
Culture and recreation	16,471,742	-	-	-	16,471,742
Public health	3,833,685	-	-	-	3,833,685
Nondepartmental	27,873,387	-	-	-	27,873,387
Operations	-	-	-	16,288,216	16,288,216
Capital outlay	-	-	45,230,544	1,213,870	46,444,414
Debt service:					
Principal	-	24,600,000	-	185,000	24,785,000
Interest	-	9,261,125	-	445,419	9,706,544
Other and fiscal expenditures	-	147,014	268,612	-	415,626
Total expenditures	182,616,542	34,008,139	45,832,602	18,132,505	280,589,788
Excess (deficiency) of revenues over (under) expenditures	(38,341,417)	7,964,390	(38,660,707)	2,129,740	(66,907,994)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	23,888	-	45,000	-	68,888
Transfers in	45,446,781	685,460	20,141,595	293,063	66,566,899
Transfers out	(7,394,340)	(8,391,474)	(10,267,704)	(200,000)	(26,253,518)
Issuance of debt	-	-	25,365,000	-	25,365,000
Premium on issuance of debt	-	-	3,067,125	-	3,067,125
Total other financing sources (uses)	38,076,329	(7,706,014)	38,351,016	93,063	68,814,394
Net change in fund balance	(265,088)	258,376	(309,691)	2,222,803	1,906,400
Fund balances - beginning	35,198,425	6,298,049	51,290,233	12,060,514	104,847,221
Fund balances - ending	$ 34,933,337	$ 6,556,425	$ 50,980,542	$ 14,283,317	$ 106,753,621

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

City of Garland, Texas
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2018

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

Net change in fund balances - total governmental funds	$ 1,906,400
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	33,463,697
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,524,322)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,054,614)
Other long-term liabilities related to pension expense and contributions, are not due and payable in the current period and therefore, are not reported in governmental funds.	(1,522,461)
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	(1,227,557)
Interest is accrued in the government wide financial statements but not at the fund level. This represents the change in the accrual during the period.	(192,723)
Internal service funds are used by management to charge the costs of vehicle services, building services, printing services, and insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	5,640,513
Net change in net position-total governmental activities	$ 34,488,933

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

City of Garland, Texas
Proprietary Funds
Statement of Net Position
September 30, 2018

	Business-type Activities					Governmental Activities
	Electric	**Water**	**Sewer**	**Other Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 25,264,830	$ 7,885,783	$ 9,332,259	$ 2,672,254	$ 45,155,126	$ 32,721,080
Investments	14,324,516	5,758,493	6,833,962	1,958,184	28,875,155	23,684,134
Receivable, net of allowance	57,645,848	9,241,535	5,830,994	2,662,008	75,380,385	1,769,029
Accrued interest	37,956	16,905	29,948	5,151	89,960	67,219
Due from other funds	-	15,562	12,598	952,385	980,545	5,197
Inventories	4,390,052	-	-	80,545	4,470,597	6,431,476
Prepaid expense	1,629,639	-	-	-	1,629,639	18,799
Total current assets	103,292,841	22,918,278	22,039,761	8,330,527	156,581,407	64,696,934
Noncurrent Assets:						
Restricted assets						
Revenue bond reserve fund:						
Cash and cash equivalents	-	3,395,695	2,407,370	-	5,803,065	-
Investments	-	-	1,998,360	-	1,998,360	-
Total revenue bond reserve fund	-	3,395,695	4,405,730	-	7,801,425	-
Rate mitigation:						
Cash and cash equivalents	79,832,716	-	-	-	79,832,716	-
Investments	76,434,636	-	-	-	76,434,636	-
Accrued interest	284,009	-	-	-	284,009	-
Total rate mitigation	156,551,361	-	-	-	156,551,361	-
Construction funds:						
Cash and cash equivalents	2,928,242	878,776	5,994,446	2,383,460	12,184,924	2,103,414
Investments	589,323	480,328	3,641,158	1,754,370	6,465,179	1,552,791
Accrued interest	1,696	1,355	10,338	4,947	18,336	4,382
Total construction funds	3,519,261	1,360,459	9,645,942	4,142,777	18,668,439	3,660,587
Capital Assets:						
Land	26,756,449	1,807,965	2,338,807	11,186,544	42,089,765	358,759
Buildings, improvements, equipment and systems	734,131,307	307,373,341	486,425,143	43,872,313	1,571,802,104	122,138,912
Construction in progress	18,805,171	7,470,389	9,077,186	149,159	35,501,905	5,114,169
Less accumulated depreciation	(213,868,225)	(122,231,596)	(248,645,210)	(26,588,636)	(611,333,667)	(70,193,438)
Net capital assets	565,824,702	194,420,099	249,195,926	28,619,380	1,038,060,107	57,418,402
Other Assets	80,402,970	-	-	-	80,402,970	-
Advance to other funds	3,896,269	-	-	-	3,896,269	-
Net pension assets	241,113	43,299	58,863	64,442	407,717	143,090
Total noncurrent assets	810,435,676	199,219,552	263,306,461	32,826,599	1,305,788,288	61,222,079
Total Assets	913,728,517	222,137,830	285,346,222	41,157,126	1,462,369,695	125,919,013
Deferred Outflows of Resources						
Deferred charges on debt refundings	274,271	202,002	348,185	131	824,589	75,912
Deferred charges on pensions	3,277,696	588,603	800,189	876,036	5,542,524	1,945,192
Deferred charges on OPEB	1,042,318	269,923	423,572	527,389	2,263,202	1,054,776
Deferred charges on derivatives	661,192	-	-	-	661,192	-
Total deferred outflows	5,255,477	1,060,528	1,571,946	1,403,556	9,291,507	3,075,880

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

City of Garland, Texas
Proprietary Funds
Statement of Net Position
September 30, 2018

	Business-type Activities					Governmental Activities
	Electric	**Water**	**Sewer**	**Other Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
LIABILITIES						
Current liabilities:						
Payable from current assets						
Accounts payable and accrued liabilities	$ 17,942,189	$ 3,465,019	$ 619,667	$ 544,311	$ 22,571,186	$ 3,691,515
Due to other funds	2,452	-	-	-	2,452	1,826,121
Insurance claims payable	-	-	-	-	-	5,488,341
Accrued interest payable:						
General obligation bonds	69,863	10,452	34,954	83	115,352	30,367
Certificates of obligation	915,751	-	-	100,901	1,016,652	105,484
Revenue bonds	1,100,724	629,681	661,221	-	2,391,626	-
Customer deposits	250,000	-	-	-	250,000	15,897,745
General obligation bonds	5,115,000	615,000	1,945,000	-	7,675,000	485,000
Certificates of obligation	14,040,000	-	-	3,450,000	17,490,000	1,270,000
Revenue bonds	11,150,000	6,360,000	8,750,000	-	26,260,000	-
Compensated absences	1,594,394	265,926	386,774	317,986	2,565,080	864,595
Derivative instruments-energy risk management	110,238	-	-	-	110,238	-
Total current liabilities	52,290,611	11,346,078	12,397,616	4,413,281	80,447,586	29,659,168
Long-term liabilities:						
Payable from restricted assets						
Accounts payable	2,984,290	705,089	1,165,912	11,869	4,867,160	12,132
Retainage payable	-	-	919,800	-	919,800	-
Escrow payable	254,675	-	-	-	254,675	-
Total payable from restricted assets	3,238,965	705,089	2,085,712	11,869	6,041,635	12,132
Advances from other funds	-	-	-	-	-	3,896,269
Revenue bonds payable (net of unamortized premium)	199,210,928	99,662,059	102,111,029	-	400,984,016	-
Certificates of obligation (net of unamortized premium)	134,982,448	-	-	10,143,169	145,125,617	16,724,195
General obligation bonds (net of unamortized premium and defeased bond costs)	6,204,535	1,126,016	3,806,542	16,930	11,154,023	5,070,243
Commercial paper	159,440,000	-	-	-	159,440,000	-
Insurance claims payable	-	-	-	-	-	6,349,054
Net OPEB liability	9,555,483	2,474,527	3,883,104	4,834,846	20,747,960	9,669,692
Compensated absences	367,553	7,235	84,399	68,095	527,282	96,232
Derivative instruments-energy risk management	550,954	-	-	-	550,954	-
Total other liabilities	510,311,901	103,269,837	109,885,074	15,063,040	738,529,852	41,805,685
Total Liabilities	565,841,477	115,321,004	124,368,402	19,488,190	825,019,073	71,476,985
Deferred Inflows of Resources						
Deferred charges on debt refundings	14,296	1,916	10,712	-	26,924	3,743
Deferred charges on pensions	4,376,940	786,003	1,068,549	1,169,833	7,401,325	2,597,552
Deferred charges on OPEB	144,039	37,301	58,534	72,881	312,755	145,760
Total deferred inflows of resources	4,535,275	825,220	1,137,795	1,242,714	7,741,004	2,747,055
NET POSITION						
Net investment in capital assets	179,751,762	87,312,394	140,143,585	20,081,385	427,289,126	37,517,419
Restricted for:						
Debt service	-	3,395,695	4,405,730	-	7,801,425	-
Rate mitigation	156,551,361	-	-	-	156,551,361	-
Unrestricted	12,304,119	16,344,045	16,862,656	1,748,393	47,259,213	17,253,434
Total net position	$ 348,607,242	$ 107,052,134	$ 161,411,971	$ 21,829,778	638,901,125	$ 54,770,853
Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.					17,861,808	
Net position of business type activities					$ 656,762,933	

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

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2018

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	$ 287,169,337	$ 76,184,876	$ 43,902,151	$ 29,012,084	$ 436,268,448	$ 63,029,248
Insurance premiums	-	-	-	-	-	37,716,586
Other	1,353,744	349,046	105,850	291,749	2,100,389	4,932,332
Total Operating Revenues	288,523,081	76,533,922	44,008,001	29,303,833	438,368,837	105,678,166
OPERATING EXPENSES:						
Salaries and benefits	23,986,819	4,935,836	8,970,213	10,231,940	48,124,808	22,082,602
Demand charges	38,599,035	-	-	-	38,599,035	-
Amortization of other assets	6,912,642	-	-	-	6,912,642	-
Energy and fuel purchases	129,119,453	-	-	-	129,119,453	-
Water purchases	-	37,084,695	-	-	37,084,695	-
Landfill fees	-	-	-	3,085,670	3,085,670	-
Maintenance, repairs, and other	10,758,527	5,160,633	7,706,116	7,922,054	31,547,330	21,684,562
Insurance and other expenses	3,142,116	550,472	730,755	650,905	5,074,248	-
General and administrative	16,592,158	5,726,870	5,447,597	2,545,919	30,312,544	11,118,267
Capitalized general and administrative	-	(193,518)	(385,489)	-	(579,007)	-
Premiums	-	-	-	-	-	6,896,945
Claims	595,038	151,237	238,951	278,219	1,263,445	25,711,163
Administrative services	-	-	-	-	-	1,034,257
Depreciation	16,620,227	8,200,191	13,166,501	4,167,404	42,154,323	8,066,533
Total Operating Expenses	246,326,015	61,616,416	35,874,644	28,882,111	372,699,186	96,594,329
Total Operating Income	$ 42,197,066	$ 14,917,506	$ 8,133,357	$ 421,722	$ 65,669,651	$ 9,083,837
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on disposal of capital assets	$ (2,824,104)	$ -	$ -	$ 206,000	$ (2,618,104)	$ 127,218
Gain on derivative instruments	(65,125)	-	-	-	(65,125)	-
Investment income	2,559,172	201,851	373,983	81,272	3,216,278	609,355
Interest expense	(12,267,269)	(3,048,685)	(2,808,495)	(187,357)	(18,311,806)	(915,745)
Income (loss) before transfers and contributions	29,599,740	12,070,672	5,698,845	521,637	47,890,894	8,904,665
Capital contributions	108,784	2,319,419	1,172,220	-	3,600,423	-
TRANSFERS						
Transfers in	518,040	-	-	1,237,750	1,755,790	847,639
Transfers out	(27,883,938)	(7,022,137)	(5,943,620)	(1,300,987)	(42,150,682)	(766,128)
Net transfers	(27,365,898)	(7,022,137)	(5,943,620)	(63,237)	(40,394,892)	81,511
NET INCOME (LOSS)	2,342,626	7,367,954	927,445	458,400	11,096,425	8,986,176
Net position, beginning of year	352,983,247	101,431,712	163,214,642	24,558,590	642,188,191	51,221,697
Cumulative effect of change in accounting principle	(6,718,631)	(1,747,532)	(2,730,116)	(3,187,212)	(14,383,491)	(5,437,020)
Net position, beginning of year, restated	346,264,616	99,684,180	160,484,526	21,371,378	627,804,700	45,784,677
Net position, end of year	$ 348,607,242	$ 107,052,134	$ 161,411,971	$ 21,829,778	638,901,125	$ 54,770,853
Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue of certain internal service funds is reported with business type activities					3,345,663	
Change in net position of business-type activities					$ 14,442,088	

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2018

	Business-type Activities					Governmental Activities
	Electric	**Water**	**Sewer**	**Other Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
Cash flows from operating activities:						
Cash received from customers	$ 275,017,503	$ 74,921,939	$ 49,107,003	$ 28,795,973	$ 427,842,418	$ 101,662,696
Cash received for customer deposit	1,544	-	-	-	1,544	725,097
Cash paid to suppliers	(197,366,059)	(48,226,868)	(13,588,422)	(14,370,805)	(273,552,154)	(66,168,027)
Cash paid to employees for services	(23,555,498)	(4,850,085)	(8,794,560)	(10,116,734)	(47,316,877)	(21,798,065)
Other operating revenues	1,353,744	349,046	105,850	291,748	2,100,388	4,932,332
Net cash provided by operations	55,451,234	22,194,032	26,829,871	4,600,182	109,075,319	19,354,033
Cash flows from noncapital financing activities:						
Due from other funds increase	-	(15,562)	(12,598)	-	(28,160)	(31,662)
Due to other funds increases increase	2,452	-	-	29,758	32,210	54,323
Due from other governments (increase) decrease	609,323	-	-	(776,884)	(167,561)	-
Transfers in	518,040	-	-	1,237,750	1,755,790	847,639
Transfers out	(27,883,938)	(7,022,137)	(5,943,620)	(1,300,987)	(42,150,682)	(766,128)
Net cash provided by (used for) noncapital financing activities	(26,754,123)	(7,037,699)	(5,956,218)	(810,363)	(40,558,403)	104,172
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	4,180,000	4,180,000	410,000
Refunding bonds	31,985,000	24,155,000	24,155,000	-	80,295,000	-
Premium on issuance of debt	3,581,148	3,584,519	3,584,519	338,760	11,088,946	45,693
Commercial paper	188,865,000	(19,000,000)	(21,000,000)	-	148,865,000	-
Acquisition and construction of capital assets	(78,462,652)	(9,951,527)	(10,363,158)	(4,669,757)	(103,447,094)	(8,000,370)
Principal paid on:						
Revenue bonds	(10,640,000)	(5,745,000)	(8,160,000)	-	(24,545,000)	-
Certificates of obligation	(12,415,000)	-	-	(2,810,000)	(15,225,000)	(2,080,000)
General obligation bonds	(5,825,000)	(760,000)	(2,155,000)	-	(8,740,000)	(250,000)
Payment to escrow agent	(5,925,484)	-	-	-	(5,925,484)	-
Commercial paper	(152,705,000)	-	-	-	(152,705,000)	-
Interest paid on:						
Revenue bonds	(8,095,963)	(3,296,532)	(3,737,526)	-	(15,130,021)	-
Certificates of obligation	(7,460,275)	-	-	(463,433)	(7,923,708)	(838,940)
General obligation bonds	(692,374)	(99,748)	(326,226)	(650)	(1,118,998)	(240,619)
Commercial paper	(3,715,609)	(427,016)	(432,225)	-	(4,574,850)	-
Bond issue expense	73,899	-	-	-	73,899	-
Loss on derivative instruments	(65,125)	-	-	-	(65,125)	-
Contributions	-	142,280	46,099	-	188,379	-
Proceeds from sales of assets	-	-	-	206,000	206,000	155,032
Net cash used for capital and related financing activities	(61,497,435)	(11,398,024)	(18,388,517)	(3,219,080)	(94,503,056)	(10,799,204)

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2018

	Business-type Activities					Governmental Activities
	Electric	**Water**	**Sewer**	**Other Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
Cash flows from investing activities:						
Purchase of investment securities	(62,619,257)	(5,705,394)	(8,999,102)	(2,951,817)	(80,275,570)	(18,240,134)
Proceeds from sale and maturities of investment securities	131,430,159	8,005,840	11,982,712	3,723,956	155,142,667	20,895,953
Interest received on investments	2,485,296	198,541	366,044	79,113	3,128,994	589,024
Net cash provided by investing activities	71,296,198	2,498,987	3,349,654	851,252	77,996,091	3,244,843
Net increase in cash and cash equivalents	38,495,874	6,257,296	5,834,790	1,421,991	52,009,951	11,903,844
Cash and cash equivalents at beginning of the year	69,529,914	5,902,958	11,899,285	3,633,723	90,965,880	22,920,650
Cash and cash equivalents at end of the year	$ 108,025,788	$ 12,160,254	$ 17,734,075	$ 5,055,714	$ 142,975,831	$ 34,824,494
Reconciliation to Statement of Net Position						
Cash and cash equivalents	$ 25,264,830	$ 7,885,783	$ 9,332,259	$ 2,672,254	$ 45,155,126	$ 32,721,080
Revenue bond cash and cash equivalents	-	3,395,695	2,407,370	-	5,803,065	-
Rate mitigation cash and cash equivalents	79,832,716	-	-	-	79,832,716	-
Construction fund cash and cash equivalents	2,928,242	878,776	5,994,446	2,383,460	12,184,924	2,103,414
Total cash and cash equivalents	$ 108,025,788	$ 12,160,254	$ 17,734,075	$ 5,055,714	$ 142,975,831	$ 34,824,494
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	$ 42,197,066	$ 14,917,506	$ 8,133,357	$ 421,722	$ 65,669,651	$ 9,083,837
Adjustments:						
Depreciation expense	16,620,227	8,200,191	13,166,501	4,167,404	42,154,323	8,066,533
Amortization of other assets	6,912,642	-	-	-	6,912,642	-
Change in allowance for uncollectible accounts	4,738	467	15,253	13,142	33,600	-
Change in assets and liabilities						
Decrease in pension related deferred outflows	6,346,482	1,139,689	1,549,377	1,696,235	10,731,783	3,766,401
Increase in OPEB related deferred outflows	(1,042,318)	(269,923)	(423,572)	(527,389)	(2,263,202)	(1,054,776)
(Increase) decrease in accounts receivable	(12,156,572)	(1,263,404)	5,189,599	(229,253)	(8,459,630)	916,861
Increase in inventory	(79,510)	-	-	(5,165)	(84,675)	(33,043)
Increase in net pension assets	(241,113)	(43,299)	(58,863)	(64,442)	(407,717)	(143,090)
Increase in other assets	(551,550)	-	-	-	(551,550)	-
Decrease in net pension liability	(9,238,541)	(1,659,040)	(2,255,420)	(2,469,200)	(15,622,201)	(5,482,733)
(Increase) decrease in other prepaid expense	(1,329,479)	-	-	-	(1,329,479)	37,600
Increase (decrease) in accounts payable	3,164,340	192,285	53,414	(2,522)	3,407,517	(1,849)
Increase in compensated absences	44,357	16,261	81,183	11,782	153,583	54,889
Increase in customer deposits	1,544	-	-	-	1,544	725,097
Increase (decrease) in OPEB liability	1,134,746	293,858	461,132	574,154	2,463,890	1,148,309
Increase in insurance claims payable	-	-	-	-	-	35,167
Increase in pension related deferred inflows	3,520,136	632,140	859,376	940,833	5,952,485	2,089,070
Increase in OPEB related deferred inflows	144,039	37,301	58,534	72,881	312,755	145,760
Total adjustments	13,254,168	7,276,526	18,696,514	4,178,460	43,405,668	10,270,196
Net cash provided by operating activities	$ 55,451,234	$ 22,194,032	$ 26,829,871	$ 4,600,182	$ 109,075,319	$ 19,354,033
Noncash investing, capital and financing activities:						
Contributions from developers	108,784	2,098,607	1,003,584	-	3,210,975	-
Increase in fair market value of investments	187,648	26,035	33,247	18,335	265,265	124,621
Change in restricted accounts payable	(6,718,948)	238,816	(69,847)	(159,005)	(6,708,984)	(45,995)

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

City of Garland, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2018

		Other Post Employment Benefits Trust Fund
Assets		
Investments:		
Equity mutual funds	$	2,956,533
Fixed income mutual funds		2,691,101
Money market fund		11,885
Total investments		5,659,519
Total assets	$	5,659,519
Net Position		
Held in trust for other post employment benefits and other purposes		5,659,519
Total net position	$	5,659,519

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

City of Garland, Texas
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2018

		Other Post Employment Benefits Trust Fund
Additions		
Earnings from investments	$	303,211
Employer contributions		5,024,715
Total additions		5,327,926
Deductions		
Administrative expenses		30,018
Payments to beneficiaries		3,774,715
Total deductions		3,804,733
Change in net position		1,523,193
Net position, beginning of year		4,136,326
Net position, end of year	$	5,659,519

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and eight-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Discretely Presented Component Unit
The Garland Housing Finance Corporation (GHFC) was organized to finance the cost of residential ownership and development that will provide decent, safe and sanitary housing for residents of the City at affordable prices. GHFC is governed by a board of directors that are appointed by and serve at the discretion of the City Council. GHFC is reported as a proprietary entity and maintains their accounts on an accrual basis of accounting. On October 1, 2012, GHFC hired an outside accounting firm to conduct their bookkeeping and accounting. The financial information for GHFC is included in the statements for the period of January 1, 2017 through December 31, 2017. Complete separate December 31, 2017 financial statements for GHFC may be obtained from the City.

Blended Component Unit
The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. The City Council serves as the board members for GFFD and the Assistant City Manager is the Executive Director. GFFD is reported as a blended component unit of the non-major enterprise golf fund and the capital project fund.

In 2018, The City of Garland created the Garland Public Facility Corporation (GPFC) as a public facility corporation under Chapter 303 of the Texas Local Development Code. The GPFC was organized exclusively for the purpose of assisting the City in financing, refinancing, or providing public facilities. The Mayor and City Council serves as the board members of the GPFC. GPFC is reported as a blended component unit of the non-major governmental funds.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers sales tax revenue to be available if they are collected within 30 days of the end of the current fiscal period and all other revenues available if they are collected within 60 days of the end of the annual fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, actuarially determined pension and OPEB expenses, and claims and judgments, are recorded only when payment is due. Grant revenues are recognized as revenues when all eligibility requirements are met.

Property taxes, franchise fees, licenses, mowing liens, sales taxes, EMS fees, court fines, and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are available as defined above. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

The Electric Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide electric service for the residents of the City.

The Water Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide water service for the residents of the City.

The Sewer Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide wastewater treatment service for the residents of the City.

Additionally, the City reports the following fund categories:

Special revenue funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. These specific revenue sources are Community Development Block Grants, Housing Assistance Grants, Neighborhood Services Grants and Funding, Hotel/Motel Tax, Impact Fees, Landfill Closure Funding, Police Training, Substandard Perimeter Road Funding, Narcotic Seizure Funding, and Tax Increment Finance funds.

The City's nonmajor enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that costs of providing goods and services to the general public on a continuing basis will be financed or recovered through user charges. These funds are the Golf Fund, the Heliport Fund, the Storm Water Management Fund, the Parks Performance Fund, and the Sanitation Fund.

Internal service funds account for group health, self-insurance, long-term disability, fleet services, vehicle replacement, information technology, facilities management, warehouse, and customer services to other departments of the City on a cost reimbursement basis.

The Other Post-Employment Benefits trust fund accounts for the activities of the trust fund which accumulates resources for OPEB related benefits, and is excluded from the government-wide financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's electric, water, sewer, sanitation, and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and the City Council approved investment policy authorize the City to invest in obligations of the Agencies and Instrumentalities of the U.S. Treasury, commercial paper, FDIC insured Certificates of Deposit, repurchase agreements, reverse repurchase agreements, SEC registered no-load money market mutual funds, and investment pools.

The deposits and investments of the OPEB trust fund are held separately from those of other City funds by an outside trustee appointed by the City.

Investments for the primary government, as well as for its component units, are reported at fair value. The Texpool and TexStar investment pools operate in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts for utility billing is estimated based on collection experience. All other allowance for uncollectible accounts is based on accounts outstanding in excess of 360 days of the invoice date and collection experience. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last five years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established by the Dallas Central Appraisal District at 100% of estimated market value. Property taxes attach an enforceable lien on property as of January 1. Taxes are due immediately following the October 1 levy date and are considered delinquent after January 31 of the following year. Penalty and interest are charged at 7% on delinquent taxes beginning February 1 and increases each month to 18% on July 1. After all collection efforts have failed, the City files suit to collect the delinquent taxes.

In Texas, countywide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews by the appraisal district through various appeals and, if necessary, legal action. Under this system the City sets tax rates on property within the City. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

3. *Inventories and prepaid items*

All inventories are valued at average cost and consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are accounted for under the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted assets*

Certain proceeds of the City's general obligation bonds, certificates of obligation, and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet or statement of net position because their use is limited by applicable bond covenants or they are maintained in separate bank accounts due to City Charter requirements. The "rate mitigation" account is used to report resources set aside to subsidize potential deficiencies from Electric Fund operations that could adversely affect rates that are charged to customers. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction of assets.

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the City as tangible or intangible assets used in operations with an initial useful life in excess of one year. Capital asset values are established on a department by department basis where the initial asset cost is $5,000 and above.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value for buildings excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond 40 years. The reported value for infrastructure includes all upgrades and is depreciated over a useful life of 15-50 years. In the case of contributed assets, the City values these capital assets at the acquisition value of the item at the date of its contribution.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capital value of the assets constructed. The total interest expense by the City during the current year was $28,934,094. Of this amount, $4,005,373 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	15 – 40
Improvements other than buildings	5 – 15
Equipment	2 – 10
Systems and Infrastructure	15 – 50

6. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees are reimbursed upon termination for accumulated vacation and only non-exempt employees are reimbursed for compensatory time. Employees are not reimbursed upon termination for accumulated sick leave except for police and firefighters who are reimbursed up to a maximum of 90 days accumulated sick leave. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements.

7. Long-term obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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

8. Classifications of Fund balance

Fund balances for governmental funds are reported in classifications that demonstrate the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund classifications are as follows:

Nonspendable – The portion of fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.
Restricted – The portion of fund balance that is restricted for specific purposes due to constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
Committed – The portion of fund balance that can only be used for specific purposes by the City's highest level of decision-making authority, the City Council, and are imposed by the City Council through an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until an ordinance is imposed to remove or revise the limitation.
Assigned – The portion of the fund balance that is constrained by the City's intent for specific purposes, but are not restricted or committed. In fund balance policy, the City Council delegates authority to the Director of Finance or the Director of Finance's designee to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
Unassigned – The portion of the fund balance that is not restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned funds balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, if expenditures incurred for specific purposes exceed the amounts that are not restricted, committed, or assigned to this purpose, it may be necessary to report a negative fund balance in that fund.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

In order to remain financially strong and provide a framework for prudent financial management, the City maintains a minimum unassigned fund balance goal in the General fund of 30 days of budget-based operating expenditures.

Fund balances for governmental activities as of September 30, 2018 are:

Fund Balance	*General Fund*	*Debt Service*	*Capital Projects*	*Other Nonmajor Governmental Funds*	*Total Governmental Funds*
Restricted:					
General government	$ 1,344,990	$ -	$ -	$ 3,728,181	$ 5,073,171
Debt service	-	6,556,425	-	-	6,556,425
Parks construction	-	-	581,433	-	581,433
Streets and drainage	-	-	2,222,061	-	2,222,061
Public facilities	-	-	38,421,468	-	38,421,468
Housing assistance	-	-	-	2,113,317	2,113,317
Public safety	1,316,905	-	-	310,362	1,627,267
Total Restricted	2,661,895	6,556,425	41,224,962	6,151,860	56,595,142
Committed:					
General government	1,915,702	-	-	-	1,915,702
Public works and infrastructure	9,484,251	-	-	8,155,937	17,640,188
Total Committed	11,399,953	-	-	8,155,937	19,555,890
Assigned:					
General government	3,230,000	-	9,755,580	-	12,985,580
Total Assigned	3,230,000	-	9,755,580	-	12,985,580
Unassigned	17,641,489	-	-	(24,480)	17,617,009
Total fund balance	$ 34,933,337	$ 6,556,425	$ 50,980,542	$ 14,283,317	$ 106,753,621

9. *Fund net position*

In the fund financial statements, proprietary funds report restricted net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

10. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on refunding – The deferred charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or the refunded debt.
- Pension and OPEB contributions subsequent to measurement date – The deferred charges result from contributions made after the measurement date of the plans to the current fiscal year end. These charges will be recognized in the subsequent fiscal year end.
- Difference in projected and actual earnings – The difference is deferred and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Difference in assumption changes – difference is deferred and amortized over estimated average remaining lives of all members determined as of measurement date.

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

- Fair value of energy risk derivatives – The deferred charge represents fuel swap hedging activity and is calculated as the difference between the closing futures price at the end of the reporting period, and the futures price at the time the positions were established.
- Deferred charges on refunding – The deferred charge results from the difference in carry value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or the refunded debt.
- Difference in expected and actual economic experience – The difference is deferred and will be amortized as a component of pension and OPEB expense over the estimated average remaining lives of all members determined as of measurement date.

11. New accounting principles

The City implemented the following new GASB standards during the fiscal year ended September 30, 2018:

The GASB has issued Statement No. 74, *“Financial Reporting for Postemployement Benefit Plans Other Than Pension Plans”* (“GASB 74”), which will be effective in fiscal year 2018. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose financial statements. The adoption of Statement No. 74 had no impact on the City’s financial statements. The City’s OPEB plan year end is December 31.

The GASB has issued Statement No. 75, *"Accounting and Financial Reporting for Postemployement Benefit Plans Other Than Pension"* ("GASB 75"), which will be effective in fiscal year 2018. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

With the implementation of Statement No. 75, the City's government-wide and proprietary fund financial statements were restated to reflect the beginning net OPEB liability, deferred outflows and inflows of resources and the recognition of OPEB expense and contributions made between the start of the measurement period and the City's prior fiscal year. The restatement to beginning net position is noted below and reflected on the statements:

	Government-wide		Fund Level: Statement of Revenues, Expense and Changes in Net Position – Proprietary Funds	
	Governmental Activities	Business-type Activities	Business-type	Internal Services
Net position at 10/01/17	$ 186,449,946	$ 656,704,336	$ 642,188,191	$ 51,221,697
Change in reporting for OPEB	(33,096,468)	(14,383,491)	(14,383,491)	(5,437,020)
Net position restated at 10/01/17	$ 153,353,478	$ 642,320,845	$ 627,804,700	$ 45,784,677

The GASB has issued Statement No. 81, "*Irrevocable Split-Interest Agreements"* ("GASB 81"), which will be effective in fiscal year 2018. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of Statement No. 81 had no impact on the City's financial statements.

The GASB has issued Statement No. 85, *"Omnibus 2017"* (GASB 85), which will be effective in fiscal year 2018. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. The City implemented this Statement in the current fiscal year.

The GASB has issued Statement No. 86, *"Certain Debt Extinguishment Issues"* (GASB 86), which will be effective in fiscal year 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of Statement No. 86 had no impact on the City's financial statements.

GASB issued the following new accounting standards that are expected to be implemented by the City in future years:

The GASB has issued Statement No. 83, *"Certain Asset Retirement Obligations"* ("GASB 83"), which will be effective in fiscal year 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 84, *"Fiduciary Activities"* ("GASB 84"), which will be effective in fiscal year 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 87 *"Leases"* (GASB 87), which will be effective in fiscal year 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance of consistency of information about governments' leasing activities. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"* ("GASB 89"), which will be effective in fiscal year 2020. The objective of this statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This City is currently evaluating the impact of this statement.

The GASB has issued Statement No. 90, *"Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61"* ("GASB 90"), which will be effective in fiscal year 2020. The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The City has not yet evaluated the impact of the implementation of this standard.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $237,650,000 difference is as follows:

General Obligation bonds – General Government portion	$156,905,000
Certificates of Obligation – General Government portion	80,745,000
Net adjustment to reduce *fund balance – total governmental funds* to arrive at net position – governmental activities	$237,650,000

The portion of Certificates of Obligation amounting to $17,655,000 and a portion of General Obligation amounting to $5,000,000 was issued for Internal Service fund projects.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $2,054,614 difference are as follows:

Debt issued or incurred:	
Issuance of certificate of obligation – Governmental Funds	$ (25,365,000)
Net premium on issuance of CO bonds	(3,067,125)
Principal repayments:	
General obligation debt	19,055,000
Certificates of obligation	5,730,000
Amortization of bond premium	3,891,562
Change in landfill closure liability	(907,807)
Change in compensated absences liability	(1,391,244)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ (2,054,614)

Another element of that reconciliation states that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period." The details of this $29,942,681 difference are as follows:

Capital outlays	$ 46,444,414
Developers contributions	5,858,733
General Fund expense outlays	11,310,621
Depreciation expense	(29,656,261)
CIP expense outlays	(288,777)
Proceeds from disposal of assets	(68,888)
Gain on disposals of assets	(136,145)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 33,463,697

III. Stewardship, compliance, and accountability

Deficit fund equity

The Self-Insurance Fund deficit of $1,296,435 is a result of an accrual of claims incurred but not reported of $6,500,950. This accrual was made on the basis of an actuarial analysis completed in 2018. This fund is managed and funded on a modified accrual basis. Therefore, this fund will continue to report a deficit.

The Long-Term Disability Insurance Fund deficit of $1,409,569 is the result of an accrual of claims incurred but not reported of $3,112,604. This accrual was made on the basis of an actuarial analysis completed in 2018. This fund is managed and funded on a modified accrual basis. Therefore, this fund will continue to report a deficit.

The Facilities Management Fund deficit of $966,264 is due to the implementation of GASB 75 which required a restatement of beginning net position of $760,575 and reporting an actuarial determined OPEB expense of $32,974. The fund is managed on a modified accrual basis. Charges to other operating funds are adjusted annually to meet current operating needs.

The Warehouse Fund deficit of $290,171 is due to the implementation of GASB 75 which required a restatement of beginning net position of $205,691 and reporting an actuarial determined OPEB expense of $9,420. The fund is managed on a modified accrual basis. Charges to other operating funds are adjusted annually to meet current operating needs.

IV. Detailed notes on all funds

A. Deposits and investments

Deposits. State statutes and the City's investment policy require that all uninsured deposits in financial institutions be fully collateralized by U.S. Government obligations or it agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2018. Collateral was held by the Federal Reserve Bank in the City name under a joint safekeeping agreement with JP Morgan Chase Bank. The market value of the collateral at the close of the fiscal year was $18,000,000.

As of September 30, 2018, the carrying amount of the City's deposits was $4,683,155 and the bank balance was $7,019,161. These balances include the City's blended component unit (Garland Foundation for Development). On September 30, 2018, the City's bank balance and the balance for GFFD was fully collateralized. Bank balances for the City's discretely presented component unit (Garland Housing Finance Corporation) were fully collateralized and the carrying value of the component unit's deposits was $1,252,879.

Investments. State statutes, the City's Investment Policy, and the City Statement of Investment Strategies govern the investments of the City. The City is authorized to invest in obligations of the U.S. Government and its agencies and instrumentalities, federal agency discount-amortizing notes, federal agency coupon securities, managed pool accounts and Certificates of Deposit.

As of September 30, 2018, the City had the following cash equivalents and investments:

Investment Type	Book Value	Fair Value Level 2	% of portfolio	WAM	Rating	Rating Agency
Federal Farm Credit Bank	$ 41,088,060	$ 40,823,362	9.09%	244	AA+/Aaa	S&P/Moody's
Federal Home Loan Bank	71,805,075	71 237,333	15.90%	317	AA+/Aaa	S&P/Moody's
Federal Home Loan Mortgage Corp	42,949,786	42,510,413	9.51%	404	AA+/Aaa	S&P/Moody's
Federal National Mortgage Association	24,968,087	24,782,180	5.53%	261	AA+/Aaa	S&P/Moody's
Federal Agriculture Mortgage Corp	5,000,000	4,991,670	1.11%	116	AA+/Aaa	S&P/Moody's
US Treasury	9,942,709	9,920,700	2.20%	181	AA+/Aaa	S&P/Moody's
Certificates of Deposit	6,575,406	-	1.45%	1	N/A	N/A
Investment Pools	249,386,579	-	55.21%	1	AAAm	S&P
Total investment fair value	$ 451,715,702	$ 194,265,658	100.00%	132		

Weighted average maturity (WAM) of the portfolio by investment type categories reflected in the previous table is stated in days. The rating agency acronyms are defined as follows: S&P-Standard & Poor's rating agency and Moody's-Moody's Investor Service.

Fair Value Measurement. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets and liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are inputs (other than quoted prices within Level 1) that are observable for an asset and liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. For the City, all of the U.S. Government Agency securities and Municipal obligations are classified in Level 2 of the fair value hierarchy and are valued based on their relationship to benchmark quoted prices. Investment Pools and Certificates of Deposit are measured at amortized cost or net asset value and are exempt from fair value reporting.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than five years and a WAM of three years or less. As of September 30, 2018, the WAM for all cash equivalents and investments was 132 days.

Credit risk. The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating organization. The City's investments in U. S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of September 30, 2018.

The City invests in Texpool and Texstar to meet its daily liquidity needs. Texpool and Texstar are local government investment pools (LGIPs) that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. These pools qualify to be valued at amortized cost and have no limitations or restrictions on withdrawals. Texpool and Texstar are funds that allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of $1.00, although this cannot be fully guaranteed. Texpool and Texstar are all rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60 day limit. The City considers the holdings in these funds to have a WAM of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The City invests in Certificates of Deposit. The City has entered into custody services agreements with Stone Castle Cash Management and USA Mutuals to act as authorized agents to purchase and manage Certificates of Deposit (CDs) in depository banks. The CDs held at each bank are in the City's name and the CD cannot exceed the FDIC insurance amount. Money can be withdrawn from Stone Castle Cash Management or USA Mutuals with one day notice. The City considers the holding in these CDs to have a weighted average maturity of one day, due to the fact that these funds can be withdrawn with one day notice.

State law limits investments in commercial paper to the top two ratings issued by at least two nationally recognized credit rating agencies. It is the City's policy to limit its investments in these investment types to the top rating issued by national recognized credit rating agencies. As of September 30, 2018, the City held no direct investments in commercial paper.

As of September 30, 2018, the City had the following cash equivalents and investments held by the trust agency Public Agency Retirement Services (PARS) for the OPEB trust fund:

Investment Type	Fair Value
Equity Mutual Funds	$ 2,956,533
Fixed Income Mutual Funds	2,691,101
Money Market Fund	11,885
Total investment fair value	$ 5,659,519

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	Electric	Water	Sewer	Other Funds	Total
Receivables:								
Interest	$ 48,779	$ 35	$ 107,815	$ 37,956	$ 16,905	$ 29,948	$ 88,745	$ 330,183
Taxes	1,076,601	848,711	-	-	-	-	-	1,925,312
Utility Accounts	188,927	-	-	22,224,579	8,294,153	5,558,540	3,434,163	39,700,362
Mowing Liens	943,631	-	-	-	-	-	-	943,631
EMS Accounts	1,645,033	-	-	-	-	-	-	1,645,033
Franchise Fee	1,475,547	-	-	-	-	-	-	1,475,547
Sales Tax	4,955,874	-	-	-	-	-	-	4,955,874
Wholesale & Other Accts	3,889,258	-	574,848	35,985,786	1,074,200	336,218	4,690,496	46,550,906
Assessments	16,032	-	-	-	-	-	-	16,032
Gross Receivables	14,239,682	848,746	682,763	58,248,321	9,385,258	5,924,706	8,213,404	97,542,880
Less: allowance for uncollectibles	(1,499,061)	(463,089)	-	(564,517)	(126,818)	(63,764)	(134,909)	(2,852,158)
Net total receivables	$12,740,621	$ 385,657	$ 682,763	$ 57,683,804	$ 9,258,440	$ 5,860,942	$ 8,078,495	$ 94,690,722

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* in the governmental funds were as follows:

	Unearned
Parks service charges for future events	$ 323,590
Faulkner receivable	221,097
Grant drawdowns prior to meeting all eligibility requirements	254,610
Homeowner assistance	4,060,037
Other receivables related to capital projects	3,404,085
	$ 8,263,419

Governmental funds defer revenue recognition in connection with resources that have been earned, but not yet available. These amounts are reported as deferred inflows of resources. At the end of the current fiscal year, the various components of deferred inflows of resources in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (general fund)	$ 426,500
Delinquent property taxes receivable (debt service fund)	336,220
Sales tax, mowing liens, EMS, & other receivables (general fund)	4,947,347
Other receivables related to capital projects	486,281
	$ 6,196,348

C. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

Primary government

	Balance at Oct. 1, 2017	Increases	Decreases	Balance at Sept. 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 82,835,434	$ 16,153,822	$ -	$ 98,989,256
Internal service land	221,949	136,810	-	358,759
Construction in progress	41,759,450	45,267,592	(61,415,083)	25,611,959
Internal service construction in progress	14,725,924	4,314,355	(13,926,110)	5,114,169
Total capital assets, not being depreciated	139,542,757	65,872,579	(75,341,193)	130,074,143
Capital assets, being depreciated:				
Buildings	122,039,498	5,802,167	(802,756)	127,038,909
Improvements other than buildings	490,043,621	44,156,139	-	534,199,760
Machinery and equipment	90,964,634	14,574,158	(3,605,326)	101,933,466
Internal service buildings, improvements, and equipment	105,511,779	17,390,677	(763,544)	122,138,912
Total capital assets being depreciated	808,559,532	81,923,141	(5,171,626)	885,311,047
Less accumulated depreciation for:				
Buildings	(48,717,596)	(3,134,971)	662,742	(51,189,825)
Improvements other than buildings	(372,800,879)	(19,457,066)	-	(392,257,945)
Machinery, furniture, and equipment	(63,771,585)	(7,064,224)	2,326,501	(68,509,308)
Internal service buildings, improvements, and equipment	(62,862,633)	(8,066,533)	735,728	(70,193,438)
Total accumulated depreciation	(548,152,693)	(37,722,794)	3,724,971	(582,150,516)
Total capital assets, being depreciated, net	260,406,839	44,200,347	(1,446,655)	303,160,531
Governmental activities capital assets, net	$ 399,949,596	$110,072,926	$ (76,787,848)	$433,234,674

	Balance at Oct. 1, 2017	Increases	Decreases	Balance at Sept. 30, 2018
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 29,307,887	$ 12,781,878	$ -	$ 42,089,765
Construction in progress	148,914,516	98,451,337	(211,863,948)	35,501,905
Total capital assets, not being depreciated	178,222,403	111,233,215	(211,863,948)	77,591,670
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	1,377,134,931	203,883,447	(9,216,276)	1,571,802,102
Total capital assets being depreciated	1,377,134,931	203,883,447	(9,216,276)	1,571,802,102
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(575,571,514)	(42,154,323)	6,392,172	(611,333,665)
Total accumulated depreciation	(575,571,514)	(42,154,323)	6,392,172	(611,333,665)
Total capital assets, being depreciated, net	801,563,417	161,729,124	(2,824,104)	960,468,437
Business-type activities capital assets, net	$ 979,785,820	$272,962,339	$(214,688,052)	$ 1,038,060,107

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 1,747,547
Public safety	3,899,705
Public works	20,499,992
Culture and recreation	3,422,586
Public health	86,431
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	8,066,533
Total depreciation expense – governmental activities	$ 37,722,794

Business-type activities:	
Electric	$ 16,620,227
Water	8,200,191
Sewer	13,166,501
Other non-major business-type activities	4,167,404
Total depreciation expense – business-type activities	$ 42,154,323

The City has identified intangible assets related to right of way easements. These assets have been classified as non-depreciating assets and reported in the same method as land assets.

Construction commitments

The City has active construction projects as of September 30, 2018. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Water System	$ 2,208,740	$ 5,181,606
Sewer System	24,755,453	5,294,029
Electric System	3,888,402	-
Parks & Recreation	1,318,022	-
Streets and Drainage	27,285,141	9,562,526
Buildings	6,015,521	4,500,270
Total	$ 65,471,279	$ 24,538,431

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2018, is as follows:

Interfund Payable	General Fund	Water	Sewer	Internal Services	Non-major Enterprise	Capital Projects	Total
General Fund	$ -	$ 15,562	$ 12,598	$ 2,745	$ 11,189	$ 2,217	$ 44,311
Capital Project Fund	20,540	-	-	-	941,196	-	961,736
Electric	-	-	-	2,452	-	-	2,452
Internal Service Funds	1,826,121	-	-	-	-	-	1,826,121
Non-Major Governmental	77,975	-	-	-	-	-	77,975
	$ 1,924,636	$ 15,562	$ 12,598	$ 5,197	$ 952,385	$ 2,217	$ 2,912,595

Interfund balances are created by short-term deficiencies in cash position in individual funds and it is anticipated that these balances will be repaid within one year or less.

The composition of advances to/from at September 30, 2018, is as follows:

Advance Payable	Electric	Total
Internal Service	$ 3,896,269	$ 3,896,269

Advances are created by long-term deficiencies in cash position in individual funds. It is not anticipated that these balances will be repaid within one year or less.

City of Garland, Texas
Notes to the Financial Statements (Continued)

During the year, funds were transferred from one fund to support expenditures of another fund in accordance with the authority established for the individual fund. A summary of interfund transfers by fund type is as follows:

	Transfers In							
	General Fund	Debt Service Fund	Capital Project Fund	Non-major Governmental Funds	Electric	Non-major Business-Type Funds	Internal Service Funds	Total Transfers
General	$ -	$ -	$ 6,606,941	$ 259,063	$ 247,336	$281,000	$ -	$ 7,394,340
Debt Service	-	-	8,305,000	-	-	-	86,474	8,391,474
Capital Project	9,266,000	-	-	34,000	270,704	697,000	-	10,267,704
Non-major Governmental	200,000	-	-	-	-	-	-	200,000
Electric	22,286,636	230,427	4,759,654	-	-	-	607,221	27,883,938
Water	6,886,058	131,779	-	-	-	-	4,300	7,022,137
Sewer	5,807,163	133,896	-	-	-	-	2,561	5,943,620
Non-major Business-Type	981,481	172,423	-	-	-	-	147,083	1,300,987
Internal Service	19,443	16,935	470,000	-	-	259,750	-	766,128
	$45,446,781	$685,460	$20,141,595	$ 293,063	$ 518,040	$1,237,750	$847,639	$69,170,328

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations; in-lieu-of franchise fees and ad valorem taxes transferred to the General Fund by Water, Wastewater, and Solid Waste; return on investment transferred to the General Fund from the Electric Fund; debt service transfers for payment of principal and interest as these payments are due; and other miscellaneous transfers in accordance with budgetary authorizations.

E. Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2018, is as follows:

	Balance at Oct. 1, 2017	Increased	Retired	Balance at Sept. 30, 2018	Due within one year
Governmental activities:					
General obligation bonds	$ 181,210,000	$ -	$ (19,305,000)	$ 161,905,000	$ 19,525,000
Certificates of obligation	80,435,000	25,775,000	(7,810,000)	98,400,000	8,585,000
Unamortized premium and defeased debt costs	17,102,003	3,112,818	(4,306,084)	15,908,737	-
Landfill post closure cost	12,556,412	907,807	-	13,464,219	-
Compensated absences	21,645,634	3,089,848	(1,643,714)	23,091,768	9,459,657
Insurance claims payable	11,802,228	26,198,394	(26,163,227)	11,837,395	5,488,341
OPEB liability	19,138,939	40,135,509	-	59,274,448	-
Net pension liability	41,830,556	-	(41,830,556)	-	-
Governmental activities Long-term debt	$ 385,720,772	$ 99,219,376	$ (101,058,581)	$ 383,881,567	$ 43,057,998
Business-type activities:					
Utility System revenue bonds	$ 346,395,000	$ 80,295,000	$ (30,390,000)	$ 396,300,000	$ 26,260,000
General obligation bonds	26,845,000	-	(8,740,000)	18,105,000	7,675,000
Certificates of obligation	167,365,000	4,180,000	(15,225,000)	156,320,000	17,490,000
Unamortized premium and defeased debt costs	34,656,605	11,120,467	(7,813,416)	37,963,656	-
Commercial Paper	163,280,000	243,865,000	(247,705,000)	159,440,000	-
Derivative instruments-energy risk management	265,113	396,079	-	661,192	110,238
Compensated absences	2,938,779	621,434	(467,851)	3,092,362	2,565,080
OPEB liability	3,900,579	16,847,381	-	20,747,960	-
Net pension liability	15,622,201	-	(15,622,201)	-	-
Business-type activities Long-term debt	$ 761,268,277	$ 357,325,361	$ (325,963,468)	$ 792,630,170	$ 54,100,318

Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end $5,000,000 of general obligation bond debt, $17,655,000 of certificates of obligation, $960,827 of compensated absences, $894,438 of unamortized premium costs, and $9,669,692 of OPEB liabilities from the Internal Service Funds are included in the governmental activities general obligation bonds, certificates of obligation, compensated absences, and OPEB, liabilities. Also, for the governmental activities, compensated absences, net pension liabilities, and OPEB claims payable are generally liquidated by the General Fund.

The proceeds of $25,775,000 from the sale of certificates of obligation for governmental activities are reported as follows:

Fund	**Certificates of Obligation**	**Total Bonded Debt**
Capital Project Fund – proceeds from issuance of debt	$25,365,000	$ 25,365,000
Internal Service Fund statement of cash flows – proceeds from sale	410,000	410,000
Total	$25,775,000	$ 25,775,000

A summary of short-term debt transactions for the year ended September 30, 2018, is as follows:

	Balance at October 1, 2017	Increased	Retired	Balance at September 30, 2018
Governmental activities:				
Commercial Paper	$ -	$ 6,000,000	$ -	$ 6,000,000
Governmental activities short-term debt	$ -	$ 6,000,000	$ -	$ 6,000,000

Commercial paper notes (CP) are short-term instruments that have maturities ranging from 1 to 270 days. Interest is paid at maturity but principal is rolled forward by issuing new CP. This process continues, typically for three years, until general obligation bonds (GOs) are issued to refinance outstanding CP. Only after GOs are issued do principal payments begin. The combined amortization of the CP and the GOs is set to not exceed 20 years. Utilization of CP enables the City to lower overall debt payments due to the deferral of principal payments and by taking advantage of lower interest rates. CP is only issued as the funds are required throughout the year. Only projects that have been approved as part of a bond referendum may be funded by GO commercial paper.

Long-term debt at September 30, 2018, includes the following individual issues (not including the unamortized premium costs of $53,872,393):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	$ 57,760,000	$ 57,760,000	$ -
2011A Refunding	2.00 – 4.00	11/01/2011	2/15/2024	17,995,000	11,080,000	6,915,000
2011B Refunding	2.00 – 5.00	11/01/2011	2/15/2028	41,360,000	6,050,000	35,310,000
2013 Refunding	2.00 – 4.00	6/06/2013	2/15/2019	12,280,000	11,710,000	570,000
2014 Refunding	2.00 – 3.00	2/20/2014	2/15/2022	18,450,000	9,835,000	8,615,000
2014A Refunding	3.00 – 5.00	11/20/2014	2/15/2020	34,215,000	21,510,000	12,705,000
2015A Refunding	2.00 – 5.00	2/19/2015	2/15/2035	22,695,000	1,920,000	20,775,000
2015B Refunding	2.00 – 2.55	2/19/2015	2/15/2025	22,490,000	1,350,000	21,140,000
2016 Refunding	5.00 -- 5.00	12/14/2016	2/15/2027	42,040,000	8,850,000	33,190,000
2017 Refunding	2.00 – 5.00	6/13/2017	2/15/2035	41,140,000	350,000	40,790,000
				$ 310,425,000	$ 130,415,000	$ 180,010,000

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Certificates of Obligation:						
2008 Various purpose	3.00 – 4.75	6/15/2008	2/15/2028	$ 15,965,000	$ 15,965,000	$ -
2009 Various purpose	3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	8,220,000	14,765,000
2010 Electric utility	2.00 – 5.00	3/01/2010	2/15/2030	126,885,000	6,490,000	120,395,000
2010 Various purpose	2.00 – 4.50	4/15/2010	2/15/2030	3,205,000	1,655,000	1,550,000
2011 Various purpose	2.00 – 4.25	6/15/2011	2/15/2031	4,260,000	2,500,000	1,760,000
2012 Various purpose	2.00 – 3.375	6/01/2012	2/15/2032	6,755,000	4,155,000	2,600,000
2013 Various purpose	2.00 – 4.00	6/06/2013	2/15/2033	12,725,000	5,785,000	6,940,000
2014 Various purpose	2.00 – 4.00	6/19/2014	2/15/2034	13,475,000	6,590,000	6,885,000
2015 Various purpose	2.50 – 5.00	6/30/2015	2/15/2035	18,205,000	4,645,000	13,560,000
2015 Electric utility	5.00 – 5.00	8/27/2015	2/15/2020	53,870,000	30,730,000	23,140,000
2016 Various purpose	2.00 – 5.00	6/01/2016	2/15/2036	20,210,000	3,645,000	16,565,000
2017 Various purpose	2.00 – 5.00	6/13/2017	2/15/2037	18,140,000	1,535,000	16,605,000
2018 Various purpose	3.375 – 5.00	6/26/2018	2/15/2038	29,955,000	-	29,955,000
				$ 346,635,000	$ 91,915,000	$254,720,000

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Utility system revenue bonds:						
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	$ 10,115,000	$ 10,115,000	$ -
2008 Water & Sewer	3.00 – 5.25	6/15/2008	3/01/2028	39,900,000	39,900,000	-
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	7,210,000	4,550,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	6,665,000	11,425,000
2010 Water & Sewer	2.00 – 4.75	4/15/2010	3/01/2030	21,270,000	6,265,000	15,005,000
2011 Electric Utility	2.00 – 5.00	6/15/2011	3/01/2031	7,185,000	1,075,000	6,110,000
2011 Water & Sewer	2.00 – 5.00	6/15/2011	3/01/2031	19,205,000	2,680,000	16,525,000
2011A Electric Utility	3.00 – 5.00	11/01/2011	3/01/2024	20,830,000	9,540,000	11,290,000
2011A Water & Sewer	3.00 – 5.00	11/01/2011	3/01/2024	30,150,000	13,705,000	16,445,000
2012 Water & Sewer	2.00 – 4.00	6/01/2012	3/01/2032	8,415,000	2,085,000	6,330,000
2013 Electric Utility	2.00 – 2.25	6/06/2013	3/01/2025	11,790,000	3,290,000	8,500,000
2013 Water & Sewer	3.00 – 3.375	6/06/2013	3/01/2033	29,925,000	8,025,000	21,900,000
2014 Electric Utility	2.00 – 5.00	6/30/2014	3/01/2034	85,305,000	10,390,000	74,915,000
2014 Water & Sewer	3.00 – 3.375	6/19/2014	3/01/2034	38,175,000	9,550,000	28,625,000
2015 Electric Utility	2.00 – 5.00	2/19/2015	3/01/2025	15,355,000	4,450,000	10,905,000
2016A Electric Utility	2.00 – 5.00	12/14/2016	3/01/2026	12,055,000	1,120,000	10,935,000
2016B Electric Utility	4.00 – 5.00	12/14/2016	3/01/2037	36,875,000	1,110,000	35,765,000
2016 Water & Sewer	3.00 – 5.00	12/14/2016	3/01/2027	16,715,000	1,365,000	15,350,000
2017 Water & Sewer	4.00 – 5.00	6/13/2017	3/01/2028	21,430,000	-	21,430,000
2018 Electric Utility Ref	3.625 – 5.00	6/12/2018	3/01/2048	31,985,000	-	31,985,000
2018 Water & Sewer Ref	3.5 – 5.00	6/12/2018	3/01/2038	48,310,000	-	48,310,000
				$ 534,840,000	$138,540,000	$396,300,000

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes						
2017 Tax anticipation	1.15	9/28/2017	3/01/2018	$ 8,305,000	$ 8,305,000	$ -
2018 Tax anticipation	2.23	9/28/2018	2/15/2019*	12,195,000	-	12,195,000
				$ 20,500,000	$ 8,305,000	$ 12,195,000

*The City considers this short-term. The notes were called and final payment was made on February 20, 2019.

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Commercial Paper						
2014 Electric Commercial Paper Issue	0.88	8/14/2017	10/10/2017	$ 29,895,000	$ 29,895,000	$ -
2016 Electric Commercial Paper Issue	1.096	9/29/2016	05/31/2019	131,970,000	-	131,970,000
2018 Electric Commercial Paper Issue	1.55	8/03/2018	10/01/2018	11,000,000	-	11,000,000
2018 Electric Commercial Paper Issue	1.70	9/04/2018	11/02/2018	5,470,000	-	5,470,000
2018 Electric Commercial Paper Issue	1.66	9/05/2018	10/04/2018	11,000,000	-	11,000,000
2015 Water/Sewer Commercial Paper Issue	0.88	5/02/2018	6/12/2018	10,000,000	10,000,000	-
2015 Water/Sewer Commercial Paper Issue	0.87	5/04/2018	6/12/2018	45,000,000	45,000,000	-
				$ 244,335,000	$ 84,895,000	$159,440,000

Commercial paper notes (CP) related to the enterprise funds are considered long-term instruments. Interest is paid at maturity but principal is rolled forward by issuing new CP. This process continues, typically for three years, until revenue bonds are issued to refinance outstanding CP. Only after revenue bonds are issued do principal payments begin. The combined amortization of the electric revenue bonds is set to not exceed 30 years. The combined amortization of the water and sewer revenue bonds is set to not exceed 20 years. Utilization of CP enables the City to lower overall debt payments due to the deferral of principal payments and by taking advantage of lower interest rates. CP is only issued as the funds are required throughout the year. Only projects that have been approved as part of a bond referendum may be revenue commercial paper.

The annual requirements to amortize outstanding debt as of September 30, 2018, including interest payments of $261,136,370 are summarized in the table below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and are excluded from the summary:

Governmental Activities

Years Ending September 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest
2019	$ 19,525,000	$ 6,377,022	$ 8,585,000	$ 4,246,895
2020	20,265,000	5,519,547	8,640,000	3,701,362
2021	19,540,000	4,710,497	8,895,000	3,324,937
2022	18,620,000	3,955,624	8,810,000	2,944,762
2023	16,055,000	3,252,111	8,595,000	2,567,587
2024-2028	53,080,000	7,433,371	34,010,000	7,676,619
2029-2033	10,240,000	1,570,372	15,410,000	2,354,272
2034-2038	4,580,000	143,691	5,455,000	438,585
Total	$161,905,000	$ 32,962,235	$ 98,400,000	$ 27,255,019

Business-type Activities

Years Ending September 30,	Revenue Bonds Principal	Revenue Bonds Interest	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest
2019	$ 26,260,000	$ 18,695,082	$ 7,675,000	$ 712,075	$ 17,490,000	$ 7,352,569
2020	28,270,000	16,682,594	6,750,000	352,650	18,340,000	6,445,725
2021	29,505,000	15,420,453	2,990,000	109,150	10,405,000	5,737,500
2022	30,800,000	14,056,788	675,000	17,525	11,345,000	5,203,725
2023	32,235,000	12,599,587	-	650	11,210,000	4,643,550
2024-2028	118,860,000	44,533,450	15,000	1,675	59,695,000	14,654,050
2029-2033	76,755,000	21,733,097	-	-	27,835,000	1,409,125
2034-2038	40,145,000	7,071,381	-	-	-	-
2039-2043	5,965,000	2,508,090	-	-	-	-
2044-2048	7,505,000	975,625	-	-	-	-
Total	$396,300,000	$154,276,147	$ 18,105,000	$ 1,193,725	$156,320,000	$ 45,446,244

At September 30, 2018, the City has authorized but unissued general obligation bonds and general obligation commercial paper in the amount of $104,361,586 as follows:

	Balance at Oct.1, 2017	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept.30, 2018
Streets Improvements	$ 71,872,399	$ -	$ 593,834	$ 71,278,565
Park Improvements	16,482,073	-	676,244	15,805,829
Drainage Improvements	9,623,650	-	1,714,723	7,908,927
Municipal Facilities	7,759,622	-	485,874	7,273,748
Library Improvements	26,138	-	-	26,138
Public Safety	1,232,863	-	27,277	1,205,586
Economic Development	3,364,841	-	2,502,048	862,793
	$ 110,361,586	$ -	$ 6,000,000	$ 104,361,586

A reconciliation was performed in FY2018 to the authorized but unissued general obligation bonds and it was determined that corrections were necessary. The beginning balances have been restated to correctly reflect the outstanding balances.

General Obligation Refunding Bonds do not impact the authorized but unissued General Obligation bonds. The City intends to retire all general long-term debt, plus interest, from ad valorem taxes and other current revenues. Revenue Bonds, applicable Certificates of Obligation and applicable General Obligation Bonds are reflected in the appropriate Proprietary Fund operation. Current requirements for principal and interest expenses are accounted for in the appropriate Proprietary Fund operation.

The City has pledged future Electric, Water and Sewer utility revenues, net of specified operating expenses, to repay $281,904,994 in outstanding Electric Utility System Revenue Bonds and $268,674,153 in outstanding Water & Sewer Utility System Revenue Bonds. Proceeds from the revenue bonds provide financing for the acquisition and construction of various Electric, Water and Sewer assets. The bonds are payable solely from Electric net revenues and are payable through 2048. Water and Sewer bonds are payable solely from net revenues from Water and Sewer and are payable through 2038. Principal paid and interest incurred for the current year was as follows:

Utility Revenue Bonds	Principal	Interest	Total	Pledged Revenue
Electric	$ 10,640,000	$ 8,095,963	$ 18,735,963	$ 61,376,465
Water & Sewer	13,905,000	7,034,058	20,939,058	44,993,389

Certificates of Obligation and General Obligation Bonds applicable to Proprietary Fund operations are reflected in the appropriate Enterprise and Internal Service Funds and current requirements for principal and interest expenses are accounted for in the applicable fund. These requirements will be met by current revenues.

Debt issues for the year are as follows:

Issue		Principal	Purpose
Certificates of Obligation, Series 2018	$	29,955,000	Constructing, equipping, and improving municipal park and recreation facilities, library facilities, municipal landfill/transfer stations facilities, fleet services facilities, the Firewheel Golf Park, and information management services systems; constructing and improving streets, including drainage, landscaping, curbs, gutters, sidewalks, signage, traffic, signalization, and street noise abatement incidental thereto and the acquisition of land and rights-of-way therefor; acquiring public safety, environmental waste services, Firewheel Golf Park, stormwater maintenance and street department equipment; acquiring, constructing, renovating, improving and equipping exiting municipal buildings, including HVAC replacement upgrade, roof replacement and safety upgrades; constructing drainage improvements, including bridge remediation; constructing and equipping facilities for the City's economic development department; and professional services rendered in connection therewith.
Electric Utility System Revenue Refunding Bonds, New Series 2018		31,985,000	Bond and commercial paper refunding
Water & Sewer System Revenue Refunding Bonds, New Series 2018		48,310,000	Commercial paper refunding
Tax Anticipation Note, Series 2018		12,195,000	Short term capital projects

On June 12, 2018, the City issued $5,225,000 in Electric Utility System Revenue Refunding Bonds, New Series 2018 to refund $5,845,000 of outstanding Electric Utility System Revenue Bonds, Series 2008. An amount of $5,925,484 was placed with an escrow agent to provide for debt service payments on the refunded bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next ten years by $599,925, and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of $502,199.

F. Retirement Plans

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credit for service since the plan began are 200% of the employee's accumulated contributions. In addition, the City granted another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

A summary of the plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required to vesting	5
Service retirement eligibility	age 60 with five or more years of service or with 20 years of service regardless of age

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,366
Inactive employees entitled to but not yet receiving benefits	608
Active employees	2,005
	3,979

Contributions

The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.11% and 11.26% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for fiscal year 2018, were $16,665,242, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over a four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 thru 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of 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		6.35	
Core Fixed Income	10.0		1.00	
Non-Core Fixed Income	20.0		3.90	
Real Return	10.0		3.80	
Real Estate	10.0		4.50	
Absolute Return	10.0		3.75	
Private Equity	5.0		7.50	
Total	100.0	%		

Discount Rate

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2016	$906,262,805	$848,810,046	$ 57,452,759
Changes for the year:			
Service Cost	22,270,032		22,270,032
Interest (on the total pension liability)	60,506,232		60,506,232
Difference between expected and actual experience	928,620		928,620
Benefit payments, including refunds of employee contributions	(42,018,404)	(42,018,404)	-
Contributions-employer		15,640,715	(15,640,715)
Contributions – employee		10,035,625	(10,035,625)
Net investment income		117,621,308	(117,621,308)
Administrative expense		(609,672)	609,672
Other		(30,898)	30,898
Net changes	41,686,480	100,638,674	(58,952,194)
Balance at December 31, 2017	$947,949,285	$949,448,720	$ (1,499,435)

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1 % Increase 7.75%
$ 114,618,370	$ (1,499,435)	$ (98,885,496)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $18,775,910.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 804,115	$ (3,630,607)
Difference in assumption changes	6,956,291	-
Difference between projected and actual investment earnings on pension plan investments	-	(23,588,768)
Employer contributions subsequent to the measurement date	12,622,974	-
	$ 20,383,380	$ (27,219,375)

Deferred outflows of resources of $12,622,974 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows or resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	
2019	$ 2,689,380
2020	873,520
2021	(11,179,575)
2022	(11,881,429)
2023	39,135
Total	$ (19,458,969)

G. Other postemployment benefits

City of Garland other postemployment benefit plan
Plan Description
The City makes available health care benefits to all employees who work for the City of Garland a minimum of five years, meet the Texas Municipal Retirement System (TMRS) criteria listed on page 70, and elect coverage at the time of retirement and maintain continuous, uninterrupted coverage. Benefit provisions are established by management and funding is approved by City Council annually, during the budget process.

In 2008, the City established an irrevocable trust fund in an effort to begin funding the actuarial determined OPEB unfunded liability and to ensure that funding is available in the future for retiree medical benefits. In 2018, the City Council approved a transfer of $1,250,000 to the trust, and a long-term funding strategy was implemented to increase the annual contribution to this trust with a goal of fully funding the annual OPEB obligation after ten years.

The OPEB trust investments are held in the Public Agencies Retirement Services (PARS) Post-retirement Health Care Plan Trust by its trustee, US Bank. US Bank has delegated investment management responsibilities to HighMark Capital Management, Inc. (Investment Manager), a SEC-registered investment advisor. The Trust investment guideline mandates a diversified portfolio designed to generate long-term returns that, when combined with contributions, will result in sufficient assets to pay future obligation associated with the retiree health plan.

Benefits Provided
The City of Garland provides insurance to eligible pre-65 retirees, their spouses and dependents through the City's self-insured group health plan. Post-65 retirees are offered a fully insured Medicare Supplement Plan through Hartford, who assumes all claims risk liability on this group of retirees. The City makes contributions towards retiree health care benefits. However, the City reduces its liability and risk by capping the annual increase to the City contribution to a maximum of 3% per year. For FY2018, the monthly City contribution per participant for the retiree group as a whole was $459.

As of December 31, 2017 biennial actuarial valuation, the Plan's membership consisted of the following:

Number of plan members	Medical
Retirees and dependents currently receiving benefits	310
Inactive members entitled to benefits, but not yet receiving them	441
Active members	1,871
Total	2,622

Contributions and Funding Policy

The City has the authority to establish and amend the Plan contributions. The City makes an annual contribution to the Trust fund; the funding is established and approved by City Council as part of the City budget process. For the year ended September 30, 2018, the City's average contribution rate was 3.38 percent of the covered-employee payroll. Monthly retiree premiums are utilized to fund current medical claims and are based on the benefit election of the Plan member.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

Actuarial Valuation Date	12/31/2017
Actuarial Cost Method	Entry Age Normal
Asset valuation method	Market value
Inflation	2.50%
Projected salary increase	3.00%
Discount rate	4.14%
Healthcare cost trend rates	All years capped at 3.0%
Mortality	Combined RP-2014 Dynamic table projected using MP-2017 representative rates per thousand for the RP-2014 mortality table

Rate of Return

The long-term expected rate of return on OPEB plan investments will be managed on a total return basis which takes into consideration both investment income and capital appreciation. The target allocation and best estimates of 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)	
Large Cap Core	26.50	%	6.70	%
Mid Cap Core	5.00		7.00	
Small Cap Core	7.50		7.90	
Real Estate	1.75		5.70	
International	6.00		7.30	
Emerging Markets	3.25		9.70	
Short Term Bond	10.00		3.80	
Intermediate Term Bond	33.50		4.50	
High Yield	1.50		6.00	
Cash	5.00		2.10	
Total	100.00	%		

The long-term expected rate of return 6.75%

Discount rate

The discount rate used to measure the Total OPEB Liability was 4.14%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the OPEB plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments to current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all period of projected benefit payments to determine the total OPEB liability.

The discount rate for the 12/31/2017 measurement was 4.14% which caused an actuarial gain.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at December 31, 2016	$70,652,262	$ 3,767,364	$ 66,884,898
Changes for the year:			
Service Cost	2,260,181		2,260,181
Interest (on the total OPEB liability)	3,284,435		3,284,435
Difference between expected and actual experience	(1,303,593)		(1,303,593)
Change in assumptions	7,017,755		7,017,755
Benefit payments, including refunds of employee contributions	(3,529,580)	(3,529,580)	-
Contributions-employer		4,779,579	(4,779,579)
Net investment income		527,289	(527,289)
Administrative expense		(21,120)	21,120
Net changes	7,729,198	1,756,168	5,973,030
Balance at December 31, 2017	$78,381,460	$ 5,523,532	$ 72,857,928

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.14%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.14%) or 1-percentage-point higher (5.14%) than the current rate:

1% Decrease 3.14%	Current Single Rate Assumption 4.14%	1 % Increase 5.14%
$ 87,187,486	$ 72,857,928	$ 61,892,285

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.14%, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percernage point higher than the current healthcare cost trend rate

1% Decrease 2.0%	Current Single Rate Assumption 3.0%	1 % Increase 4.0%
$ 62,019,181	$ 72,857,928	$ 86,762,734

OPEB Plan Fiduciary Net Position

The Plan is a single-employer plan and does not issue a publicly available financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of $6,502,862.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ -	$ (1,009,564)
Difference in assumption changes	5,434,885	-
Difference between projected and actual investment earnings on pension plan investments	-	(196,694)
Employer contributions subsequent to the measurement date	2,792,726	-
	$ 8,227,611	$ (1,206,258)

Deferred outflows of resources of $2,792,726 related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in OPEB expense as follows:

Year ended September 30,	
2019	$ 1,239,668
2020	1,239,668
2021	1,239,668
2022	509,623
Total	$ 4,228,627

Supplemental Death Benefits Plan (SDBF)

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members and retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (pay as you go plan). The retiree portion of the SDBF is considered to be a single-employer, defined benefit OPEB plan.

Detail information about the SDBF OPEB plan is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee's entire careers. The SDBF contribution rate for retirees is .04%.

As of December 31, 2017, membership in the plan consisted of the following:

Inactive employees currently receiving benefits	1,061
Inactive members entitled to benefits, but not yet receiving them	199
Active members	2,005
Total	3,265

The City's OPEB liability is measured as of December 31, 2017, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2017.

Actuarial Assumptions

Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.31%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates-disabled retirees	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to a 3% floor.

Discount rate: For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of measurement date. The municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA index").

Changes in Total OPEB Liability

Beginning at December 31, 2016	$ 6,225,775
Service Cost	214,962
Interest on the total OPEB liability	238,314
Change in assumptions	542,752
Benefit payments	(57,323)
Net change in total OPEB liability	938,705
Ending at December 31, 2017	$ 7,164,480

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

The following presents the Total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

1% Decrease 2.31%	Current Discount Rate Assumption 3.31%	1 % Increase 4.31%
$ 8,548,658	$ 7,164,480	$ 6,077,217

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of $540,395.

At September 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Difference in assumption changes	$ 455,633
Employer contributions subsequent to the measurement date	45,653
	$ 501,286

Deferred outflows of resources of $45,653 related to OPEB resulting from retiree contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in OPEB expense as follows:

Year ended September 30,	
2019	$ 87,119
2020	87,119
2021	87,119
2022	87,119
2023	87,119
Thereafter	20,038
Total	$ 455,633

H. Self-Insurance

Self-insurance for general and auto liability exposure and workers' compensation is maintained in the Self-Insurance Fund of the Internal Service Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of $5,712,229 were collected from funds that participate in these. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and workers' compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2018, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2018 claims payable as of September 30, 2018 was estimated at $6,500,950.

Long-Term Disability (LTD) claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. Based on a current independent actuarial analysis, an actuarially determined liability of $3,112,604 has been established for projected future claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2018, a short-term liability of $2,223,841 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

There were no significant reductions in insurance coverage in the current year from coverage in the prior year, nor have there been any settlements that have exceeded insurance coverage for each of the past three fiscal years.

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2017 and 2018 were:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End	Current Portion
Self-Insurance – 2017	$ 7,262,640	$ 760,911	$ -	$ 760,911	$ 7,262,640	$ 2,774,500
Self-Insurance – 2018	7,262,640	4,052,123	(761,690)	4,052,123	6,500,950	2,774,500
Long-Term Disability – 2017	2,875,700	440,182	-	440,182	2,875,700	490,000
Long-Term Disability – 2018	2,875,700	175,051	236,904	175,051	3,112,604	490,000
Group Health – 2017	1,881,834	21,006,586	(217,946)	21,006,586	1,663,888	1,663,888
Group Health – 2018	1,663,888	21,174,363	559,953	21,174,363	2,223,841	2,223,841

I. Texas Municipal Power Agency

The Texas Municipal Power Agency (TMPA) was created in 1975 pursuant to legislation that was passed by the 64th Legislative Session. TMPA, a municipal corporation, is governed by a Board of Directors, where each member city appoints two representatives to the Board. In 1976, the City along with the cities of Bryan, Denton, and Greenville (collectively “the Cities”) entered into identical Power Sales Contracts with TMPA. Under the Power Sales Contracts each member city is required to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at rates set to cover TMPA’s operating cost and retirement of debt. In the event that revenues are insufficient to cover all costs to retire the outstanding debt, each of the member cities has guaranteed a portion of the unpaid debt based on a percentage. The City’s percentage requirement was 47%. On September 1,2018, TMPR made the final debt service payment on its generation debt, which extinguished the City’s obligation with respect to such debt. With the extinguishment of TMPA’s generation debt and the election of the Cities to not extend the Power Sales Contract beyond September 30, 2018, the Power Sales Contract expired. Each of the Cities has the right to enter into a new power sales contract with TMPA; however, none of the Cities have exercised this right.

TMPA and the Cities entered into a Joint Operating Agreement (JOA) effective September 1, 2016. The JOA represents the post-Power Sales Contract plans for TMPA and the Cities. The JOA divides TMPA assets and operations into three business categories – generation, transmission, and mining.

The City pays TMPA a pro-rated monthly charge based on the City’s contractual portion of TMPA’s annual fixed operating costs and debt service payments which is currently 47%. During 2018, the City paid TMPA $38,599,035 for these charges for the year. It is anticipated that the City will pay $3,417,637 for these charges during FY2019.

Total debt of TMPA at September 30, 2018, amounted to $210,575,000 of which $4,150,000 represented the current portion. TMPA’s outstanding long-term debt and short-term debt obligations are all associated with TMPA’s transmission system and are payable from and secured by TMPA’s transmission net revenues.

TMPA
Outstanding Debt Amounts
September 30, 2017
(reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	$ 186,925	$ 4,150	$ 191,075
Tax Exempt Commercial Paper	19,500	-	19,500
	$ 206,425	$ 4,150	$ 210,575

On March 1, 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 20 years for the purpose of prepaying certain contractual obligations to TMPA. The principal amount of the bonds was $126,885,000 with a reoffering premium and other bond issuance costs of $11,367,850 for a total of $138,252,850. Since the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of $138,252,850. The City is amortizing the Other Asset over a period of 20 years with a half year convention. On September 30, 2017, the City impaired 37.9% of the generation portion, for a total of $50,045,780. The impaired portion was recorded as a GASB 62 Regulatory Asset in Others Assets to be amortized through FY2030. The City has recorded a total of $58,747,461 of accrued amortization, leaving a balance in the Other Assets account of $79,495,389 at September 30, 2018.

TMPA GASB 42 Impairment of TMPA Other Asset Costs

The TMPA Board of Directors approved a plan to suspend Gibbons Creek generation activities indefinitely. The notification was submitted to ERCOT on December 21, 2018. The remaining generation portion of the TMPA Other Asset becomes impaired as a result of this determination. The asset impairment was calculated based on Continued Service Units as follows:

Operation Year	Budgeted MWH's	% Continued Service Units
2018 – Seasonal Operations	810,431	
2019 – Suspended indefinitely	-	0.0%

TMPA GASB 62 Regulatory Asset

City of Garland's Series 2010 debt issuance funded TMPA costs and was recorded as Other Assets to be amortized over the life of the debt. The Series 2010 debt issuance will be paid off in 2030. The City of Garland included the Series 2010 debt service as a part of cost of service.

To qualify to utilize GASB 62, the following must apply:

- The regulated business-type activity's rate for regulated services provided to its customers are established by or are subject to approval of an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- The regulated rates are designed to recover the specific regulated business-type activity's costs of providing the regulated services.
- In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the regulated business-type activity's costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

The City of Garland qualifies to utilize GASB 62 due to:

- State and local statues empower the City of Garland City Council to establish retail rates.
- The City of Garland specific costs are recovered through City of Garland retail rates.
- Current and projected customer demand support the recovery of City of Garland cost of service.

A regulatory asset will be established on September 30, 2018, and will be amortized through 2030.

	Generation	Transmission	GASB 62 Regulatory Asset	Total Other Asset
Balance Sept. 30, 2017	$ 30,565,772	$ 5,796,479	$ 50,045,780	$ 86,408,031
Other asset amortization	(2,445,262)	(463,718)	(4,003,662)	(6,912,642)
	28,120,510	5,332,761	46,042,118	79,495,389
Impairment	(28,120,510)	-	-	(28,120,510)
GASB 62 regulatory asset	-	-	28,120,510	28,120,510
Balance Sept 30, 2018	$ -	$ 5,332,761	$ 74,162,628	$ 79,495,389

Financial statements for TMPA are available from the TMPA website texasmpa.org or through the City of Garland Financial Services Department.

J. Deferred Compensation Plan

The City offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all permanent City employees, permits participants to contribute annually the amount per IRS limitations on a tax-deferred basis up to the annual contribution limit allowed by the IRS. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under this plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries. Therefore, the Deferred Compensation Investments are no longer reported in the City's financial statements.

K. Conduit Debt Information

The discrete component unit was created to issue revenue bonds to provide financial assistance to qualified homeowners. Even though the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit bonds at December 31, 2017, is as follows:

Series	Garland Housing Finance Corporation	Total
2005	$ 11,986,788	$ 11,986,788
	$ 11,986,788	$ 11,986,788

L. Business-Type Blended Component Unit

The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. GFFD is reported as a blended component unit of the non-major enterprise golf fund. A summary of the condensed combining information at September 30, 2018, is as follows:

Golf Fund Condensed Statement of Net Position

	Golf	GFFD	Eliminating Entries	Total
Current Assets	$ 459,062	$ 5,170	$ -	$ 464,232
Other Assets	278,422	-	-	278,422
Capital Assets	15,437,358	-	-	15,437,358
Total Assets	16,174,842	5,170	-	16,180,012
Deferred outflow of resources-pensions	115,587	-	-	115,587
Deferred outflow of resources-OPEB	66,443	-	-	66,443
Total deferred outflow	182,030	-	-	182,030
Current Liabilities	216,901	-	-	216,901
Other Liabilities	659,527	-	-	659,527
Total Liabilities	876,428	-	-	876,428
Deferred inflow of resources-pensions	154,352	-	-	154,352
Deferred inflow of resources-OPEB	9,182	-	-	9,182
Total deferred inflow	163,534	-	-	163,534
Net Investment in Capital Assets	15,695,408	-	-	15,695,408
Unrestricted Net Position	(378,498)	5,170	-	(373,328)
Net Position	$ 15,316,910	$ 5,170	$ -	$ 15,322,080

Golf Fund Condensed Statement of Revenues, expenses, and changes in Net Position

	Golf	GFFD	Eliminating Entries	Total
Operating Revenues	$ 3,754,933	$ 5,467	$ -	$ 3,760,400
Operating expenses before depreciation	(3,960,824)	(297)	36,981	(3,924,140)
Depreciation	(906,621)	-	-	(906,621)
Total Operating Loss	(1,112,512)	5,170	36,981	(1,070,361)
Gain on disposal of capital assets	206,000	-	-	206,000
Earnings on investments	3,652	-	-	3,652
Net transfers	972,000	36,981	(36,981)	972,000
Change in Net Position	69,140	42,151	-	111,291
Net Position, beginning of year	15,495,456	(36,981)	-	15,458,475
Adjustment to net position, GASB 75	(247,686)	-	-	(247,686)
Net Position, end of year	$ 15,316,910	$ 5,170	$ -	$ 15,322,080

Golf Fund Condensed Statement of Cash Flows

	Golf	GFFD	Eliminating Entries	Total
Net cash provided by (used for) operations	$ (993,585)	$ 787,060	$ -	$ (206,525)
Net cash provided by noncapital financing activities	1,177,259	-	-	1,177,259
Net cash used for capital and related activities	(743,328)	-	-	(743,328)
Net cash used for investing activities	(47,077)	-	-	(47,077)
Net increase (decrease) in cash and cash equivalents	(606,731)	787,060	-	180,329
Cash and cash equivalents at beginning of year	158,610	-	-	158,610
Cash and cash equivalents at end of year	$ (448,121)	$ 787,060	$ -	$ 338,939

The Garland Public Facility Corporation (GPFC) was organized for the purpose of assisting the City in financing, refinancing, or providing public facilities. GPFC is reported as a blended component unit in the non-major governmental fund. As of September 30, 2018, the condensed combining information for GPFC is $3,521,016 for contributed land reported in governmental activities on the government wide statement of net position and statement of activities.

M. Landfill Closure and Postclosure Care Cost

As of September 30, 2018, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is $2,265,721, $38,425,018 and $35,415 respectively. The $13,464,219 reported as landfill closure and postclosure care liability represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Castle landfill, 30.56% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of $578,500. The City will recognize the remaining estimated closure and postclosure care costs of $26,683,434 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2015, which estimated cost to perform all closure and postclosure care. In addition, the closure and postclosure care cost were adjusted for inflation annually based on the most recent Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. Actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes. The Hinton landfill has an estimated remaining useful life of 44 years.

Since the City's Landfill operation is a general government function, a special revenue fund was established to account for actual landfill closure and postclosure care funding sources and expenditures as they are incurred. Based on the City's current landfill closure financial strategy, $2.4 million in Certificates of Obligation will be issued to finance the one time closure cost and the on-going post closure care will be paid from operating funds.

N. Economic Incentives and Tax Abatements

The City enters into economic development and tax abatement agreements in order to spur commercial activity, generate additional sales tax revenue, enhance the property tax base, and provide increased economic vitality to the City. All abatement projects meet a minimum threshold point total based on full-time jobs, annual payroll, value of new or remodeled facilities, value of machinery and equipment, value of inventory, annual sales tax generated, or Garland Power & Light electric usage. All abatements must be approved on a case-by-case basis negotiated by City staff and approved by the City Council. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, expanding operations, renewing facility leases and bringing targeted businesses to the City. Recipients are largely required to meet and maintain minimum thresholds of real and personal property values, full time employees, number of tenants or other provisions specific to an individual recipient. Agreements are generally made for a period of five years and contain recapture provisions which may require repayment or termination if a recipient fails to meet the required provisions.

The City has two categories of economic development agreements:

Tax Abatements – Under Chapter 312 of the Texas Tax Code the City is allowed to designate tax reinvestment zones and negotiate tax abatement agreements with applicants within these zones. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. A summary of Chapter 312 Tax Abatements for the year ended September 30, 2018, is as follows:

Abatement Type	Active Agreements	Total Taxes Abated FY18
Ad Valorem Tax	5	$ -
Business Personal Property Tax	10	-

Tax Rebates – Under Chapter 380 of the Texas Local Government Code, the City is allowed to enter into agreements in order to stimulate economic activity. These agreements may rebate a flat amount or percentage of real property, personal property or sales taxes received by the City. A summary of Chapter 380 tax rebates for the year ended September 30, 2018 is as follows:

Abatement Type	Active Agreements	Total Taxes abated FY18
Ad Valorem Tax	4	$ 373,022
Business Personal Property Tax	3	21,536
Sales Tax	8	1,422,203

O. Commitments and Contingent Liabilities

The City has been named as a defendant or co-defendant in a number of personal injury cases. While the outcome of these cases is not known at this time, the City attorney and City management are of the opinion that any awards to injured parties which must be paid in excess of amounts covered by insurance will not be material to the financial position of the City.

A number of other claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City's operations. The City attorney and City management are of the opinion that the settlement of these other claims and pending litigation will not have a material adverse impact on the City's financial position.

The City participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

On December 19, 2013, the City entered into a twenty (20) year energy purchase power agreement with Spinning Spur Wind Three, LLC. The agreement extends from the start hour 1:00 of the Commercial Operation Date and ends at the completion of hour 24:00 of the day immediately preceding the twentieth (20) anniversary. The City purchases 26% of the output from the 194MW facility. Commercial Operations began September 28, 2015.

On August 28, 2014, the City entered into a twenty-five (25) year energy purchase power agreement with Los Vientos Windpower V, LLC. The agreement extends from the start of hour 1:00 of the Commercial Operation Date and ends at the completion of hour 24:00 of the day immediately preceding the twenty-fifth (25) anniversary. The City purchases 45.96% of the output from the 110MW facility. Commercial Operations began December 23, 2015.

On June 12, 2015, the City entered into a fourteen (14) year energy purchase power agreement with Salt Fork Wind, LLC. The agreement extends from the start of hour 1:00 (CPT) of the Commercial Operation Date and ends at the completion of hour 24:00 (CPT) of the day immediately preceding the fourteenth (14^{th}) anniversary. The City purchases up to 150MW from the facility. The City has contracts to sell 77% of this energy downstream. Commercial Operations began December 1, 2016.

On October 27, 2015, the City entered into a twenty (20) year energy purchase power agreement with Albercas Wind Energy II, LLC. From the effective date, the agreement extends until 23:59:59 (CPT) on the day prior to the 20th anniversary of the Commercial Operation Date. The City purchases up to 96MW from the facility. The City has contracts to sell 74% of this energy downstream. Commercial Operations began November 13, 2016.

On December 28, 2015, the City entered into a fifteen (15) year energy purchase power agreement with BNB Lemesa Solar LLC. The agreement extends from the start of hour 1:00 (CPT) of the Commercial Operation Date and ends at the completion of hour 24:00 (CPT) of the day immediately preceding the fifteenth (15th) anniversary. The Commercial Operation Date is anticipated to be no later than March 31, 2017. The City will purchase 102 MW from the facility. The City has contracts to sell 49% of this energy downstream. Commercial Operations began April 27, 2017.

On November 20, 2018, the City entered into renewable purchase power agreement with Engie Long Draw Solar LLC. The agreement extends fifteen (15) years following the Commercial Operation Date. The Commercial Operation Date is anticipated to be no later than June 30, 2021. The City will purchase up to 25 MW from the facility

On December 11, 2018, the City entered into a renewable purchase power agreement with Concho Bluff LLC. The agreement extends fifteen (15) years following the Commercial Date. The Commercial Operation Date is anticipated to be no later than December 21, 2021. The City will purchase up to 50 MW from the facility.

The City executed confirmations through December 31, 2026, under its International Swaps and Derivatives Association Inc. (ISDA) Master Agreement to purchase electricity under specific terms and conditions. Management believes the purchase of electricity under the specific terms and conditions of the confirmation were for normal purchases/normal sales and non-speculative in nature.

P. Derivative Instruments

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, the City has established a Risk Management Program. This program was authorized by the City Council and is led by the Risk Oversight Committee. Under this program, the City enters into forward contracts for natural gas and energy for the purpose of reducing exposure to natural gas and energy price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. The City typically settles these contracts by delivery of certain commodities.

The City applies GASB Statement No 53 – *Accounting and Financial Reporting for Derivative Instruments*, ("GASB 53"), which addresses the recognition, measurement, and disclosures related to derivative instruments. The City utilizes natural gas commodity swaps to hedge its exposure to fluctuating fuel prices. Since these derivatives are entered into for risk mitigation purposes, the instruments are considered potential hedging derivative instruments under GASB 53. The City evaluated all potential hedging derivative instruments for effectiveness utilizing the consistent critical terms method as or September 30, 2018, and as of September 30, 2017, and determined the derivatives to be effective in substantially offsetting the change in cash flows of the hedgeable items. These derivatives act as cash flow hedges.

At September 30, 2018, the total fair value of outstanding hedge instruments was a net asset of $661,192. Fuel hedging instruments with a fair value of $110,238 are classified on the Statement of Net Position as a current asset. Long-term fuel hedges with a fair value of $550,954 are classified on the Statement of Net Position as a non-current liability. As of September 30, 2017, the total fair value of outstanding hedge instruments was a net asset of $553,669. Fuel hedging instruments with a fair value of $818,782 are classified on the Statement of Net Position as a current asset. Long-term fuel hedges with a fair value of $265,113 are classified as a component of long-term liabilities. Changes in fair value as of September 30, 2018, of $396,080 are reflected in deferred inflows. The following information details the City Electric Fund's hedging derivative instruments below:

Derivative transactions as of September 2018:

Type	Terms	Notional Amount (MMBtu)	Purchase Dates	Maturity Dates	Referenced Index	Fair Value
Commodity Swaps	City pays prices of $2.67 - $3.62	4,261,811	Feb 2015- Feb 2018	Oct 2018- Dec 2021	NYMEX	$ (661,192)
		4,261,811				$ (661,192)

Derivative transactions as of September 2017:

Type	Terms	Notional Amount (MMBtu)	Purchase Dates	Maturity Dates	Referenced Index	Fair Value
Commodity Swaps	City pays prices of $2.755 - $3.62	8,331,612	Feb 2015- June 2017	Oct 2017- Dec 2021	NYMEX	$ 553,669
		8,331,612				$ 553,669

At September 30, 2018, the City had thirteen wholesale customers to provide power supply and/or qualified scheduling entity services. The contract terms extend up to December 31, 2026. For the power supply customers, the City charges an energy charge which is based on the quantity of power supplied multiplied by a fixed price, or multiplied by a fixed heat rate and a fuel index price. In order to hedge the City's risk, the City has entered into corresponding power supply agreements with counterparties to hedge against energy price or heat rate fluctuation in the market.

Congestion Revenue Rights

Pre-assigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow the City to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. At September 30, 2018, the City held CRRs with a cost and fair market value of $2,648,778, that the City expects to use in normal operations, which is recorded as prepaid expense in the Electric fund.

<u>Risks</u>
Credit Risk. The City's over-the-counter agreements for natural gas and energy expose the City to credit risk. In the event of default, the City's operations will not be materially affected. However, the City does not expect the counterparties to fail to meet their obligations. The City maintains contracts with contractual provisions under the ISDA, EEI (Edison Electric Institute), and NAESB (North American Energy Standards Board) agreements. As of September 30, 2018, the City had outstanding forward purchase contracts extending through December 31, 2026, which are expected to be settled through physical delivery.

The City monitors the credit ratings of all of its counterparties to adhere to the City's Risk Management Policy. Any counterparty that does not have at least a BBB- credit rating must be approved by the Risk Oversight Committee.

The congestion revenue rights expose the City to custodial credit risk in the event of default or nonperformance by ERCOT. In the event of default or nonperformance, the City's operations will not be materially affected. However, the City does not expect ERCOT to fail in meeting their obligations as they are a regulatory entity of the State of Texas.

Basis Risk. The City could be exposed to basis risk on its fuel hedges if the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub).

Termination Risk. Termination risk is the risk that a derivative will terminate prior to its scheduled maturity date due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. The City's exposure to termination risk for over-the-counter agreements is minimal due to the high credit rating of the counterparties, and the contractual provisions under the ISDA, EEI, and NAESB agreements applied to these contracts. Termination risk is associated with all of the City's derivatives up to their fair value of the instrument.

Close-out Netting Arrangements. The City enters into close-out netting arrangements whenever it has entered into more than one derivative transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and set off the transaction's fair values so that a single sum will be owed by or owed to the non-defaulting party.

Q. GHFC Primrose at Crist Project

On January 17, 2005, GHFC entered into an agreement, to create a partnership to construct and operate a 204-unit rental residential development for seniors to be known as Primrose at Crist located in the City. The original partnership of TX Crist Housing LLP consisted of TX Crist GP LLC, Wachovia Affordable Housing Community Development Corporation a Limited Investment Partner, and TX Crist Development, SLP, L.L.C a Class B Limited Partner. On April 20, 2008 the original partnership agreement was amended to replace TX Crist Development with CAH-IDA Crist Housing as the Class B Limited Partner.

GHFC owns 100% of TX Crist GP LLC, and appoints the president and treasurer (officers) of this limited liability corporation. GHFC issued Conduit Debt amounting to $13,800,000 of variable rate multifamily housing revenue bonds (Primrose at Crist Apartments Project) for the benefit of TX Crist Housing LLP (the bond borrower). GHFC receives an annual issuer fee of 0.01% of the outstanding variable rate multifamily housing revenue bonds that were issued by the bond borrower. The outstanding conduit debt balance at December 31, 2017, is $11,986,788.

On the closing date of the GHFC Variable Rate Multifamily Housing Revenue Bonds, the land for the project was purchased and titled to GHFC. The land and future improvement have been mortgaged to secure repayment to the lender of the GHFC Multifamily notes. In addition, the land was leased over the next 40 years for $900,000. The remaining unearned revenue as of December 31, 2016, related to this transaction of $613,125 will be amortized over the next 28.5 years as rent revenue.

According to the Primrose at Crist Master Agreement TX Crist GP LLC will receive a developer fee that could amount to $500,000. To date, GHFC has received $332,409 of the $500,000. After the developers' fee is paid, TX Crist GP LLC shall be entitled to receive from net operating cash flow after a $10,000 asset management fee is paid, any tax credit shortfalls are paid, any operating deficit loans are paid, and any subordinated property management fees are paid, a cumulative fee equal to 2% of gross collected rent. The officers of TX Crist GP LLC are required to issue annual dividends to GHFC based on the net revenues and expenses of the limited liability corporation. In addition, TX Crist GP LLC owns 0.01% of TX Crist Housing LLP. This equity ownership amounts to less than $10,000 and is not material to the financial operation of GHFC.

Wachovia Affordable Housing Community Development Corporation owns 99.99% of TX Crist Housing LLP. Neither GHFC nor TX Crist GP LLC exercises any control over TX Crist Housing LLP. TX Crist Housing LLP is the borrower of the $13,800,000 variable rate multifamily housing revenue bonds issued by GHFC. In addition TX Crist Housing LLP is responsible for the apartment management. TX Crist Housing LLP is responsible for paying the developer fees, the 0.01% issuer fee, and the 2% gross collected rent.

The financial statements for TX Crist GP LLC are blended with the GHFC financial statements as a component unit since GHFC exercises significant financial control over TX Crist GP LLC. The financial statements for TX Crist Housing LLP are included with neither TX Crist GP LLC nor GHFC financial statements because neither entity exercises control over TX Crist Housing LLP.

R. GHFC HomeTowne at Garland, LP project

In August 2010, GHFC Garland GP, LLC, a Texas limited liability company, of which GHFC is the sole member entered into a Limited Partnership agreement for the formation of HomeTowne at Garland, LP (the “Partnership”). In August 2011, the Limited Partnership agreement was amended and restated whereby the Partnership would be formed to develop, construct, own, maintain, and operate a 144-unit multifamily residential apartment complex intended for rental to Senior Citizens of low and moderate income, to be known as HomeTowne at Garland, and to be located in Garland, Texas under the terms of the agreement. Under the term of the agreement, the Partnership continues until December 31, 2099 unless the Partnership is sooner dissolved by law.

In August 2011, GHFC entered into an Amended and Restated Ground Lease with the Partnership whereby GHFC leased land to the Partnership for the construction and development of HomeTowne at Garland. GHFC continues to own the land and leases the land to the Partnership over a 75 year period terminating on August 31, 2086.

As of December 31, 2014, GHFC received cash of $900,000 in up front lease payments that GHFC has recorded as unearned revenue. For the year ended December 31, 2017, GHFC recognized revenue of $22,148 according to the terms of the lease agreement with an unearned revenue balance of $780,408.

S. Subsequent Events

On December 20, 2018, the City issued $9,700,000 General Obligation Refunding Bonds, Series 2016 to refund $10,530,000 of outstanding Water & Sewer System Revenue Bonds, Series 2009. These bonds were refunded to lower the overall debt service requirements of the City and to pay the cost associated with the issuance of the Bonds. The transaction was a current refunding of outstanding debt.

On December 20, 2018, the City issued $47,270,000 General Obligation Refunding Bonds, Series 2018 to refund $51,840,000 of outstanding General Obligation Refunding Bonds, Series 2011A, General Obligation Refunding Bonds, Series 2011B and Combination Tax & Revenue Certificates of Obligation, Series 2009. These bonds were refunded to lower the overall debt service requirements of the City and to pay the cost associated with the issuance of the Bonds. The transaction was a current refunding of outstanding debt.

On February 19, 2019, the City approved an ordinance to call $12,195,000 of Tax Anticipation Note, Series 2018 to be called on February 20, 2019.

On February 26, 2019, the City issued $147,610,000 Electric Utility System Revenue Refunding Bonds, New Series 2019 to refund $162,095,000 of outstanding Electric Utility System Revenue Bonds, Series 2009, 2016 Electric Commercial Paper issue, and the 2018 Electric Commercial Paper issue. These bonds were refunding to lower the overall debt service requirements of the City and to pay the cost associated with the issuance of the Bonds. The transaction was a current refunding of outstanding debt.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[closing date]

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IN REGARD to the authorization and issuance of the "City of Garland, Texas, Electric Utility System Revenue Refunding Bonds, New Series 2019A," dated December 1, 2019, in the principal amount of $140,790,000 (the "Bonds"), we have examined into their issuance by the City of Garland, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on March 1 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, an Escrow Agreement (the "Escrow Agreement") between the City and Zions Bancorporation, National Association, Amegy Bank Division (the "Escrow Agent"), a special report of Samuel Klein and Company (the "Accountants") and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues (as defined in the Ordinance) of the City's electric utility system, such lien and pledge, however, being junior and subordinate to the lien on and pledge of such Net Revenues to the payment and security of the Prior Lien Bonds (identified and defined in the Ordinance), except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other

similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the special report of the Accountants as to the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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