



## PRELIMINARY OFFICIAL STATEMENT

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

Ratings:  
S&P: Applied for  
Fitch: Applied for  
See "OTHER INFORMATION-  
Ratings"

### NEW ISSUE - Book-Entry-Only

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

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

**\$7,870,000\***

**CITY OF LEWISVILLE, TEXAS**

**(Denton and Dallas Counties, Texas)**

**WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2018**

**Dated Date: September 1, 2018**

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

**Interest to accrue from Date of Delivery**

**PAYMENT TERMS** . . . Interest on the \$7,870,000\* City of Lewisville, Texas, Waterworks and Sewer System Revenue Bonds, Series 2018 (the "Bonds"), will accrue from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery"), will be payable on February 15 and August 15 of each year commencing February 15, 2019, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System". The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the general laws of the State of Texas (the "State"), particularly Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Ordinance") passed by the City Council and, together with outstanding parity revenue bonds (the "Previously Issued Bonds") and any additional parity revenue bonds (the "Additional Bonds"), are special obligations of the City of Lewisville, Texas (the "City"), payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the City's Waterworks and Sewer System (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").

**PURPOSE** . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring and installing improvements, additions and extensions to the City's waterworks and sewer system and (ii) paying the costs of issuing the Bonds.

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**CUSIP PREFIX: 528835**

**MATURITY SCHEDULE & 9 DIGIT CUSIP**

**See Schedule on Page 2**

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

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on September 19, 2018.

**BIDS DUE MONDAY, SEPTEMBER 10, 2018 AT 10:30 A.M. CDT**

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

**MATURITY SCHEDULE\***

<u>15-Feb Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>
2019	\$ 430,000			
2020	420,000			
2021	435,000			
2022	450,000			
2023	465,000			
2024	480,000			
2025	500,000			
2026	515,000			
2027	535,000			
2028	555,000			
2029	575,000			
2030	595,000			
2031	615,000			
2032	640,000			
2033	660,000			

**(Interest to accrue from the Date of Delivery)**

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

**OPTIONAL REDEMPTION OPTION . . .** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

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

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

*No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.*

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.*

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

*Neither the City, nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.*

**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.**

**IN CONNECTION WITH THE OFFERING OF THE BONDS THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED MAY BE DISCONTINUED AT ANY TIME.**

**THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE 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.**

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The cover page hereof, this page, the schedule and 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.

<b>THE CITY</b> .....	The City of Lewisville, Texas (the "City"), is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Denton and Dallas Counties, Texas. The City encompasses approximately 43 square miles (see "INTRODUCTION - Description of the City").
<b>THE BONDS</b> .....	The Bonds are issued as \$7,870,000* Waterworks and Sewer System Revenue Bonds, Series 2018. The Bonds are being issued as serial bonds maturing on February 15 in the years 2019 through 2033 (see "THE BONDS - Description of the Bonds").
<b>PAYMENT OF INTEREST</b> .....	Interest on the Bonds accrues from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery") and is payable February 15, 2019 and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS - Optional Redemption").
<b>AUTHORITY FOR ISSUANCE</b> .....	The Bonds are issued pursuant to the general laws of the State, including particularly Chapter 1502, Texas Government Code, as amended and an Ordinance to be passed by the City Council of the City (see "THE BONDS - Authority for Issuance").
<b>SECURITY FOR THE BONDS</b> .....	The Bonds, together with the previously issued parity bonds (the "Previously Issued Bonds") and any additional bonds (the "Additional Bonds"), constitute special obligations of the City, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the net revenues of the City's Waterworks and Sewer System. <b>The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation</b> (see "THE BONDS - Security and Source of Payment").
<b>REDEMPTION</b> .....	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").
<b>TAX EXEMPTION</b> .....	In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, and the Bonds are not "private activity bonds." See "TAX MATTERS".
<b>USE OF PROCEEDS</b> .....	Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring and installing improvements, additions and extensions to the System and (ii) paying the costs of issuing the Bonds.
<b>RATINGS</b> .....	The e presently outstanding waterworks and sewer system revenue debt of the City are rated "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "AAA" by Fitch Ratings ("Fitch"), without regard to credit enhancement (see "OTHER INFORMATION - Ratings"). Applications have been made to S&P and Fitch for contract ratings on the Bonds.
<b>BOOK-ENTRY-ONLY SYSTEM</b> .....	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. 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").
<b>PAYMENT RECORD</b> .....	The City has never defaulted in payment of its bonds.

\* Preliminary, subject to change.

# **SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended	Estimated City Population <sup>(1)</sup>	Water Volume (Thousand Gallons)			Net Revenue Available For Debt Service	Maximum Debt Service Requirements	Coverage of Maximum Debt Service Requirements
		Average		Annual			
		Day	Peak Day				
9/30				Total			
2013	97,860	15,110	24,009	5,515,330	\$14,743,214	\$ 6,113,056	2.41x
2014	98,330	13,037	23,480	4,758,351	12,458,533	5,748,976	2.17x
2015	99,480	13,050	25,474	4,741,371	13,724,702	6,277,460	2.19x
2016	100,400	14,040	25,846	5,139,109	15,768,293	7,178,754	2.20x
2017	103,640	13,740	23,186	5,586,583	14,194,468	7,178,754	1.98x

(1) Source: City Officials.

For additional information regarding the City, please contact:

Brenda Martin  
 Director of Finance  
 City of Lewisville  
 151 W. Church Street  
 Lewisville, Texas 75057  
 (972) 219-3775

or

W. Boyd London, Jr.  
 Jason L. Hughes  
 Hilltop Securities Inc.  
 1201 Elm Street, Suite 3500  
 Dallas, Texas 75270  
 (214) 953-4000

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## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Rudy Durham Mayor	24 Years	May, 2021	Chief Appraiser Denton Central Appraisal District
Brandon Jones Mayor Pro-Tem	2 Years	May, 2019	Senior Internal Auditor Dallas Independent School District
Bob Troyer Deputy Mayor Pro-Tem	1 Year	May, 2020	Director of Customer Projects Autosig Systems
T.J. Gilmore Councilmember	7 Years	May, 2020	Public Sector Manager Waste Management
R. Neil Ferguson Councilmember	6 Years	May, 2021	Technology Consultant
Brent Daniels Councilmember	3 Years	May, 2019	Owner Bahama Buck's

### SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Donna Barron	City Manager	28 Years
Eric Ferris	Deputy City Manager	32 Years
Melinda Galler	Assistant City Manager	30 Years
Claire Swann	Assistant City Manager	2 Years
Brenda Martin	Director of Finance	13 Years
Julie Worster	City Secretary	19 Years
Lizbeth Plaster	City Attorney	13 Years
Gina Thompson	Director of Budget and Strategic Services	18 Years
Nika Reinecke	Director of Economic Development	11 Years

### CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Auditors ..... Weaver and Tidwell, LLP  
Dallas, Texas

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

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

**PRELIMINARY OFFICIAL STATEMENT**  
**RELATING TO**  
**\$7,870,000\***  
**CITY OF LEWISVILLE, TEXAS**  
**WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2018**

**INTRODUCTION**

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$7,870,000\* City of Lewisville, Texas, Waterworks and Sewer System Revenue Bonds, Series 2018 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Ordinance") authorizing the issuance of the Bonds (see "SELECTED PROVISIONS OF THE ORDINANCE").

There follow 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., Dallas, Texas.

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

**DESCRIPTION OF THE CITY . . .** The 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 and the City's Home Rule Charter. The City was incorporated in 1925, and first adopted its Home Rule Charter in 1963; its Home Rule Charter was last amended in 2017. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers elected for three-year terms. 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, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, tourism and general administrative services. The 2010 Census population for the City was 95,290; the estimated 2018 population is 105,000. The City encompasses approximately 43 square miles.

**THE BONDS**

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated September 1, 2018, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2019, until maturity or prior redemption. 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 The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the 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 "Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, and the Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds are special obligations of the City and, together with certain outstanding revenue bonds of the City (the "Previously Issued Bonds") and any additional parity bonds (the "Additional Bonds") which may be issued in the future, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the System. The Ordinance defines Net Revenues as the gross revenues of the System less Maintenance and Operating expenses. The Net Revenues are pledged to the payment of the Bonds, the Previously Issued Bonds and any Additional Bonds (collectively, "Bonds Similarly Secured"). See "SELECTED PROVISIONS OF THE ORDINANCE."

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\* Preliminary, subject to change.

The City has outstanding Previously Issued Bonds secured by and payable from Net Revenues on parity with the Bonds, as follows:

Dated Date	Outstanding Debt <sup>(1)</sup>	Issue Description
6/1/2009	\$ 760,000	Waterworks and Sewer System Revenue Bonds, Series 2009
4/1/2011	5,860,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2011
5/15/2012	3,060,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2012
5/15/2013	3,830,000	Waterworks and Sewer System Revenue Bonds, Series 2013
7/15/2015	8,675,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2015
6/1/2016	10,235,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2016
1/15/2017	10,245,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2017
	<u>\$ 42,665,000</u>	

(1) As of July 10, 2018. Excludes the Bonds.

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, a Reserve Fund is required to be maintained in an amount at least equal to the average annual debt service requirements of the outstanding Previously Issued Bonds, the Bonds and any Additional Bonds issued on a parity with the Bonds. Any additional amount required to be accumulated in the Reserve Fund by reason of the issuance of the Bonds will be funded over a sixty month period in accordance with the provisions of the Ordinance. The Reserve Fund may be funded in the amount of the Required Reserve by deposit of a Reserve Fund Surety Bond sufficient to provide such portion of the Required Reserve (see "SELECTED PROVISIONS OF THE ORDINANCE").

**RATES** . . . The City has covenanted in the Ordinance that it will at all times charge and collect amounts for services rendered by the System at rates sufficient to pay all operating, maintenance, replacement and improvement expenses, and any other costs deductible in determining Net Revenues, to pay interest on and the principal of the Bonds Similarly Secured (as defined in the Ordinance), to produce Net Revenues equal to at least 1.10 times the annual Debt Service for the Fiscal Year on the Outstanding Bonds Similarly Secured, and to pay all other indebtedness payable from the Net Revenues and/or secured by a lien on the properties or the revenues of the System.

**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, 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 the Bonds are in Book-Entry-Only form), shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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



ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. SUBJECT TO THE RIGHT OF THE CITY TO GIVE A CONDITIONAL NOTICE OF REDEMPTION AS DESCRIBED IN THE IMMEDIATELY PRECEDING PARAGRAPH, 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.

**DEFEASANCE . . .** The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current State law, such discharge may be accomplished by either (i) depositing with the Paying Agent/Registrar or any other lawfully authorized entity a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient, together with the investment earnings thereon, to provide for the payment and/or redemption of the Bonds; provided, that under current law, such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in Book-Entry-Only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

Under current State law, upon such deposit as described above, the Bonds shall no longer be regarded to be outstanding for any purpose other than the payment thereof. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the 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.

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.

**ADDITIONAL BONDS . . .** The City may issue Additional Bonds payable from the Net Revenues which, together with the Previously Issued Bonds and the Bonds, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System, 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 The Depository Trust Company ("DTC"), New York, New York, 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 take no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Bonds 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).

Redemption proceeds and 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. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is 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, Bonds are required to be printed and delivered.

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

**Use of Certain Terms in Other Sections of this Official Statement . . .** In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as 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, and is not to be construed as a representation by the City or the Financial Advisor.

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

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. 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 or trust company organized under the laws of the State 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.

**PAYMENT . . .** Principal of the Bonds at stated maturity or earlier redemption will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "Record Date for Interest Payment" herein), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

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

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, printed bond certificates shall be delivered to the Owners and thereafter, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof 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 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 "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 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each 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.

**BONDHOLDERS' REMEDIES . . .** The Ordinance authorizing the issuance of the Bonds establishes the following Events of Default with respect to the Bonds: (i) defaults in payments to be made to the Bond Fund and Reserve Fund as required by the Ordinance or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance. Upon any happening of any Event of Default and except as otherwise provided in the Ordinance, any Owner or an authorized representative, thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Ordinance, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners under the Ordinance or any combination of such remedies. The Ordinance allows, but does not provide for a trustee to enforce the covenants and obligations of the City. **Upon an event of default under the Ordinance, in no event will registered owners have the right to have the maturity of the Bonds accelerated as a remedy.** The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinance would be successful.

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

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Bonds.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("*Chapter 9*"). 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 provisions are 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 Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that the rights of holders of the

Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

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

Principal Amount of Bonds	\$ -
Net Reoffering Premium	
<b>TOTAL SOURCES</b>	<u><u>\$ -</u></u>
Deposit to Construction Fund	\$ -
Costs of Issuance	
<b>TOTAL USES</b>	<u><u>\$ -</u></u>

## THE SYSTEM

### WATERWORKS SYSTEM

The City owns and operates a water treatment plant with a design capacity of 20.4 million gallons per day (MGD). The City obtains untreated surface water from Lewisville Lake under terms of a contract with the City of Dallas which was renewed for a 30-year term beginning in December 2016. Under the terms of the contract, the City takes as much water as needed from Lewisville Lake. Currently, the City pays \$1.0225 per 1,000 gallons for untreated water.

The City also has a contract, which was renewed in May 2016, to purchase treated water from Dallas at a two-part rate of \$280,458 per MGD per year demand fee and \$0.4565 per 1,000 gallons volume rate. The City is connected to three transmission mains developed for service to neighboring cities of The Colony, Irving and Carrollton. The first delivery point provides a maximum of 12.4 MGD treated water to the City. The second delivery point from the City of Dallas was completed in June 2005 with a current capacity of 6 MGD and design capacity of 12 MGD. The third 15 MGD water supply from the City of Dallas was completed August 2012. The three treated water supplies along with the water treatment plant bring the City to a total current system capacity of 53.4 MGD.

The City also has an emergency reciprocal water connection with the City of Dallas to purchase water during system emergencies at a current flat rate of \$2.2094.

The City is a supporting member of the Upper Trinity Regional Water District (the "District") and is a participating member and owner of the joint intake structure in Lewisville Lake. The City has not entered into any contracts with the District for the purchase of water, but may do so in the future.

The City intends to follow its capital improvement program which calls for the use of \$11,075,446 from reserves and the issuance of \$67,500,000 of bonds, inclusive of the current issue, for waterworks system improvements over the next five years.

**TABLE 1 - HISTORICAL WATER CONSUMPTION (GALLONS)**

Fiscal Year Ended 9/30	Average Day	Peak Day	Total Water Treated and Purchased
2013	15,110,000	24,009,000	5,515,330,000
2014	13,037,000	23,480,000	4,758,351,000
2015	13,050,000	25,474,000	4,741,371,000
2016	14,040,000	25,846,000	5,139,109,000
2017	13,740,000	23,186,000	5,586,583,000

**TABLE 2 - TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)**

Customer	Water Usage	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Lewisville Independent School District	93,083,200	2.00%	\$ 367,938	2.15%
RREF Chapel Hill LLC	62,418,400	1.34%	206,379	1.20%
YES Companies Exp	50,917,000	1.10%	169,570	0.99%
Bigelow Development Corporation	40,029,000	0.86%	130,202	0.76%
Mid America Apts LP	39,975,800	0.86%	130,809	0.76%
Digital Lewisville LLC	39,226,000	0.84%	138,863	0.81%
ICS Oaks of Lewisville LLC	35,287,000	0.76%	116,323	0.68%
LSREF3 Bravo (Dallas) LLC	35,140,900	0.76%	120,657	0.70%
Intergerman Westview Limited Partnership	27,413,600	0.59%	92,839	0.54%
Mar Vista Ridge LP	26,403,200	0.57%	86,202	0.50%
	<u>449,894,100</u>	<u>9.68%</u>	<u>\$ 1,559,782</u>	<u>9.09%</u>

**TABLE 3 - MONTHLY WATER RATES (EFFECTIVE 11/1/17)**

The City rates are reviewed annually with updates implemented October 1 of each year, effective for billings mailed in November.

Residential and Commercial

First 2,000 gallons (Minimum bill varies with tap size):

Current Rates		Old Rates	
3/4" Meter	\$ 15.67	3/4" Meter	\$ 14.78
1" Meter	22.84	1" Meter	21.55
1 1/2" Meter	43.22	1 1/2" Meter	40.77
2" Meter	71.79	2" Meter	67.73
3" Meter	153.51	3" Meter	144.82
4" Meter	267.83	4" Meter	252.67
6" Meter	594.63	6" Meter	560.97
8" Meter	1,052.12	8" Meter	992.57
10" Meter	1,640.29	10" Meter	1,547.44
Volume charge per 1,000 gallons over minimum	\$3.23/1,000 gallons	Volume charge per 1,000 gallons over minimum	\$3.05/1,000 gallons

**WASTEWATER SYSTEM . . .** The City owns and operates a wastewater treatment plant and collection system. The wastewater treatment plant has a permitted flow of 12 MGD with a peak 2 hour flow of 45 MGD. The facility is a biological secondary treatment plant with average daily effluent flows of 8.269 MGD in fiscal year ended September 30, 2017.

**TABLE 4 - WASTEWATER USAGE (GALLONS)**

Fiscal Year Ended 9/30	Average Day (GPD)	Maximum Day (GPD)
2013	7,178,000	13,682,000
2014	7,676,000	13,407,000
2015	10,298,000	25,728,000
2016	11,119,000	28,901,000
2017	8,401,000	13,932,000

**TABLE 5 – TEN LARGEST SEWER CUSTOMERS (BASED ON GALLONS)**

Customer	Sewer Gallons	% of Total Sewer Gallons	Sewer Revenue	% of Total Sewer Revenue
RREF Chapel Hill LLC	55,322,000	1.95%	\$ 201,303	1.78%
YES Companies Exp	50,917,000	1.79%	185,286	1.63%
Bigelow Development Corporation	40,029,000	1.41%	145,755	1.29%
ICS Oaks of Lewisville LLC	35,287,000	1.24%	128,746	1.14%
LSREF3 Bravo (Dallas), LLC	33,038,000	1.16%	120,290	1.06%
Mid America Apts LP	29,456,000	1.04%	107,251	0.95%
Lewisville Independent School District	28,466,100	1.00%	104,905	0.93%
Intergerman Catalina LP	23,499,900	0.83%	85,748	0.76%
Intergerman Westview LP	23,454,000	0.83%	85,474	0.75%
Alliance We LP/dba Winsor Court Apts	22,550,000	0.79%	81,997	0.72%
	<u>342,019,000</u>	<u>12.04%</u>	<u>\$ 1,246,755</u>	<u>11.01%</u>

**TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE 11/1/17)**Single Family Dwelling:

Current customers' rates shall be based upon the four month winter average of monthly water consumption billed in the most recent December, January, February and March for such dwelling and charged:

Monthly Minimum Bill (2,000 gallons)	\$ 9.49
Volume charge per 1,000 (over 2,000 gallons)	\$ 3.82

Non-Single Family Dwellings:

Rates shall be based upon on hundred percent of each month's water consumption and charged:

Monthly Minimum Bill (2,000 gallons)	\$ 9.49
Volume charge per 1,000 (over 2,000 gallons)	\$ 3.82

New Customers:

All new residential customers shall be charged a flat fee of \$24.76 per month until the winter average can be established at the new dwelling.

All residential customers transferring their service to a new address in the City shall be charged based on their winter average at the prior service address until a new winter average is established at the new address.

Sewer Only Customers:

In instances where dwellings are not served by the City Waterworks System, the charge for services furnished by the City Sanitary Sewer Systems shall be a flat fee of \$24.76 per dwelling unit per month.

Wholesale Sewer Customers:

Wholesale customers shall be charged per thousand gallons of metered usage as follows:

Denton Fresh Water Supply District 1-A:

Wholesale water sales:

Maximum demand charge	\$ 323,994
Monthly demand charge	26,999
Volume per 1,000 gallons	1.97
Sewer wholesale rate (volume per 1,000 gallons)	2.74

Industrial Surcharge:

The factors per 1,000 gallons for the industrial surcharge ordinance are \$0.003595 per mgl of BOD and \$0.003083 per mgl of TSS for industrial/commercial customers whose sewage strengths exceed the maximum allowance of 240 mgl.

Transported Liquid Waste:

The rate of sewage transported by vehicle from within the corporate limits of the City is \$8.95 for the first 2,000 gallons. Points of collection are restricted to portable sanitary units and septic systems approved by the City. A volume charge of \$3.60 per 1,000 gallons, in excess of 2,000 gallons, shall be in addition the basic rate charged. The City may refuse any waste if material is non-conforming with pretreatment standards as adopted by the City of Lewisville.

Treated Wastewater Effluent Rates:

Effluent customers shall be charged the posted price for wholesale interruptible raw water offered by the City of Dallas.

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## DEBT INFORMATION

**TABLE 7 - PRO-FORMA WATERWORKS AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 9/30	Outstanding Debt Service			The Bonds <sup>(1)</sup>			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2018	\$ 5,465,000	\$ 1,713,754	\$ 7,178,754	\$ -	\$ -	\$ -	\$ 7,178,754	
2019	4,370,000	1,554,198	5,924,198	430,000	244,971	674,971	6,599,168	
2020	4,110,000	1,414,041	5,524,041	420,000	253,050	673,050	6,197,091	
2021	4,265,000	1,267,691	5,532,691	435,000	238,088	673,088	6,205,779	
2022	4,100,000	1,115,779	5,215,779	450,000	222,600	672,600	5,888,379	42.94%
2023	3,940,000	945,073	4,885,073	465,000	206,588	671,588	5,556,660	
2024	4,115,000	768,191	4,883,191	480,000	190,050	670,050	5,553,241	
2025	3,540,000	602,816	4,142,816	500,000	172,900	672,900	4,815,716	
2026	2,715,000	471,535	3,186,535	515,000	155,138	670,138	3,856,673	
2027	2,820,000	362,785	3,182,785	535,000	136,763	671,763	3,854,548	77.98%
2028	2,150,000	271,444	2,421,444	555,000	117,688	672,688	3,094,132	
2029	1,920,000	196,023	2,116,023	575,000	97,913	672,913	2,788,935	
2030	1,540,000	133,085	1,673,085	595,000	77,438	672,438	2,345,523	
2031	1,600,000	78,607	1,678,607	615,000	56,263	671,263	2,349,869	
2032	1,020,000	32,460	1,052,460	640,000	34,300	674,300	1,726,760	98.00%
2033	460,000	7,130	467,130	660,000	11,550	671,550	1,138,680	100.00%
	<u>\$ 48,130,000</u>	<u>\$ 10,934,611</u>	<u>\$ 59,064,611</u>	<u>\$ 7,870,000</u>	<u>\$ 2,215,296</u>	<u>\$ 10,085,296</u>	<u>\$ 69,149,907</u>	

(1) Average life of the Bonds is 8.042 years. Interest is calculated at an average rate for purposes of illustration only. Preliminary, subject to change.

## TABLE 8 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of July 10, 2018, the City has no authorized but unissued revenue debt. Under State law, the City is not required to obtain voter approval for water and sewer system revenue bonds.

**ANTICIPATED ISSUANCE OF REVENUE BONDS . . .** The City anticipates the issuance of additional Waterworks and Sewer System revenue bonds in the approximate amount of \$10.38 million in the summer or fall of 2019.

**PENSION PLAN . . .** The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. In addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent 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 credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

In addition, the City granted on annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

The City elected to increase the annuities (annuity increases) of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. The City has adopted annuity increases at the rate of 70% of the increase (if any) in the Consumer Price Index all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement Eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	75% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

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

Retirees or beneficiaries currently receiving benefits	363
Inactive employees entitled to but not yet receiving benefits	300
Active employees	743
	<u>1,406</u>

Contributions - Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting 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 for the City of Lewisville were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2017, the City made contributions of 16.27% for the months in 2016 and 16.55% for the months in 2017 which were the actuarially required contributions.

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

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

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

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. This experience study 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 2016 valuation. After the Asset Allocation Study analysis and experience investigation study, the TMRS Board of Trustees amended the long-term expected rate of return on pension plan investments from 7% to 6.75% effective January 1, 2016.

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

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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, the actuary 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. 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	Geometric Real Rate of Return (Expected minus inflation)
Domestic equity	17.50%	4.55%
International equities	17.50%	6.10%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	3.65%
Real return	10.00%	4.03%
Real estate	10.00%	5.00%
Absolute return	10.00%	4.00%
Private equity	5.00%	8.00%
	<u>100.00%</u>	

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 contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/15	\$ 264,919,721	\$ 216,842,185	\$ 48,077,536
Changes for the year:			
Service cost	8,246,818	-	8,246,818
Interest	17,846,679	-	17,846,679
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,500,726)	-	(1,500,726)
Changes of assumptions	-	-	-
Contributions-employer	-	7,814,541	(7,814,541)
Contributions-employees	-	3,362,127	(3,362,127)
Net investment income	-	14,660,373	(14,660,373)
Benefit payments, including refunds of employee contributions	(9,295,778)	(9,295,778)	-
Administrative expense	-	(165,505)	165,505
Other changes	-	(8,918)	8,918
Net changes	15,296,993	16,366,840	(1,069,847)
Balance at 12/31/16	<u>\$ 280,216,714</u>	<u>\$ 233,209,025</u>	<u>\$ 47,007,689</u>

### 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%
Primary Government	\$ 86,695,366	\$ 46,572,813	\$ 12,964,179
Component Unit	1,652,098	434,876	247,050

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended September 30, 2017, the City recognized pension expense of \$10,623,841 related to the Primary Government. For the same period, the City recognized pension expense of \$168,982 related to a component unit, Lewisville Parks and Library Development Corporation (LPLDC).

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

	Primary Government		LPLDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions after measurement date	\$ 8,851,647	\$ -	\$ 140,794	\$ -
Differences in expected and actual pension experience	-	3,076,756	-	41,235
Changes in actuarial assumptions used to determine pension liability	-	-	-	-
Differences in projected and actual earnings on pension assets	9,671,712	-	126,479	-
Total	<u>\$ 18,523,359</u>	<u>\$ 3,076,756</u>	<u>\$ 267,273</u>	<u>\$ 41,235</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$8,992,441 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 (i.e. recognized in the city's financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31	
2017	\$ 2,523,877
2018	2,523,875
2019	2,155,943
2020	(360,314)
2021	(163,181)
Total	<u>\$ 6,680,200</u>

Subsequent Event - Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution due to this change. Accordingly, the City does not anticipate an impact that would deter from continuing to fund pension contributions at the annual required contribution rates in the coming years.

The City provides \$15,000 in life insurance upon retirement for employees with ten years of service with the City of Lewisville. Prior to October 1, 2013, the City purchased fully paid life insurance policies upon retirement for eligible employees. Beginning October 1, 2013, the City began purchasing life insurance through the City's group life insurance vendor. Premiums are now paid monthly for the coverage at a rate of \$1.35 per \$1,000 of coverage or \$20.25 per month. The City had 74 eligible retirees in fiscal year 2016-17 resulting in an annual expenditure of \$15,228.

Lewisville OPEB Liability Trust Fund - The City established an irrevocable trust in 2008 for the systematic funding of post-employment health benefits as a single-employer, defined benefit plan. Plan assets may be used only for the payment or reimbursement of benefits provided to retirees, in accordance with the terms of the plan. The City Manager is the benefit administrator of the plan.

Plan Descriptions and Contribution Information - The City provides comprehensive group medical benefits for employees at retirement who meet the eligibility requirements for postretirement benefits. Eligibility requirements are (1) age 60 and 5 years of service with the City, or (2) 20 years of service with Texas Municipal Retirement System, the City's pension provider. Election must be made at time of retirement to remain in the plan. Continuation of coverage is subject to the payment of required contributions by participating retirees and dependents. The City contributes a fixed amount toward each retiree's monthly premium, based on the tenure with the City. The City's substantive plan places a zero percent (0%) cap on future contribution increases. The employee remains on the plan until age 65 when they are moved to a fully insured Medicare supplement plan. The City contributes a flat \$50 per month toward the retiree's fully insured premium.

Management of trust is vested with the City's Investment Committee, which consists of the Director of Finance, Fiscal Services Manager, an assistant City Manager, and three other members designated by the City Manager.

At September 30, 2017, plan membership consisted of the following:

Number of retirees and beneficiaries receiving benefit	44
Active plan members	667

Investments – Investment Policy and Directive - The City has established an investment policy and directive for the OPEB plan assets. The policy may be amended by the City Council by a majority vote at any time. The directive is more detailed and may be amended by the City Manager at any time. The directive's stated objective is to achieve long-term growth of trust assets by maximizing long-term rates of return on investments and minimizing risk of loss to fulfill the City's current and long-term OPEB obligations. An investment strategy is pursued that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the adopted asset allocation table as of September 30, 2017:

Asset Class	Range Allocation	Target Allocation
Growth Assets		
Domestic Equity	19-59%	39%
International Equity	1-41%	21%
Other (ex Real Estate)	0-20%	0%
Income Assets		
Fixed Income	20-60%	40%
Other	0-20%	0%
Real Return Assets	0-20%	0%
Cash Equivalents	0-20%	0%
		<u>100%</u>

Investments – Rate of Return – For the year ended September 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City – The components of the net OPEB liability of the City at September 30, 2017, were as follows:

Total OPEB liability	\$ 4,587,050
Plan fiduciary net position	<u>4,125,487</u>
City's net OPEB liability	<u>\$ 461,563</u>
Plan fiduciary net position as a percentage of the total OPEB liability	89.94%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of October 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation & Salary Increases	Not applicable as the City's future costs are set at fixed amounts
Investment Rate of Return	7.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	None assumed since the benefits provided are not subject to medical inflation

Mortality rates are based on the RP-2014 Total Dataset Mortality Table projected with Scale MP-2016.

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of actual plan experience in recent years, as applicable.

The long-term expected rate of return on OPEB plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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 returns by the target asset allocation percentage and by adding expected inflation.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth Assets	
Domestic Equity	5.2%
International Equity	5.2%
Income Assets	
Fixed Income	3.8%

Discount Rate – The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that City future contributions will be made at rates equal to 60% of the annual benefit payments expected to be paid from the trust. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the City, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current discount rate:

	<u>1% Decrease (6%)</u>	<u>Discount Rate (7%)</u>	<u>1% Increase (8%)</u>
Net OPEB liability (asset)	\$ 976,751	\$ 461,563	\$ 33,042

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates would not be applicable to the City's plan since the contribution amounts are set at a fixed rate and, therefore, not affected by healthcare cost increases.

The Lewisville OPEB Liability Trust Fund does not issue a separate financial report. Additional information can be found in the Required Supplement Information (RSI) and Financial (Fiduciary Statements) sections of the City's Comprehensive Annual Financial Report.

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## FINANCIAL INFORMATION

**TABLE 9 - CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
<u>Revenues:</u>					
Waterworks Sales	\$ 17,150,289	\$ 16,859,348	\$ 15,775,289	\$ 15,752,392	\$ 16,348,484
Sewer Sales	11,338,944	10,723,279	9,887,970	10,081,552	10,293,223
Tap Fees	13,030	17,545	38,996	46,392	30,825
Industrial Charges	98,818	97,694	145,890	158,819	177,368
Wholesale Water/Sewage Treatment	1,746,682	1,510,323	905,481	901,655	756,337
Reconnect and Sample Fees	219,002	231,982	199,201	223,960	191,714
Capital Recovery Fees	2,428,404	3,637,224	2,968,043	1,438,631	1,874,941
Miscellaneous / Other	48,006	45,150	(12,644)	19,195	203,572
Interest Revenues	464,858	361,953	372,587	173,481	120,530
Total Revenues	<u>\$ 33,508,033</u>	<u>\$ 33,484,498</u>	<u>\$ 30,280,813</u>	<u>\$ 28,796,077</u>	<u>\$ 29,996,994</u>
<u>Expenses:</u>					
Cost of Sales and Services	\$ 11,935,303	\$ 10,925,017	\$ 10,038,815	\$ 8,380,338	\$ 7,690,196
Administration	7,378,262	6,791,188	6,517,296	7,957,206	7,563,584
Total Expenses	<u>\$ 19,313,565</u>	<u>\$ 17,716,205</u>	<u>\$ 16,556,111</u>	<u>\$ 16,337,544</u>	<u>\$ 15,253,780</u>
Net Available for Debt Service	<u>\$ 14,194,468</u>	<u>\$ 15,768,293</u>	<u>\$ 13,724,702</u>	<u>\$ 12,458,533</u>	<u>\$ 14,743,214</u>
Water Customers	22,870	22,685	22,192	21,797	21,662
Sewer Customers	21,671	21,504	20,758	20,684	20,545

**TABLE 10 - COVERAGE AND FUND BALANCES<sup>(1)</sup>**

Average Annual Principal and Interest Requirements, 2018 - 2033	\$ 4,321,869
Coverage of Average Annual Requirements by 9/30/17 Net Available for Debt Service	3.284x
Maximum Principal and Interest Requirements, 2018	\$ 7,178,754
Coverage of Maximum Requirements by 9/30/17 Net Available for Debt Service	1.977x
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/17	\$ 48,130,000
Interest and Sinking Fund, 9/30/17	\$ 4,029,500
Utility Revenue Reserve Fund, 9/30/17	\$ 3,517,329

(1) Projected; includes the Bonds being offered herein; Preliminary, subject to change.

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**TABLE 11 - VALUE OF THE SYSTEM**

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Waterworks and Sewer System	\$333,606,708	\$317,798,079	\$284,961,846	\$269,503,994	\$262,826,367
Building and Land	5,294,746	4,309,184	4,309,184	4,265,104	4,265,104
Machinery and Equipment	5,231,865	4,779,146	4,779,146	4,538,871	4,561,671
Construction in Progress	6,034,397	11,174,230	25,052,147	25,662,714	12,904,268
Total Value	\$350,167,716	\$338,060,639	\$319,102,323	\$303,970,683	\$284,557,410
Less: Depreciation	108,750,959	101,974,561	95,660,128	89,376,654	83,491,668
Net System Value	\$241,416,757	\$236,086,078	\$223,442,195	\$214,594,029	\$201,065,742

**TABLE 12 - CITY'S EQUITY IN SYSTEM**

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
<b>Resources:</b>					
Net System Value	\$241,416,757	\$236,086,078	\$223,442,195	\$214,594,029	\$201,065,742
Cash and Investments	69,429,389	68,201,072	66,539,467	62,517,888	73,960,770
Other Resources	7,441,336	7,179,228	5,698,313	4,615,046	5,179,480
Total Resources	\$318,287,482	\$311,466,378	\$295,679,975	\$281,726,963	\$280,205,992
<b>Obligations:</b>					
Revenue Bonds Payable	\$ 48,130,000	\$ 46,880,000	\$ 44,890,000	\$ 41,650,000	\$ 46,050,000
Other Obligations	16,370,280	15,719,145	14,076,634	10,641,789	10,518,959
Total Obligations	\$ 64,500,280	\$ 62,599,145	\$ 58,966,634	\$ 52,291,789	\$ 56,568,959
City's Equity in System	\$253,787,202	\$248,867,233	\$236,713,341	\$229,435,174	\$223,637,033
Percentage City's Equity in System	79.74%	79.90%	80.06%	81.44%	79.81%

**CAPITAL IMPROVEMENT PROGRAM – REVENUE BOND PROJECTS****Project Name**

<b>Water and Sewer Capital Improvement Projects</b>	<b>FY 17/18</b>	<b>FY 18/19</b>	<b>FY 19/20</b>	<b>FY 20/21</b>	<b>FY 21/22</b>
	\$ 7,680,000	\$10,380,000	\$12,180,000	\$20,180,000	\$17,080,000

**FINANCIAL POLICIES**

**Basis of Accounting** . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unmatured interest on general long-term debt.

Proprietary Fund revenues and expenses are recognized on the full accrual basis. Revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the accounting period in which they are incurred.

**Fund Balances** . . . The City Council has adopted a policy that the General Fund will maintain working capital resources at a minimum of 20% of operating expenditure budget and the City Manager is authorized by the governing body to establish other funds' reserve balances as operations dictate.

**Use of Bond Proceeds** . . . The City's policy is to use bonds for capital expenditures only. Such revenues are never to be used to fund normal City operations.

**Budgetary Procedures** . . . The City operates on an October through September fiscal year. Each year in July, the City Manager submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to the start of the fiscal year. If the Council fails to adopt a budget then the existing budget will continue to be in effect.

During the fiscal year, budgetary control is maintained by verification of appropriation availability prior to all purchases. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

## **INVESTMENTS**

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

**LEGAL INVESTMENTS** . . . Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (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, 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; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or (B) 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 City adopts or (ii) a depository institution with a main office or branch office in this state that the City selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the City's account; and (b) 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 (c) the City appoints as the City's custodian of the banking deposits issued for the City's account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2256.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas 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 of Texas 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, a custodian 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; (9) 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; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the 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 of Texas; and (iv) the agreement to lend securities has a term of one year or less, (11) 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, (12) 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, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The 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 includes 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, 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 for the reporting period each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS . . .** Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an 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 said ordinance or resolution; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (10) at least annually, review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**TABLE 13 - CURRENT INVESTMENTS**

As of June 30, 2018, the City's investable funds were invested in the following categories:

Description	Market Value	% of Portfolio	Book Value	% of Portfolio
TexPool	\$ 21,682,989	9.26%	\$ 21,682,989	9.17%
Governmental Securities	212,588,176	90.74%	214,767,522	90.83%
Total	<u>\$234,271,166</u>	<u>100.00%</u>	<u>\$236,450,511</u>	<u>100.00%</u>

### SELECTED PROVISIONS OF THE ORDINANCE

Selected provisions of the Ordinance are set forth below. Reference is hereby made to the Ordinance as adopted by the City Council for the complete terms and provisions pertaining to the Bonds.

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have the meanings specified below:

“Additional Parity Bonds” means revenue bonds or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future in accordance with the terms and conditions provided in Section 9.01 of the Ordinance and which are equally and ratably secured by a first lien on and pledge of the Net Revenues.

“Average Annual Debt Service” means that amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

“Bond Fund” means the “City of Lewisville Interest and Sinking Revenue Bond Fund” described in Section 8.03 of this Ordinance.

“Bonds Similarly Secured” means, collectively, the Previously Issued Bonds, the Bonds and Additional Parity Bonds.

“Business Day” means any day which is not a Saturday, Sunday or legal holiday, or day on which banking institutions in the State of Texas or the city in which the Designated Payment/Transfer Office is located are generally authorized or obligated by law or executive order to close.

“Debt Service” means, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear, or would have borne, interest at the highest rate reached, or that would have been applied to such obligations (using the index or measure for computing interest applicable to such obligations) during the twenty-four (24) month period next preceding the date of computation, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

“Fiscal Year” or “Year” means the twelve month account period used by the City in connection with the operation of the System which may be any twelve consecutive month period established by the City.

“Fund” means any fund established pursuant to this Ordinance or any ordinance authorizing the issuance of Bonds Similarly Secured.

“Gross Revenues” means all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established by the City for the payment and security of the Bonds Similarly Secured and other obligations payable solely from and secured only by a lien on and pledge of the Net Revenues.

“Interest Payment Date” means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 15 and August 15 of each year, commencing February 15, 2019.

“Maintenance and Operating Expenses” means all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining “Net Revenues.” Depreciation charges shall not be considered Maintenance and Operating Expenses. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply, treatment of sewage or other materials, goods, services or facilities for the System to the extent authorized by law and the provisions of such contracts.

“Net Earnings” means Gross Revenues of the System after deducting the Maintenance and Operating Expenses, but not depreciation charges or other expenditures which, under generally accepted accounting principles, should be treated as capital expenditures.

“Net Revenues” means the Gross Revenues, with respect to any period, after deducting Maintenance and Operating Expenses during such period.

“Outstanding” when used in this Ordinance, means, as of the date of determination, all Bonds Similarly Secured theretofore sold, issued and delivered by the City, except:

(i) those Bonds Similarly Secured canceled or delivered by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation in connection with the exchange or transfer of such obligations;

(ii) those Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions hereof; and

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

“Previously Issued Bonds” means the City’s presently Outstanding and unpaid revenue bonds payable from and secured by a first lien on and pledge of the Net Revenues.

“Prior Ordinances” means the ordinances that authorized the issuance of the Previously Issued Bonds.

“Required Reserve” means the amount required to be accumulated and maintained in the Reserve Fund under the provisions of Section 8.04 of the Ordinance.

“Reserve Fund” means the “City of Lewisville Revenue Bond Reserve Fund,” described in Section 8.04 of the Ordinance.

“System” means all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term “System” shall not mean or include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of “Special Facilities Bonds,” which are hereby defined as being special revenue obligations of the City which are not Bonds Similarly Secured but which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

“System Fund” means the “City of Lewisville Water and Sewer System Fund,” described in Section 8.02 of the Ordinance.

Section 2.01. Pledge. The City hereby covenants and agrees that the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged, equally and ratably, to the payment and security of the Bonds Similarly Secured including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a first lien on the Net Revenues in accordance with the terms and provisions hereof and be valid and binding without further action by the City and without any filing or recording except for the filing of this Ordinance in the records of the City.

Section 2.02. Bonds Similarly Secured as Special Obligations. The Bonds Similarly Secured are special obligations of the City payable solely from the Net Revenues of the System, and the Owners thereof shall never have the right to demand payment thereof out of any other funds raised or to be raised by taxation.

Section 8.01. Special Funds. The City covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the establishment of the following special Funds is hereby confirmed and such Funds shall be maintained in an official depository bank of the City so long as any of the Bonds Similarly Secured are outstanding and unpaid, to-wit:

- (a) “City of Lewisville Water and Sewer System Fund,” herein called the “System Fund”;
- (b) “City of Lewisville Interest and Sinking Revenue Bond Fund,” herein called the “Bond Fund”; and
- (c) “City of Lewisville Revenue Bond Reserve Fund,” herein called the “Reserve Fund.”

Section 8.02. System Fund. The City hereby covenants and agrees that Gross Revenues of the System (excluding earnings and income derived from investments held in the Bond Fund and Reserve Fund) shall be deposited as collected to the credit of the System Fund maintained at an official depository of the City, and such revenues of the System shall be kept separate and apart from all other funds of the City. All revenues deposited in the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- (a) To the payment of all necessary and reasonable Maintenance and Operating Expenses or required by statute to be a first charge on and claim against the Gross Revenues thereof.
- (b) To the payment of the amounts required to be deposited in the Bond Fund established and maintained for the payment of Debt Service on the Bonds Similarly Secured as the same becomes due and payable.
- (c) To the payment of the amounts required to be deposited in the Reserve Fund to accumulate and maintain therein the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to the issuance of Bonds Similarly Secured.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Section 8.03. Bond Fund. For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured as the same becomes due and payable, the City agrees to maintain at a depository bank of the City the Bond Fund as a separate and special account. In addition to the deposits to the Bond Fund for the payment of the Previously Issued Bonds, the City covenants that there shall be deposited into the Bond Fund prior to each principal payment date and Interest Payment Date from the Net Revenues an amount equal to one hundred per centum (100%) of the amount required to fully pay the interest on and the principal of the Bonds then falling due and payable by reason of maturity or redemption, and such deposits to pay principal of and accrued interest on the Bonds shall be made in substantially equal monthly installments on or before the last day of each month, beginning on or before the last day of the month next following the delivery of the Bonds to the initial purchaser thereof. If the Net Revenues in any month are then insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and the Reserve Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or (ii) the Bonds are no longer Outstanding.

Accrued interest received from the Initial Purchaser, as well as any excess proceeds of the Bonds not required to complete the improvements and extensions to be made to the System and any earnings derived from the investment of moneys in the Bond Fund, shall be deposited to the credit of the Bond Fund and taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited in the Bond fund from the Net Revenues.

Section 8.04. Reserve Fund. For purposes of accumulating and maintaining funds as a reserve for the payment of the Bonds Similarly Secured, the City reaffirms its covenant with the owners of the Previously Issued Bonds and agrees with the Owners to maintain the Reserve Fund, and all funds deposited therein (excluding earnings and income derived or received from deposits or investments which may be transferred to the System Fund during such periods as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured when (whether at maturity, upon a mandatory redemption date or any interest payment date) other funds available for such purposes are insufficient, and, in addition, may be used to the extent not required to maintain the "Required Reserve," to pay, or provide for the payment of the final principal amount of a series of Bonds Similarly Secured so that such series of Bonds Similarly Secured is no longer deemed to be "Outstanding" as such term is defined herein.

In accordance with the provisions of the ordinances authorizing the issuance of the Previously Issued Bonds, the total amount ultimately required to be accumulated and maintained in the Reserve Fund is \$3,846,114 (the "Old Reserve"). By reason of the issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be \$\_\_\_\_\_ (the "Required Reserve") which amount is hereby found to equal or exceed the Average Annual Debt Service for the Bonds and the Previously Issued Bonds (calculated on a Fiscal Year basis as of the date the Bonds are to be delivered). In addition to the monthly deposits currently being made to accumulate the Old Reserve, the City agrees that beginning on or before the last day of the month next following the month the Bonds are delivered to the initial purchasers and on or before the last day of each following month until the Required Reserve has been fully accumulated, there shall be deposited into the Reserve Fund from the Net Revenues an amount equal to at least 1/60th of the difference between the Required Reserve and the Old Reserve.

As and when Additional Parity Bonds are delivered or incurred, the Required Reserve shall be increased, if required, to an amount equal to not less than the Average Annual Debt Service (calculated on a Fiscal Year basis) for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Additional Parity Bonds are delivered or incurred, as the case may be. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit in the Reserve Fund of all or any part thereof in cash immediately after the delivery of the then proposed Additional Parity Bonds, or, at the option of the City, by the deposit of monthly installments, made on or before the last day of each month following the month of delivery of the then proposed Additional Parity Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Parity Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash).

When and so long as the cash and investments in the Reserve Fund total not less than the Required Reserve, 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 (other than as the result of the issuance of Additional Parity Bonds as provided in the preceding paragraph), the City covenants and agrees to cure the deficiency in the Required Reserve by resuming monthly deposits to said Fund from the Net Revenues; such monthly deposits to be in amounts equal to not less than 1/60th of the then total Required Reserve to be maintained in said Fund and to be made on or before the last day of each month until the total Required Reserve then to be maintained in said Fund has been fully restored. The City further covenants and agrees that, subject only to the payments to be made to the Bond Fund, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of Additional Parity Bonds.

During such time as the Reserve Fund contains the total Required Reserve, the City may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the System Fund.

Section 8.05. Deficiencies in Funds. If on any occasion there shall not be sufficient Net Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Net Revenues, or from any other sources available for such purpose.

Section 8.06. Excess Revenues. Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by this Ordinance, or any ordinance authorizing the issuance of Additional Parity Bonds, the excess Net Revenues may be used by the City for any lawful purpose.

Section 8.07. Security of Funds. All moneys on deposit in the funds referred to in this Article shall be secured in the manner and to the fullest extent required by the laws of the State for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

Section 8.08. Investment of Certain Funds. Money deposited to the credit of any Fund referenced in this Ordinance may, at the option of the City, be placed in time deposits or certificates of deposit secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or may be invested, including investments held in book-entry form, in direct obligations of the United States of America and obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by the full faith and credit or represent its general obligations; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within forty-five (45) days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within thirty (30) days of the date of passage of each ordinance authorizing the issuance of Additional Parity Bonds. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses shall be debited to, the Bond Fund. All interest and income derived from deposits and investments of the Reserve Fund shall, subject to the limitations provided in Section 8.04, be credited to and deposited in the System Fund. All such investments shall be sold promptly, when necessary, to prevent any default in connection with the Bonds.

Money deposited to the credit of any of the Funds referenced in this Ordinance, to the extent not invested, 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.

Section 9.01. Additional Parity Bonds. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, Additional Parity Bonds for any lawful purpose. Such Additional Parity Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(a) The Director of Finance of the City (or other officer of the City then having the primary responsibility for the financial affairs of the City) shall have executed a certificate stating (i) that, to the best of his or her knowledge or belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceedings relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues that would materially affect the security or payment of such obligations and (ii) either (A) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (B) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(b) The Additional Parity Bonds shall be scheduled to mature or be payable as to principal on February 15 or August 15 (or both) in each year the same are to be outstanding or during the term thereof.

(c) The City has secured a certificate or opinion of a Certified Public Accountant to the effect that, according to the books and records of the City, the Net Earnings for the last completed Fiscal Year, or for twelve consecutive months out of the fifteen months, immediately preceding the month the ordinance authorizing the issuance of such Additional Parity Bonds is adopted, are at least equal to (i) 1.25 times the Average Annual Debt Service for all Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Bonds then being issued and (ii) 1.10 times the maximum annual Debt Service payment to be paid in a Fiscal Year for the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Bonds then being issued. In making a determination of the Net Earnings, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

Section 9.02. Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the City Council of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such Bonds Similarly Secured then outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Parity Bonds) in Section 9.01(c)

shall be satisfied and the Accountant's certificate or opinion required in Section 9.01(c) shall give effect to the Debt Service of the proposed refunding bonds (and shall not give effect to the Debt Service of the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).

Section 9.03. Obligations of Inferior Lien and Pledge. The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Net Revenues, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State.

Section 10.01. Payment of Bonds and Additional Parity Bonds. While any of the Bonds are Outstanding, the City's Director of Finance (or other designated financial officer of the City) shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity; 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 at the close of the Business Day next preceding the date of payment for the Bonds.

Section 10.02. Rates. For the benefit of the Owners and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

- (a) To pay Maintenance and Operating Expenses, depreciation charges and replacement and betterment costs;
- (b) To produce Net Revenues sufficient to pay the principal of and interest on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Bonds Similarly Secured, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the Net Revenues;
- (c) To produce Net Revenues equal to at least 1.10 times the annual Debt Service for the Fiscal Year on the Outstanding Bonds Similarly Secured; and
- (d) To pay all other indebtedness payable from the Net Revenues and/or secured by a lien on the properties or the revenues of the System.

Section 10.03. Maintenance and Operation; Insurance. The City shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost. While any Bonds are Outstanding, the City agrees to maintain casualty and other insurance on the System of a kind and in an amount which usually would be carried by municipal corporations owning and operating similar properties. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than operation of the System, but nothing herein shall be construed as preventing the City from doing so.

Section 10.04. Records; Accounts; Accounting Reports. (a) The City hereby covenants and agrees that so long as any of the Bonds are Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, Texas Government Code, as amended. The Owners of any of the Bonds or any duly authorized agent or agents of such Owners shall have the right at all reasonable times to inspect such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that 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. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

- (i) A statement of the income and expenses of the System for such Fiscal Year;
  - (ii) A balance sheet for the System as of the end of such Fiscal Year;
  - (iii) A statement describing the sources and application of funds of the System for such Fiscal Year;
- and
- (iv) Accountant's comment regarding the manner in which the City has carried out the requirements of this Ordinance and any other ordinance authorizing the issuance of Additional Parity Bonds and his recommendations for any changes or improvements in the operations, records or accounts of the System.

(b) Expenses incurred in making an annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and, upon request, to the initial purchasers of the Bonds and subsequent Owners of any of said Bonds. The audits herein required shall be made within one hundred twenty (120) days following the close of each Fiscal Year insofar as is possible.

Section 10.05. Sale or Lease of Properties. The City, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair market value thereof, as determined by the City Council of the City, any property not necessary or required in the efficient operations of the System, or any equipment not necessary or useful in the



operations thereof or which is obsolete, damaged or worn out or otherwise unsuitable for use in the operation of the System. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

Section 10.06. Further Covenants. The City hereby further covenants and agrees as follows:

(a) It has the lawful power to pledge the Net Revenues to the payment of the Bonds to the extent provided herein and has lawfully exercised said power under the Constitution and laws of the State; that the Bonds, Previously Issued Bonds and Additional Parity Bonds shall be ratably secured under such pledge in such manner that one bond shall have preference over any other bond of said issues.

(b) The Net Revenues of the System have not been in any manner pledged or encumbered to the payment of any debt or obligation of the City or the System, save and except for the Previously Issued Bonds, the Bonds and with respect to revenues from the sale of water, the payments by the City to the Greater Lewisville Water Supply Corporation pursuant to the Water Supply System Sale-Purchase-Financing Agreement, dated as of April 20, 1972, together with all amendments thereto.

(c) No free service of the System shall be allowed, and should the City or any of its agencies 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.

(d) To the extent that it legally may and so long as any of the Bonds are Outstanding, no franchise shall be granted for the installation or operation of any waterworks or sewer system other than those owned by the City, and the operation of any such system by anyone other than this City if hereby prohibited.

(e) The City will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

Section 10.07. Amendments. (a) This Ordinance shall constitute a contract with the Owners from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains outstanding, except as permitted in this Section.

(b) The City may, without the consent of or notice to any Owners of Bonds, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners of any Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein.

(c) In addition, the City may, with the written consent of Owners of Bonds owning a majority in aggregate principal amount of the Bonds Similarly Secured then Outstanding and affected thereby, amend, add to or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of outstanding Bonds, no such amendment, addition or rescission shall (i) 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, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds or Bonds Similarly Secured, as the case may be, required for consent to any such amendment, addition or rescission.

Section 11.01. Remedies in Event of Default. (a) 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 (i) defaults in payments to be made to the Bond Fund and Reserve Fund as required by this Ordinance or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, each an "Event of Default," the Owner of any Bond shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

(b) 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 any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

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## **TAX MATTERS**

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

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the "Report") of Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations or Report should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

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

### **ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS**

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

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

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

**TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS . . .** The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the caption "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations - Collateral Tax Consequences" and "-Tax Legislative Changes" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

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

**TAX LEGISLATIVE CHANGES . . .** Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders 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"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org) <<http://www.emma.msrb.org>>.

**ANNUAL REPORTS . . .** The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information of the type described in Tables 1 through 13, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles appended to the Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC").

The City's current fiscal year end is September 30. Accordingly, the City must provide its required information by the last day of March in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

**CERTAIN EVENT NOTICES . . .** The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

For these purposes, any event described in the immediately preceding clause (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 of business of the City.

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

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of certain 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 holders 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 underwriter 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 holders 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 holders 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 underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** The City entered into certain undertakings under SEC Rule 15c2-12 with respect to obligations issued by the City for the benefit of Lewisville Castle Hills Public Improvement District No. 5, Lewisville Castle Hills Public Improvement District No. 6 and Lewisville Castle Hills Public Improvement District No. 7 (collectively, the "Castle Hills Districts"). In those undertakings, the City undertook to provide financial and operating information relating to the Castle Hills Districts and the developer of the Castle Hills Districts that was provided to the City by the Castle Hills Districts. In 2015, the Castle Hills Districts failed to provide such financial and operating information to the City in time for the City to file such information with the EMMA system within the required time frame. Such information was subsequently filed approximately three months late.

The City and the Castle Hills Districts have engaged Hilltops Securities Inc. to provide continuing disclosure services related to debt issued for the benefit of the Castle Hills Districts.

## **OTHER INFORMATION**

### **RATINGS**

The presently outstanding waterworks and sewer system revenue debt of the City are rated "AAA" by S&P and "AAA" by Fitch, without regard to credit enhancement. Applications have been made to S&P and Fitch for contract ratings on the Bonds. 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 of such rating companies, if in the judgment of any such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

### **LITIGATION**

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse 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). The Bonds have not been approved or disapproved by the Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The 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, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas

Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, 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. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

#### **LEGAL MATTERS**

The City will furnish a complete transcript of proceedings had 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 legal opinion 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 existing law. See "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement or Notice of Sale, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion 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.

#### **FINANCIAL ADVISOR**

Hilltop Securities Inc. 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. Hilltop Securities Inc., 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.

#### **INITIAL PURCHASER**

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

#### **CERTIFICATION OF THE OFFICIAL STATEMENT**

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

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

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

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Mayor  
City of Lewisville, Texas

ATTEST:

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City Secretary  
City of Lewisville, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY



## THE CITY

The City of Lewisville was incorporated in 1925. The current charter was adopted in 1963 and amended as recently as 2017. Lewisville is a home-rule city and operates under the Council-Manager form of government. The City Council is comprised of the Mayor and five members and is responsible for enacting ordinances, resolutions and regulations governing the City. In addition, the City Council appoints the members of various boards and commissions, the City Manager, City Attorney, City Judge, and City Secretary. As chief administrative officer, the City Manager is responsible for implementing Council policies, overseeing municipal operation, and appointing and supervising the various department directors.

The City provides the full range of municipal services as authorized by statute or charter. This includes public safety (police and fire), streets, water and sewer utilities, sanitation, health and social services, parks and leisure services, public improvements, community development with planning and zoning, tourism and general administrative services.

The following list includes the major employers in the City:

<b>Employer</b>	<b>Number of Employees</b>	<b>Percentage of Total City Employment</b>
JP Morgan Chase	2,878	4.59%
Lewisville Independent School District (Lewisville employment only)	2,852	4.55%
Vista Ridge Mall (all outlets)	1,500	2.39%
Xerox Corporation	823	1.31%
Medical Center of Lewisville	815	1.30%
City of Lewisville	781	1.25%
Bed Bath & Beyond	700	1.12%
Wal-Mart (all City locations)	685	1.09%
TIAA-CREF	600	0.96%
SYSCO	563	0.90%
	<u>12,197</u>	<u>19.46%</u>

Source: City of Lewisville Economic Development and Budget Departments, Texas Workforce Commission and North Central Texas Council of Governments.

## ECONOMIC CONDITIONS AND OUTLOOK

The City of Lewisville continues to experience positive annual population and new residential and commercial growth. Between the years 2000 to 2010, Lewisville's population increased by 22.6% from 77,737 to 95,290 per the official Census data of 2010. The current population estimate from North Central Texas Council of Governments (NCTCOG) is 105,000. Lewisville is located in Denton County which is one of the Top 20 fastest-growing counties in the U.S per the U. S. Census. The City has added a tremendous number of infill development and redevelopment projects that have aided in the rejuvenation of the City. Lewisville's makeup is unique because the community is largely developed with limited vacant land available. Estimates are for residential population to be approximately 140,000 (including extraterritorial jurisdiction) at the time of build-out around 2030. According to Transwestern Commercial Services, the Denton/Lewisville office market enjoyed one of the lowest vacancy rates in the DFW region at 9.4% in the 3<sup>rd</sup> Quarter in 2017. Industrial vacancy also came in very low at 6%.

### Highlights include:

- Majestic Airport Center is a master-planned Industrial park with over 160 acres of land and more than 3 million square feet of Class A warehouse and distribution facilities. Kellogg relocated their southwest regional distribution facility to Majestic Airport Center in 2012, occupying 1 million square feet and creating 300 new jobs. Jafra Cosmetics, Cabin Innovations, Hagemeyer North America Inc., Sonexus Health, Essilor of America and Ranger Air Aviation currently occupy the development, taking advantage of the Foreign Trade Zones and Triple Freeport exemption in place. The most recent occupant, Bed, Bath and Beyond has their Texas E-Commerce facility occupying 780,000 square feet with over \$100 million in real and business personal property investment and large projected sales tax generation since its opening in late 2016.
- Ferguson Enterprises relocated to Lewisville into a new 181,000 square foot regional warehouse and distribution facility at 514 Bennett Lane.

- Mortgage Contracting Services moved from Plano and now occupies a 120,000 square foot building that was vacated by Nationstar Mortgage bringing 500 employees to Lewisville.
- Norman Windows Fashion, a California company, expanded its operation to Texas, by purchasing a 400,000 square foot facility in Lewisville. They are the distributor of window blinds and drapes to major retailers such as Lowes and Home Depot.
- Hoya Optical completed its expansion in Lewisville adding 201 employees and investing \$14,000,000 in their facility. The total number of employees at this location is now 440.
- Mary Kay Inc. research and manufacturing facility is well under construction. The new 480,000 square foot facility is scheduled to open in 2018. The company is projected to invest over \$100 million dollars in land purchase, construction, business personal property and inventory as well as adding 600 jobs to the local economy.
- The hospitality industry is booming in Lewisville as several new hotels are under construction. A new 129-room La Quinta Inn & Suites was recently completed and at least four others are planned to open in 2018 including Home 2 Suites by Hilton, Candlewood Suites, TRU by Hilton, and ALOFT by Marriott.
- The Vista Ridge Mall was purchased by ICA Properties and renamed the Music City Mall. ICA is planning to attract new tenants and shoppers with live music and new retail venues.
- Other notable companies moving to Lewisville this year include:
  - Infinite Packaging & Printing—expansion (39,000 square feet)
  - STEM Academy of Lewisville (43,000 square feet)
  - MC2—trade show booth exhibit manufacturer (7,200 square feet)
  - Infinite Electronics (8,200 square feet)
  - Design Floors (12,000 square feet)

## MAJOR INITIATIVES

**Tax Increment Reinvestment Zone Number 1** - The City of Lewisville continues to revitalize Old Town Lewisville. The Old Town Tax Increment Reinvestment Zone was created in December 2001, with participation between the City and Denton County. The Zone will expire in 2028.

The Old Town Tax Increment Reinvestment Zone has experienced an incremental increase in taxable value of \$145.7 million since inception. Tax increment revenues from the Zone are used to finance infrastructure improvements and public facilities to stimulate revitalization of Old Town. Projects to date include parking improvements, wayfinding, infrastructure needs studies, sidewalk enhancements, beautification projects, the Medical Center of Lewisville Grand Theater (MCL Grand Theater), and the Wayne Ferguson Plaza.

- Several new restaurants have opened in Old Town including Cavalli Pizza, Twisted Root Burger, Prohibition Chicken, PERC Coffeehouse, Domino's Pizza, and Old Town Wine House.
- The Lewisville Feed Mill is being converted into a restaurant with over \$2 million in renovations and improvements. The current building will be renovated but will preserve as much of the historical character as possible. The restaurant is scheduled to open in the spring of 2018.
- The Uptown Village Townhome community has completed 40 units and is in the process of proceeding with phase 3 of the development for a total of 73 units including a pool and clubhouse in this phase.
- South Village, a mixed-use project, including 4,000 square feet of office space/retail space and 63 new residential units is under construction.
- Walters Street Brownstones, with 19 residential units, is under construction.

**Tax Increment Reinvestment Zone Number 2** - This zone was created in October 2008, with participation between the City and Denton County. This Zone started with a base value of \$9 million and has added \$129.5 million in incremental value. The Zone will expire in 2038.

- Tax increment revenues from the Zone are used to finance infrastructure improvements for a 427-acre mixed-use development. The development, also known as Hebron 121 Station, is at the northeast corner of Interstate Highway 35-East (I-35E) and State Highway 121 Tollway (SH 121). The project consists of urban residential, retail, recreation, and entertainment uses.
- The first three phases of the residential development have been completed and consist of 1,210 multi-family units within 4-story structures; the total number of residential units projected for the project at completion will be 1,875.
- Other features present within this zone is the Denton County Transit Authority (DCTA) A-Train Station and a connecting bridge over Timber Creek from the project to the I-35 frontage road.

**Lewisville 2025 Plan** - The Lewisville 2025 Vision Plan is the City's strategic plan that includes nine Big Moves guiding the development of the City of Lewisville over the next 10 years. The plan serves to set a vision for the future and provide a framework as Lewisville looks to celebrate its centennial in 2025. The plan was developed with more than a year of public input and discussion that garnered hundreds of ideas and suggestions. That input was studied extensively by the Lewisville 2025 Committee, working with City staff and professional consultants. After an extensive public involvement process, the plan was complete and adopted in July 2014. The resulting Lewisville 2025 plan sets a clear shared vision for the kind of community Lewisville hopes to be in 2025. The plan identifies nine Big Moves to make that vision a reality. Some of the major accomplishments this prior year are listed below:

- **Green Centerpiece** (Create and educate the public about unique destinations within the areas of the floodway, public land, and adjacent private lands.)
  - In regards to Lewisville Lake Environmental Learning Area (LLELA), the City continues to work with all stakeholders to plan for new programming and activities in LLELA.
  - The City received approval from Corps of Engineers to create two new nature trails at LLELA:
    - The Stewart Creek Trail, which is an extension of the Bittern Marsh trail, will become the eastern most trail in LLELA, and will extend into portions of the property the public has never been allowed.
    - The Wildflower Loop also will be on the east side of LLELA. It will include an observation platform for visitors to look over the entire prairie. When the roughly one-mile trail opens, it will be a guided-tour only trail.
- **Extending The Green** (Implement the City's adopted Trails Master Plan and to give Lewisville residents access to these systems within a reasonable walking distance of their neighborhoods.)
  - The City was selected by TxDOT to receive Green Ribbon funding for FM 407 (Aspen Drive to Summit Avenue) and SH 121 Business (E. Main Street to FM 544) Median Landscape Project. Improvements include native, low-impact landscape, hardscape and irrigation. The hardscape includes a Lewisville Gateway sign on both roadways.
  - The new I-35E bridge over Lewisville Lake completed the trail connection from Garden Ridge Boulevard to Denton.
  - The City joined the Trust for Public Land "10-minute to a Park" initiative, committing to increase community access to public parks and open spaces.
- **Sustainability** (Provide a framework for all areas of municipal operations and place emphasis on green initiatives while reducing demands on limited resources.)
  - City of Lewisville Fleet Division earned 2017 Outstanding Bronze Fleet Award presented by NCTCOG. The award recognizes efforts of emissions reduction, fuel reductions, promotion of clean fleet policies, and petroleum reduction goals.
  - The City reduced electricity consumption by 151,410 Kwh across all City facilities this past year. This was accomplished by installing more energy efficient mechanical and lighting components.
  - The City adopted an Idling Directive which limits employee's ability to leave City vehicles idling while working. The limitations will promote sustainability, but also save taxpayer money on gas and car maintenance.
- **Old Town** (Identify new and renovated residential, retail and commercial opportunities and to raise the profile of the City's historic Old Town by increasing activities and quality events.)
  - The City opened the Visitor Information Center (VIC) in September, located at 247 W. Main Street. Unique to the Lewisville VIC are three public museum rooms that highlight Lewisville's history—Deep Roots, Arts & Culture, and Fighting Farmers of Lewisville High School. The building also houses the Community Relations and Tourism Department, including the Special Events Division.
  - Five new restaurants opened in 2017 as mentioned earlier.
  - Valley Ridge Boulevard extension opened in October. The 1.6-mile extension provides a direct connection

between I-35E and SH 121 Business and reduces the amount of cut-through commuter and truck traffic in Old Town, making Old Town more pedestrian friendly, and minimizing traffic disruptions during major events.

- **Thriving Neighborhoods** (Create neighborhood-specific reinvestment strategies and to work with neighborhood groups to evaluate, identify and fund needed improvements.)
  - As part of the Property Enhancement Program, the City awarded residents more than \$117,000 in reimbursement between July 2016 - September 2017.
  - Construction began on Fire Station #3 and Fire Station #8 in late 2017. Both stations are expected to open in late 2018.
  - LPD continued its premier Neighborhood Police Services program. In fiscal year 2016-17, in addition to regular duties, officers patrolled 61 neighborhoods, initiated 303 calls for service, traveled 2,065 miles, worked 310 additional hours, and patrolled 11 school zones and 14 athletic tournaments. Additionally, a popular program is an additional 48 man hours for Halloween evening patrol. Officers handed out over 3,000 LPD candy suckers to trick-or-treaters.
- **New Neighborhood Choices** (Create and encourage new residential choices such as upscale single-family homes, mixed-use complexes, and high-density housing close to the three DCTA stations.)
  - The Hebron 121 Station began construction on Phase 5 of the iconic complex along I-35E, adding 330 townhome and mansion style units, a fitness center, and another pool. Construction on Phase 6 is expected to begin in 2019.
  - The City issued more than 7,200 building-type permits. More than 250 were for new single-family home construction and more than 300 were for construction in Old Town.
- **Employment Centers** (Support the long-term success of these centers and promote a sense of pride between businesses and community services.)
  - Highlights of newly developed employment centers are detailed earlier in this letter.
  - Two Lewisville locations were submitted through the Dallas Regional Chamber's joint DFW regional bid as potential sites for Amazon's second headquarters building. One Lewisville site is still part of DFW's bid that made Amazon's top 10 list. It is expected there will be 50,000 jobs, paying an average of \$100,000, at Amazon's HQ2. Amazon has not said when it will announce the winning location.
- **Identity Focal Point** (Create a strong graphic presence at the major gateways so Lewisville stands apart from other cities along I-35E.)
  - Zoning has been approved for two key parts of the Northern Gateway near Justin Road and McGee Lane. The goal is to create a mixed-use center of activity west of I-35E. Plans call for a mixed-use office complex, hotel, entertainment venue and retail outlets alongside single-family homes and high-density residential neighborhoods. A system of hike and bike trails and sidewalks will connect neighborhoods with other areas of the development.
  - Construction on Tower Bay Lofts, a resort-style luxury apartment development near Lewisville Lake, is expected to start in early 2018 and will provide a focal point in the City's Northern Gateway.
- **Marketing & Communications** (Strengthen the communications program within the City, enhance the message to residents, and better promote the people and businesses in the City.)
  - Construction started in November on eight gateway monument signs located at entry points into the City. Two additional signs are being built by the state as part of its Median Beautification Program.
  - Old Town Visitor Marketing Plan was completed in July 2017 with parts of the plan being implemented in August 2017. The plan is designed to grow the perception and reputation of Old Town as a desirable location to visit, eat, and shop.

A series of real-time performance dashboards measuring a wide range of municipal services were added to the City website. ([metrics.cityoflewisville.com](http://metrics.cityoflewisville.com)). This performance dashboard system is a key component of the City's transparency plan, and helped the City get selected as one of the 100 "What Works City" participants.

#### **Major Roadway Projects -**

Substantial completion of the I-35E expansion occurred this year within Lewisville. The full project will widen the interstate from 10 to 16 lanes between I-635 and US Highway 380. The City worked with the State and the contractor to complete aesthetic improvements, utility relocation and signal installations along the corridor. The expansion includes free lanes, managed/tolled lanes, and additional new frontage lanes.

Corporate Drive, a \$44 million roadway project, encompasses several segments from Waters Ridge to Trinity Drive. Segment 1 & 7 (Waters Ridge to Railroad Street and Josey to Trinity Drive) is complete; Segment 6 from FM544 to Josey is complete with the exception of the Kansas City Southern railroad underpass. Segment 5, Holford's Prairie to Old Denton Road, is in the design

stage and construction could begin in early 2019. Finally, Segments 2-4, Railroad Street to Holford's Prairie is in the early stages of design. The largest roadway project in the City's history is being funded with City, Denton County and Regional Toll Revenues (RTR).

**Residential Growth** - A significant number of new residential subdivisions are either underway or planned in Lewisville including a 156-acre annexation of land into the City for a master planned community. The new residential developments have a higher price point than existing residences and are estimated to be in \$250,000 to \$400,000 price range. These projects include:

PROJECT	LOCATION	RESIDENCE TYPE	PLANNED UNITS	STATUS/COMPLETED
Highpoint Oak Estates	Southwest corner of Vista Ridge Mall Drive & Denton Tap Road	Single family	85	72 units completed; 13 under construction
The Hills of Vista Ridge	Oakbend & Vista Ridge Mall Drive	Single-family	124	72 units completed; 52 units - Under Construction
Wyndale Meadows	East of FM 544 & south of SH 121	Single-family	105	77 units completed
Willowbrook	2698 Denton Tap Rd.	Single-family	75	Building permits issued for 26 homes
Vista Villas	2100 Vista Dr.	Single-family	46	Public improvements being installed
Archer Way	Moccasin Trail & Archer Way	Single-family	38	In plan review
Highland Terrace	NEC of Highland & Denton Tap	Single-family	32	In plan review
Great Lake Crossing	SWC McGee Ln & Daffodil Ln.	Single-family	30	Plans approved
Crescent Estates	Summit Lane south of College Parkway	Single-family	62	31 units completed; 31 under construction
Fireside Village	College Parkway and Summit Avenue	Single-family	33	Broke ground
Lakewood Hills	Josey Lane and Windhaven Parkway	Single-family	523	Broke ground
Legacy Pointe	N. Kealy	Single-family	97	Under construction- Phase 1--25 lots
South Village	Elm Street & Mill Street	Mixed Use	81	Under construction

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## EDUCATION

The Lewisville Independent School District (“LISD”) encompasses 13 communities and 127 square miles. LISD presently has 40 elementary schools, one early childhood center, 15 intermediate schools, five high schools, three ninth grade campuses, two ninth and tenth grade campuses, two career centers, one learning centers, a night high school, and a virtual learning academy. All LISD campuses received the “Met Standard” accountability rating by the Texas Education Agency in the areas of student achievement, student progress, closing performance gaps, and postsecondary readiness. Serving more than 53,000 students, LISD has experienced a period of rapid growth adding over 23,000 students within the last twenty years.

<u>School Year</u>	<u>School Enrollment</u>	
	<u>District Wide</u>	
2008-09	50,038	
2009-10	50,664	
2010-11	51,298	
2011-12	51,782	
2012-13	52,396	
2013-14	52,696	
2014-15	52,989	
2015-16	53,400	
2016-17	53,200	
2017-18	52,462	

(1)

(1) As of October 2017.

## BUILDING PERMIT VALUES

<u>Fiscal Year</u>	<u>Commercial</u>		<u>Residential</u>		<u>Other <sup>(2)</sup></u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
2014	153	\$ 49,608,616	229	\$ 20,252,230	443	\$ 2,421,327
2015	87	125,973,960	801	79,250,114	275	2,988,263
2016	35	73,887,615	379	114,348,948	777	74,378,555
2017	24	88,975,876	277	62,970,702	792	52,369,218
2018 <sup>(1)</sup>	20	43,183,606	234	64,019,209	423	26,500,232

(1) As of June 30, 2018.

(2) This section represents miscellaneous commercial and residential permits. Beginning in FY 2016, permits for building additions and alterations are included here along with other building permits such as swimming pools and fences.

**APPENDIX B**

EXCERPTS FROM THE  
CITY OF LEWISVILLE, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2017

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

## **APPENDIX C**

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