

(See "Continuing Disclosure of Information" herein)

Dated June 18, 2019

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein.

THE CERTIFICATES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$7,045,000
CITY OF KELLER, TEXAS
(Tarrant County)
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: June 15, 2019
Interest Accrues from Delivery Date

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the \$7,045,000 City of Keller, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2019 (the "Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2020, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company N.A., Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance adopted by the City Council (the "Ordinance") and constitute direct obligations of the City of Keller, Texas (the "City"), payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and from a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's waterworks and sewer system as provided in the Ordinance (see "The Certificates - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's water and sewer system, including a pump station and water distribution and transmission lines, and (ii) paying all or a portion of costs of issuance and legal, fiscal and engineering fees in connection with these projects and the Certificates.

MATURITY SCHEDULE

CUSIP Prefix: 487684⁽¹⁾

Principal Amount	February 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾	Principal Amount	February 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 255,000	2020	2.000%	1.400%	AA7	\$ 350,000	2030	3.000%	2.050%	AL3
275,000	2021	2.000%	1.430%	AB5	365,000	2031	3.000%	2.150%	AM1
285,000	2022	3.000%	1.460%	AC3	375,000	2032	3.000%	2.250%	AN9
290,000	2023	2.000%	1.500%	AD1	385,000	2033	3.000%	2.350%	AP4
295,000	2024	2.000%	1.550%	AE9	395,000	2034	3.000%	2.400%	AQ2
305,000	2025	3.000%	1.600%	AF6	410,000	2035	3.000%	2.450%	AR0
310,000	2026	3.000%	1.650%	AG4	420,000	2036	3.000%	2.500%	AS8
320,000	2027	3.000%	1.750%	AH2	435,000	2037	3.000%	2.550%	AT6
330,000	2028	3.000%	1.850%	AJ8	445,000	2038	3.000%	2.600%	AU3
340,000	2029	3.000%	1.950%	AK5	460,000	2039	3.000%	2.650%	AV1

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield shown is yield to first call date, February 15, 2027.

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

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

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on July 18, 2019.

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

No dealer, broker, 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.

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

The cover page of this Official Statement contains certain information for general reference only and is not intended as a summary of the offering. Investors should read the entire Official Statement, including all schedules and appendices hereto, to obtain information essential to making an informed investment decision.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with a purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The Certificates are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Certificates in accordance with applicable securities law provisions of the jurisdiction in which the Certificates have been registered, qualified or exempted should not be regarded as a recommendation thereof.

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

OFFICIAL STATEMENT SUMMARY

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

- THE CITY**..... The City of Keller, Texas (the "City"), is a political subdivision and home rule municipal corporation of the State, located in Tarrant County, Texas. The City covers approximately 18.17 square miles (see "INTRODUCTION - Description of the City").

- THE CERTIFICATES** The \$7,045,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2019 are to mature on February 15 in the years 2020 through 2039 (see "The Certificates - Description of the Certificates").

- PAYMENT OF INTEREST** Interest on the Certificates accrues from the Delivery Date, and is payable February 15, 2020, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates" and "The Certificates - Optional Redemption").

- AUTHORITY FOR ISSUANCE**..... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, V.T.C.A. Local Government Code (the Certificate of Obligation Act of 1971), as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an Ordinance adopted by the City Council of the City (see "The Certificates - Authority for Issuance").

- SECURITY FOR THE CERTIFICATES** The Certificates constitute direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's waterworks and sewer system as provided in the Ordinance (see "The Certificates - Security and Source of Payment").

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

- TAX EXEMPTION** In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law subject to the matters described under "Tax Matters" herein.

- USE OF PROCEEDS** Proceeds from the sale of the Certificates will be used for (i) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's water and sewer system, including a pump station and water distribution and transmission lines, and (ii) paying all or a portion of costs of issuance and legal, fiscal and engineering fees in connection with these projects and the Certificates.

- RATINGS** The Certificates and the presently outstanding tax supported debt of the City are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") (see "OTHER INFORMATION – Ratings").

- QUALIFIED TAX-EXEMPT OBLIGATIONS** The City has designated the Certificates as "qualified tax-exempt obligations" for financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Certificates 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 Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the **Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating** members of DTC for subsequent payment to the beneficial owners of the Certificates (see "The Certificates - Book-Entry-Only System").

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population	Taxable Assessed Valuation ⁽³⁾	Per Capita Taxable Assessed Valuation	Net Tax		Ratio Funded	
				Supported Debt Outstanding at End of Year ⁽⁴⁾	Per Capita Funded Tax Debt	Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2015	42,890 ⁽¹⁾	\$ 4,304,034,582	\$ 100,351	\$ 35,254,000	\$ 822	0.82%	99.79%
2016	42,890 ⁽²⁾	4,399,855,663	102,585	31,734,000	740	0.72%	99.61%
2017	44,050 ⁽²⁾	4,991,173,390	113,307	25,299,533	574	0.51%	99.55%
2018	44,620 ⁽²⁾	5,234,466,178	117,312	25,698,113	576	0.49%	96.01%
2019	44,940 ⁽²⁾	5,778,520,925	128,583	15,752,276 ⁽⁵⁾	351	0.27%	95.10% ⁽⁶⁾

(1) Source: North Central Texas Council of Governments.

(2) Estimate provide by City officials.

(3) Taxable assessed values, with the exception of fiscal year ending 2018, are as reported in the City’s comprehensive annual financial report. The fiscal year ending 2018 taxable assessed value is as reported by the Tarrant Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(4) Excludes self-supporting debt. See Tables 1 and 10 herein for more detailed information on the City’s general obligation self-supporting debt. The City’s policy to pay such self-supporting general obligation debt from other revenues is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

(5) Projected, excludes the Certificates and other Self-Supporting Debt

(6) Collections for part year only, through April 1, 2019.

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Pat McGrail Mayor	2 Years	May, 2020	Retired Executive
Mitch Holmes Councilmember, Place 1	1 Year	May, 2021	Civil Engineer
Sean Hicks Councilmember, Place 2	1 Year	May, 2021	Chief Executive Officer
Sheri Almond Councilmember, Place 3	1 Month	May, 2022	Executive Director
Beckie Paquin Councilmember, Place 4	1 Month	May, 2022	Primary Assistant Principal
Chris Whatley Councilmember, Place 5	2 Years	May, 2020	Self-Employed
Tag Green Councilmember, Place 6	2 Years	May, 2020	Broker/Business Owner

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service With City</u>
Mark Hafner	City Manager	18 Years
Aaron Rector	Director of Finance	3 Years
Kelly Ballard	City Secretary	6 Years

CONSULTANTS AND ADVISORS

Auditors Weaver and Tidwell, LLP
Fort Worth, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisors Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Mark Hafner Aaron Rector City of Keller P.O. Box 770 Keller, Texas 76244 (817) 743-4007	or	Nick Bulaich Hilltop Securities Inc. 777 Main Street, Suite 1200 Fort Worth, Texas 76102 (817) 332-9710
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OFFICIAL STATEMENT

RELATING TO

\$7,045,000

**COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2019**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$7,045,000 City of Keller, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2019 (the "Certificates"). The Certificates are authorized for issuance by an ordinance adopted by the City Council of the City on June 18, 2019 (the "Ordinance"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective Ordinance, except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1982. The City operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is three years with the terms of the Mayor and two of the Councilmembers' terms expiring in 2020, two Councilmembers terms expiring in 2021, and the term of the other two Councilmembers expiring in 2022. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, fire protection and emergency medical services), street maintenance, water, sanitary sewer and drainage utilities, library services, parks and recreation, community development (planning and zoning), and general administrative services. The 2010 Census population for the City was 39,627, while the estimated 2019 population is 44,940. The City covers approximately 18.17 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's water and sewer system, including a pump station and water distribution and transmission lines, and (ii) paying all or a portion of costs of issuance and legal, fiscal and engineering fees in connection with these projects and the Certificates.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied as follows:

	<u>The Certificates</u>
<u>Sources of Funds</u>	
Par Amount	\$ 7,045,000.00
Net Premium	<u>279,184.20</u>
Total Sources of Funds	\$ 7,324,184.20
<u>Uses of Funds</u>	
Deposit to Construction Fund	\$ 7,235,000.00
Cost of Issuance	<u>89,184.20</u>
Total Uses of Funds	\$ 7,324,184.20

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated June 15, 2019 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing February 15, 2020, and until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein.

No physical delivery of The Certificates will be made to the owners thereof. Principal of, premium, if any, and interest on The Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of The Certificates. See "Book-Entry-Only System" herein.

Interest on the Certificates shall be paid to the Registered Owners appearing on the registration books of the Paying Agent/Registrar (the "Registered Owners") at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the Registered Owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the Registered Owner. Principal of the Certificates will be paid to the Registered Owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the Registered Owner of the Certificates, all payments will be made as described under "The Certificates - Book-Entry-Only System" herein. If the date for any payment on the Certificates shall be a Saturday, a Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Certificates is payable from a direct and continuing annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. Additionally, the Certificates are payable from a limited pledge (not to exceed \$1,000) of the surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of the Certificates, to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates, are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (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.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates, to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates, have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, 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 Certificates to be redeemed, in whole or in part, at the address of the Registered Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. If an Obligation (or any portion of its principal sum) shall have been duly called for redemption and any other condition to redemption satisfied, then upon the redemption date such Obligation (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

DEFEASANCE . . . The Ordinance provides that any Certificate and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Certificate") within the meaning of the Ordinance when payment of the principal of such Certificate, plus interest thereon to the due date either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Obligations. At such time as an Certificate shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in the Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations.

Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing to the City. The Ordinance provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, and 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, and including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council approves such defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

Upon such deposit as described above, such Defeased Certificates shall no longer be regarded to be outstanding obligations payable from ad valorem taxes levied by the City or from the other revenues pledged to their payment in the Ordinance, but will be payable only from the funds and Government Obligations deposited in escrow and will not be considered debt of the City for any purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; and (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, 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 Certificates), 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 Certificates. The Certificates 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 Certificates in the aggregate principal amount thereof 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 and www.dtc.org.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates 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 issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates 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 in 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, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Certificate certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates 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 Certificates 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 Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Ordinance will be given only to DTC.

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Certificates - Transfer, Exchange and Registration" below.

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

In the event the use of the Book-Entry-Only system is discontinued, principal of the Certificates is payable to the Registered Owner at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Certificates for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the Registered Owner of the Certificates, all payments will be made as described under "The Certificates - Book-Entry-Only System" herein. Interest on the Certificates is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Bonds and Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the Registered Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates 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. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Certificates 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 Certificates 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 Certificates surrendered for exchange or transfer. See "The Certificates—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate 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 Certificate.

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

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

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the Certificates for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the Registered Owner of the Certificates, as applicable, aggregating in principal amount a majority of the outstanding Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any Registered Owner of a respective Certificate is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the owners of the respective Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., V. City of Jacksonville*, No. 489 S.W.3d 427 (Tex. 2016), ("*Wasson*") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to the breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the "will of the people" and protecting such municipalities "via the State's immunity is not an efficient way to ensure efficient allocation of State resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is

justiciable against a municipality. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Obligations may not be able to bring such a suit against the City for breach of the Obligations or Ordinance covenants in the absence of City action. 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 debt, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity. 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 Bonds or the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Certificates will be Cede & Co., as DTC's nominee. See "The Certificates - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Certificates.

TAX INFORMATION

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

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

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

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

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

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

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

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (excluding repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 1-d and 1-d-1.

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

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

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision in the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

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

The City is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

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

2019 TEXAS LEGISLATIVE SESSION

The 86th Regular Texas Legislative Session convened on January 8, 2019, and will conclude on May 27, 2019. The Texas Legislature will likely enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Certificates.

On January 31, 2019, House Bill 2 and Senate Bill 2 (collectively referred to herein as the "Property Tax Reform and Relief Act of 2019") were filed as companion bills in each chamber of the Texas Legislature. The Texas Senate Research Center described the Property Tax Reform and Relief Act of 2019, as originally filed, as having the following goals: (1) lowering the rollback rate for maintenance and operations taxes from the existing 8.0% for the largest taxing units in the State; (2) requiring an automatic tax ratification election if the rollback rate is exceeded, eliminating the petition requirement in current statute; (3) making information about the tax rates proposed by local taxing units more accessible to property owners and more timely; and (4) making it easier for property owners to express their opinions about proposed tax rates to local elected officials before tax rates are adopted. Specifically with respect to municipalities such as the City, the current versions of House Bill 2 and Senate Bill 2 would lower the rollback rate to 3.5%.

The Governor may call one or more additional special sessions that may include legislation affecting property taxes. The City can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$40,000.

The City grants an exemption of \$10,000 to the market value of the residence homestead of disabled persons.

The City has historically granted an additional exemption of 4% of the market value of residence homesteads; minimum exemption of \$5,000. On June 20, 2017, the City Council increased the additional exemption to 8% of the market value of residence homesteads, effective for the 2017/18 fiscal year.

On August 3, 2004, the City Council adopted a resolution to implement the tax freeze for the residence homestead of the disabled and persons sixty-five years of age or older, and their spouses. The freeze was effective with the January 1, 2004 tax roll and the tax levied for the 2005/06 fiscal year.

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

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

The City does not tax nonbusiness personal property; and the Tarrant County Tax Assessor/Collector collects taxes for the City.

The City does allow split payments, but discounts are not allowed.

The City has taken action to tax freeport property.

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

The City does tax goods in transit.

On June 19, 2018, the City Council increased the additional exemption to 10% of the market value of residence homesteads, effective for the 2018/19 fiscal year.

The City has adopted a tax abatement policy but has not entered into any tax abatement agreements. Under the policy, a project may qualify for an abatement if it is expected to result in an increase in the appraised value of the property and is expected to prevent the loss of or retain employment or create new employment. Abatements may be granted up to 50% of the additional value generated by the project for a maximum of ten years, with the amount of abatement depending on expected capital investment by the applicant and the number of jobs to be created and applied on a declining scale after the first year.

CHAPTER 380 AGREEMENTS . . . The City has four Chapter 380 Agreements with property tax rebates. One agreement relates to current and future rolls which includes grants from legally available funds equal to 100% of the property taxes received by the City in excess of the base value that are attributed to the completed improvements. This grants became effective with the tax year which began on January 1, 2015 for a term of four years. Three agreements will begin with completion of certain construction milestones such as receipt of certificate of occupation. The first agreement relates to future rolls which includes grants from legally available funds equal to 100% of the property taxes received by the City the first two years, 75% the third year, and 50% the fourth year and is anticipated to begin with tax year 2019. The second agreement relates to future rolls which includes grants from legally available funds equal to 50% of the property taxes received by the City the first year, 40% the second year, and 30% the third year and is anticipated to begin with tax year 2018. This agreement has a maximum total property tax rebate of \$10,320. The third agreement relates to future rolls which includes grants from legally available funds equal to 100% of the property taxes received by the City the first year, 80% the second year, 70% the third year, 60% the fourth year, and 50% the fifth year and is anticipated to begin with tax year 2019. This agreement has a maximum total property tax rebate of \$297,540.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2018/19 Market Valuation Established by Tarrant Appraisal District (includes incomplete and arb values, excludes totally exempt property)		\$ 6,449,198,590
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	\$ 372,631,850	
Over 65 Years of Age/Disabled	112,155,178	
Disabled Veterans Exemptions	31,593,835	
Solar	1	
Nominal Value	8,623	
Pollution	100,149	
Over 65 Freeze Levy Adjustment	139,225,935	
Miscellaneous	14,962,094	
Lost to Prorated Absolute Exemptions	<u>-</u>	670,677,665
2018/19 Taxable Assessed Valuation		<u>\$ 5,778,520,925</u>
City Funded Debt Payable from Ad Valorem Taxes (as of 4-1-19)		
General Obligation Bonds	\$ 23,540,000	
Tax and System Debt	27,185,000	
The Certificates	<u>7,045,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 57,770,000
Less Self-Supporting Debt: ⁽¹⁾		
Crime Control District	\$ 4,045,000	
Development Corporation General Obligation Debt	9,435,000	
Water and Sewer System General Obligation Debt	<u>28,537,724</u> ⁽²⁾	<u>42,017,724</u>
Net Funded Debt Payable from Ad Valorem Taxes		\$ 15,752,276
Interest and Sinking Fund as of 4-1-19		\$ 3,534,596
Ratio Total Funded Debt to Taxable Assessed Valuation		1.00%
Ratio Net Funded Debt to Taxable Assessed Valuation		0.27%

2019 Estimated Population - 44,940
Per Capita Taxable Assessed Valuation - \$128,583
Per Capita Total Funded Debt - \$1,285
Per Capita Net Funded Debt - \$351

- (1) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.
- (2) Includes the Certificates.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY (1)(2)

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2019		2018		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 5,409,341,929	83.88%	\$ 4,901,809,744	84.31%	\$ 4,512,174,518	85.26%
Real, Residential, Multi-Family	196,654,424	3.05%	189,120,890	3.25%	174,733,862	3.30%
Real, Vacant Lots/Tracts	67,202,230	1.04%	73,123,106	1.26%	73,647,068	1.39%
Real, Acreage (Land Only)	315,024	0.00%	245,064	0.00%	254,621	0.00%
Real, Farm and Ranch Improvements	22,553,713	0.35%	21,253,076	0.37%	14,769,700	0.28%
Real, Commercial and Industrial	552,431,901	8.57%	463,050,154	7.96%	417,163,588	7.88%
Real, Oil, Gas and Mineral Reserve	305,430	0.00%	208,990	0.00%	279,050	0.01%
Real and Tangible Personal, Utilities	77,343,280	1.20%	58,681,344	1.01%	24,257,516	0.46%
Tangible Personal, Commercial	97,683,885	1.51%	86,740,871	1.49%	57,791,877	1.09%
Tangible Personal, Industrial	1,869,230	0.03%	1,858,394	0.03%	1,703,538	0.03%
Tangible Personal, Mobile Homes	55,331	0.00%	98,625	0.00%	27,172	0.00%
Real Property, Inventory	23,442,213	0.36%	18,041,509	0.31%	15,287,872	0.29%
Total Appraised Value Before Exemptions	\$ 6,449,198,590	100.00%	\$ 5,814,231,767	100.00%	\$ 5,292,090,382	100.00%
Adjustments	-		(129,211,285)		(376,835,653)	
Plus: Minimum Value of Protests	-		-		343,274,546	
Less: Total Exemption/Reductions	(670,677,665)		(450,554,304)		(267,355,885)	
Taxable Assessed Value	<u>\$ 5,778,520,925</u>		<u>\$ 5,234,466,178</u>		<u>\$ 4,991,173,390</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2016		2015	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 4,072,168,540	83.08%	\$ 3,893,817,062	82.11%
Real, Residential, Multi-Family	160,892,289	3.28%	127,325,634	2.68%
Real, Vacant Lots/Tracts	64,836,054	1.32%	102,551,601	2.16%
Real, Acreage (Land Only)	795,404	0.02%	18,097,039	0.38%
Real, Farm and Ranch Improvements	143,201	0.00%	-	0.00%
Real, Commercial and Industrial	408,398,080	8.33%	413,767,532	8.73%
Real, Oil, Gas and Mineral Reserve	977,260	0.02%	1,198,010	0.03%
Real and Tangible Personal, Utilities	52,604,219	1.07%	54,672,235	1.15%
Tangible Personal, Commercial	86,064,502	1.76%	87,162,473	1.84%
Tangible Personal, Industrial	1,683,183	0.03%	1,854,021	0.04%
Tangible Personal, Mobile Homes	61,500	0.00%	61,500	0.00%
Real Property, Inventory	52,912,914	1.08%	41,770,970	0.88%
Total Appraised Value Before Exemptions	\$ 4,901,537,146	100.00%	\$ 4,742,278,077	100.00%
Adjustments	(383,354,036)		(248,877,670)	
Plus: Minimum Value of Protests	45,193,798		17,667,289	
Less: Total Exemptions/Reductions	(163,521,245)		(207,033,114)	
Taxable Assessed Value	<u>\$ 4,399,855,663</u>		<u>\$ 4,304,034,582</u>	

- (1) Valuations shown are certified assessed values reported by the Tarrant Appraisal District to the State Comptroller of Public Accounts.
- (2) Net taxable assessed values, with the exception of fiscal year ending 2019, are as reported in the City's comprehensive annual financial report. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Includes incomplete values and values in arbitration.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation ⁽³⁾	Taxable Assessed Valuation Per Capita	Net Tax Supported Debt Outstanding at End of Year ⁽⁴⁾	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2015	42,890 ⁽¹⁾	\$ 4,304,034,582	\$ 100,351	\$ 35,254,000	0.82%	\$ 822
2016	42,890 ⁽²⁾	4,399,855,663	102,585	31,734,000	0.72%	740
2017	44,050 ⁽²⁾	4,991,173,390	113,307	25,299,533	0.51%	574
2018	44,620 ⁽²⁾	5,234,466,178	117,312	25,698,113	0.49%	576
2019	44,940 ⁽²⁾	5,778,520,925	128,583	15,752,276 ⁽⁵⁾	0.27%	351

(1) Source: North Central Texas Council of Governments.

(2) Estimate provide by City officials.

(3) Taxable assessed values, with the exception of fiscal year ending 2018, are as reported in the City’s comprehensive annual financial report. The fiscal year ending 2014 and 2015 taxable assessed value is as reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(4) Excludes self-supporting debt. See Tables 1 and 10 herein for more detailed information on the City’s general obligation self-supporting debt. The City’s policy to pay such self-supporting general obligation debt from other revenues is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

(5) Projected, includes the Certificates and excludes a portion of the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2015	\$ 0.43719	\$ 0.330480	\$ 0.106710	\$ 19,564,847	99.49%	99.79%
2016	0.43469	0.336380	0.098310	20,367,131	99.54%	99.61%
2017	0.43000	0.313580	0.116420	22,198,977	99.55%	99.55%
2018	0.42750	0.318980	0.108520	22,209,513	96.01%	96.01%
2019	0.41325	0.332940	0.080310	23,879,738	95.10% ⁽¹⁾	95.10% ⁽¹⁾

(1) Collections for part year only, through April 1, 2019.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2018/19 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
WW 1300 Keller Parkway LLC	Commercial	\$ 100,100,000	1.73%
Conservatory Senior Housing	Residential Land	33,160,000	0.57%
T Arthouse TX LLC	Commercial	23,280,000	0.40%
Grand Estates at Keller LP	Apartments	22,560,000	0.39%
Jahco Keller Crossing LLC	Retail Shopping Center/Town Center	17,727,000	0.31%
Atmos Energy/Mid-Tex Div.	Oil & Gas	15,339,630	0.27%
Bear Creek Plaza Ltd.	Retail Shopping Center	14,666,851	0.25%
Regency Centers LP	Retail Shopping Center/Town Center	14,449,151	0.25%
Keller Senior Community LP	Senior Housing Development	13,505,998	0.23%
Lowes Home Centers Inc.	Retail Store	13,226,910	0.23%
		<u>\$ 268,015,540</u>	<u>4.64%</u>

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

TABLE 6 - TAX ADEQUACY ⁽¹⁾

2019 Net Debt Service Requirement ⁽¹⁾	\$ 4,074,949
\$0.0713 Tax Rate at 99.00% Collection Produces	\$ 4,078,885
 Net Maximum Debt Service Requirement, 2019 ⁽¹⁾	 \$ 4,074,949
\$0.0713 Tax Rate at 99.00% Collection Produces	\$ 4,078,885
 2019 Total Debt Service Requirement ⁽²⁾	 \$ 9,062,673
\$0.1585 Tax Rate at 99.00% Collection Produces	\$ 9,067,366
 Gross Maximum Total Debt Service Requirement, 2020 ⁽²⁾	 \$ 9,190,805
\$0.1607 Tax Rate at 99.00% Collection Produces	\$ 9,193,222

(1) Excludes the Certificates and other self-supporting debt.

(2) Includes the Certificates and other self-supporting debt.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2018/19 Taxable Assessed Value	2018/19 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt As of 4-1-19	Authorized But Unissued Debt As Of 4-1-19
City of Keller	\$ 5,778,520,925	\$ 0.413250	\$ 15,752,276	100.00%	\$ 15,752,276 ⁽¹⁾	\$ 8,000,000
Carroll Independent School District	8,989,237,824	1.380000	306,737,164	0.42%	1,288,296	85,000,000
Keller Independent School District	18,644,542,042	1.510000	674,377,849	35.59%	240,011,076	-
Northwest Independent School District	16,916,027,008	1.490000	938,245,475	0.17%	1,595,017	199,000,000
Tarrant County	180,110,821,859	0.234000	294,500,000	2.96%	8,717,200	30,600,000
Tarrant County Hospital District	180,270,255,261	0.213546	17,735,000	2.96%	524,956	-
 Total Direct and Overlapping Tax Supported Debt					 \$ 267,888,822	
 Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					 4.64%	
 Per Capita Overlapping Tax Supported Debt					 \$ 6,480.32	

(1) Includes the Certificates and net of self-supporting debt.

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service ⁽¹⁾		The Certificates ⁽²⁾		Total Debt Service Requirements	Less: Development Corporation Requirements	Less: Crime Control Prevention District Requirements	Less: Water and Sewer System Requirements ⁽³⁾	Total Net Debt Service Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest						
2019	\$ 7,265,000	\$ 1,797,673	\$ -	\$ -	\$ 9,062,673	\$ 1,586,244	\$ 523,950	\$ 2,877,530	\$ 4,074,949	
2020	7,170,000	1,553,140	255,000	212,665	9,190,805	1,582,419	524,950	3,254,538	3,828,898	
2021	6,370,000	1,327,558	275,000	192,350	8,164,908	1,582,494	524,950	2,965,636	3,091,828	
2022	6,620,000	1,116,253	285,000	185,325	8,206,578	1,581,419	528,825	2,983,139	3,113,195	
2023	6,175,000	908,149	290,000	178,150	7,551,299	1,589,044	526,575	2,695,294	2,740,386	53.36%
2024	4,940,000	722,874	295,000	172,300	6,130,174	249,794	528,075	2,700,732	2,651,573	
2025	2,955,000	594,600	305,000	164,775	4,019,375	249,319	528,600	1,875,883	1,365,573	
2026	3,050,000	503,476	310,000	155,550	4,019,026	253,619	523,750	1,878,233	1,363,424	
2027	2,845,000	408,749	320,000	146,100	3,719,849	252,694	528,125	1,568,519	1,370,511	
2028	2,405,000	321,038	330,000	136,350	3,192,388	251,619	-	1,570,549	1,370,220	80.66%
2029	2,500,000	235,915	340,000	126,300	3,202,215	255,319	-	1,574,320	1,372,577	
2030	1,700,000	163,845	350,000	115,950	2,329,795	258,719	-	1,575,770	495,306	
2031	1,140,000	119,331	365,000	105,225	1,729,556	261,819	-	1,467,737	-	
2032	870,000	88,966	375,000	94,125	1,428,091	259,694	-	1,168,398	-	
2033	520,000	65,588	385,000	82,725	1,053,313	262,188	-	791,125	-	93.80%
2034	545,000	46,541	395,000	71,025	1,057,566	269,141	-	788,425	-	
2035	295,000	30,900	410,000	58,950	794,850	-	-	794,850	-	
2036	305,000	18,900	420,000	46,500	790,400	-	-	790,400	-	
2037	320,000	6,400	435,000	33,675	795,075	-	-	795,075	-	
2038	-	-	445,000	20,475	465,475	-	-	465,475	-	99.29%
2039	-	-	460,000	6,900	466,900	-	-	466,900	-	100.00%
	<u>\$ 57,990,000</u>	<u>\$ 10,029,894</u>	<u>\$ 7,045,000</u>	<u>\$ 2,305,415</u>	<u>\$ 77,370,309</u>	<u>\$ 10,745,541</u>	<u>\$ 4,737,800</u>	<u>\$ 35,980,902</u>	<u>\$ 25,906,066</u>	

DEBT INFORMATION

(1) "Outstanding Debt" does not include lease/purchase obligations. Includes self-supporting debt.

(2) Average life of the issue - 11.048 years. Interest on the Certificates has been calculated at the rates stated on the cover page hereof.

(3) Includes the Certificates.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Projected Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-19		\$ 4,074,949 ⁽¹⁾
Budgeted Interest and Sinking Fund, 9-30-18	\$ 2,829,355	
Budget Interest and Sinking Fund Tax Levy	4,082,227	
Estimated Investment Income	<u>13,052</u>	<u>6,924,634</u>
Estimated Balance, 9-30-19		<u><u>\$ 2,849,685</u></u>

(1) Net of self-supporting debt.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT ⁽¹⁾

Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9-30-18	\$ 6,798,751
System General Obligation Bond Requirements, 2019 Fiscal Year	<u>2,877,530</u>
Balance	<u><u>\$ 3,921,221</u></u>
Percentage of System General Obligation Bonds, Self-Supporting	100.00%
Gross Revenue Available for Debt Service from Keller Development Corporation (KDC),	
Fiscal Year Ended 9-30-18	\$ 3,136,996
KDC General Obligation Bond Requirements, 2019 Fiscal Year	<u>1,586,244</u>
Balance	<u><u>\$ 1,550,752</u></u>
Percentage of KDC General Obligation Bonds, Self-Supporting	100.00%
Gross Revenue Available for Debt Service from Keller Crime Control Prevention District,	
Fiscal Year Ended 9-30-18	\$ 1,620,352
System General Obligation Bond Requirements, 2019 Fiscal Year	<u>523,950</u>
Balance	<u><u>\$ 1,096,402</u></u>
Percentage of System General Obligation Bonds, Self-Supporting	100.00%

(1) It is the City’s current policy to provide these payments from the respective revenue sources shown above; this policy is subject to change in the future.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Being Issued</u>	<u>Unissued Balance</u>
Senior Citizen Center	11/6/2018	\$ 8,000,000	\$ -	\$ 8,000,000

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City anticipates the issuance of \$8,000,000 in general obligation debt in 2020.

TABLE 12 – OTHER OBLIGATIONS

The City has no unfunded debt outstanding as of September 30, 2018.

PENSION FUND . . . The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.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 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 at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity

Employees Covered by Benefit Terms . . . At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	146
Inactive Employees Entitled to But Not Yet Receiving Benefits	189
Active Employees	<u>287</u>
	622

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.65% in calendar years 2017 and 2018, respectively. The City’s contributions to TMRS for the year ended September 30, 2018 were \$2,919,456, and were equal to the required contributions.

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

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

Inflation	2.50% per year
Overall payroll growth	3.50% to 10.50% including inflation
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 Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2013 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2015. 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 2015 valuation. After the Asset Allocation Study Analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

At its meeting on July 30, 2016, the TMRS Board approved a new portfolio target allocation, this allocation and best estimates of real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
None-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	<u>100.0%</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 and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The City's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities, business-type activities, and the internal service fund using a contribution-based method. The internal service fund portion of the pension activity is recorded within governmental activities at the governmental wide financial statements.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 91,877,452	\$ 74,408,605	\$ 17,468,847
Changes for the year:			
Service cost	3,157,398	-	3,157,398
Interest	6,208,840	-	6,208,840
Change of benefit terms	-	-	-
Difference between expected and actual experience	(297,161)	-	(297,161)
Changes of assumptions	-	-	-
Contributions - employer	-	2,858,974	(2,858,974)
Contributions - employee	-	1,289,486	(1,289,486)
Net investment income	-	10,318,203	(10,318,203)
Changes in assumptions, Benefit payments, including refunds of employee contributions	(2,946,666)	(2,946,666)	-
Administrative expense	-	(53,441)	53,441
Other changes	-	(2,709)	2,709
Net changes	<u>6,122,411</u>	<u>11,463,847</u>	<u>(5,341,436)</u>
Balance at 12/31/2017	<u>\$ 97,999,863</u>	<u>\$ 85,872,452</u>	<u>\$ 12,127,411</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 27,218,267	\$ 12,127,411	\$ (138,132)

For more detailed information concerning the TMRS, see Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" - Note 8.

OTHER POST-EMPLOYMENT BENEFITS . . . The City provides other postemployment benefits (OPEB) in the form of health insurance benefits through a single-employer defined benefit medical plan. Regular full-time employees retiring from the City with 20 years of service or 5 years of service if over 60, have the option to continue medical insurance coverage for themselves and their families until the retiree becomes eligible for Medicare or is eligible to be covered under another medical plan. The retired employee pays 100% of the premium which was \$779 to \$2,131 depending on what plan the retiree chooses. A third-party administrator is utilized to provide claims administration and payment of claims.

The Plan does not issue a separate financial report.

The following table provides a summary of the number of participants in the plan as of December 31, 2017:

Inactive Employees or Beneficiaries Currently Receiving Benefits	2
Inactive Employees Entitled to But Not Yet Receiving Benefits	-
Active Employees	<u>276</u>
	278

Contributions . . . The City's plan is a pay-as-you-go plan in which the City does not contribute to a trust to fund future benefits. The City's contributions during the fiscal year ending September 30, 2018 of \$40,190 all of which were for the benefit payments and were paid by the City using its own assets. The benefit payments were determined in a manner similar to how the benefit payments for the measurement period were developed. The City through its budgeting process determines the annual contributions to the Plan based on the actuarially determined contribution and the availability of funds.

Total OPEB liability reported at September 30, 2018 was measured as of December 31, 2017, and based on actuarial valuation as of December 31, 2017.

	Total OPEB Liability
Balance at 12/31/2016	\$ 1,251,401
Changes for the year:	
Service cost	66,467
Interest on the total OPEB liability	48,385
Changes of assumptions	69,663
Benefit payments	<u>(29,459)</u>
Net changes	<u>155,056</u>
Balance at 12/31/2017	<u>\$ 1,406,457</u>

Regarding the sensitivity of the total OPEB liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a discount rate of 3.31%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	<u>\$ 1,556,227</u>	<u>\$ 1,406,457</u>	<u>\$ 5,843,161</u>

For the year ended December 31, 2017, the City recognized OPEB expense of \$121,663.

For more detailed information concerning the OPEB, see Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" - Note 9.

Supplemental Death Benefits . . . Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

Inactive Employees or Beneficiaries Currently Receiving Benefits	91
Inactive Employees Entitled to But Not Yet Receiving Benefits	45
Active Employees	<u>287</u>
	423

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SDBF for the City was 0.01% and 0.02% in calendar years 2017 and 2018. The City's contributions to the SDBF for the year ended September 30, 2018 were \$2,831, and were equal to the required contributions.

For more information concerning the City's other post-employment benefits, see Appendix B, "Excerpts from the City's Annual Financial Report" – Note - 10.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2018	2017	2016	2015	2014
<u>Program Revenues:</u>					
Charges for Services	\$ 5,351,963	\$ 6,188,567	\$ 6,741,138	\$ 4,961,205	\$ 5,886,557
Operating Grants and Contributions	4,209,216	3,620,161	3,878,523	3,373,672	3,590,362
Capital Grants and Contributions	20,227	1,242,726	1,881,643	285,924	251,533
<u>General Revenues:</u>					
Property Taxes	27,517,501	26,040,551	24,046,908	22,777,252	21,526,556
Sales/Other Taxes	16,726,915	16,247,719	15,858,339	14,274,477	13,103,936
Investment Earnings	1,070,649	733,658	153,866	861,938	180,677
Miscellaneous	278,852	286,954	208,575	164,711	240,932
Gain (Loss) of Sale of Assets	9,908	-	727,056	15,891	98,274
Total Revenues	\$ 55,185,231	\$ 54,360,336	\$ 53,496,048	\$ 46,715,070	\$ 44,878,827
<u>Expenses:</u>					
General Government	\$ 7,921,283	\$ 6,492,684	\$ 6,606,428	\$ 9,224,860	\$ 7,011,362
Planning & Community Development	19,093,622	2,387,294	3,073,034	1,870,887	1,357,417
Public Safety	6,722,250	21,541,978	20,789,609	20,941,821	16,756,956
Public Works	2,004,708	4,389,341	5,715,323	3,138,376	2,490,468
Recreation and Leisure	7,115,961	6,457,773	6,130,399	5,855,468	4,938,515
Interest on Long-Term Debt	1,299,198	2,027,789	2,068,775	2,542,830	2,882,936
Total Expenses	\$ 44,157,022	\$ 43,296,859	\$ 44,383,568	\$ 43,574,242	\$ 35,437,654
Increase in Net Position before Transfers	\$ 11,028,209	\$ 11,063,477	\$ 9,112,480	\$ 3,140,828	\$ 9,441,173
Transfers	-	(11,469,030)	859,937	3,342,990	3,826,555
Increase (Decrease) in Net Assets	\$ 11,028,209	\$ (405,553)	\$ 9,972,417	\$ 6,483,818	\$ 13,267,728
Adjustments	\$ (857,002)	\$ -	\$ 1,693,930	\$ (7,341,246)	\$ (909,473)
Net Assets - October 1	136,406,279	136,811,832	125,145,485	126,002,913	113,644,658
Net Assets - September 30	\$ 146,577,486	\$ 136,406,279	\$ 136,811,832	\$ 125,145,485	\$ 126,002,913

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
Revenues	2018	2017	2016	2015	2014
Total Property Tax	\$ 17,111,557	\$ 15,681,079	\$ 14,682,864	\$ 14,872,914	\$ 13,845,215
Sales Tax	6,155,624	5,945,584	5,705,047	5,340,418	4,960,591
Franchise/Other Local Tax	4,383,491	4,288,101	4,379,496	3,614,430	3,286,220
Permits, Licenses and Fees	1,115,134	1,166,348	1,646,560	1,899,434	2,015,896
Intergovernmental Revenue	3,519,696	2,897,396	2,829,568	2,890,652	3,066,407
Charges for Services	3,027,726	3,363,503	3,385,998	1,561,413	1,490,866
Fines and Warrants	903,580	1,294,376	1,183,988	1,017,820	1,214,121
Interest on Investments	322,418	280,325	58,874	73,069	87,059
Miscellaneous	175,004	167,942	176,109	212,447	278,989
Donations	44,800	60,076	62,726	42,964	31,832
Total Revenues	\$ 36,759,030	\$ 35,144,730	\$ 34,111,230	\$ 31,525,561	\$ 30,277,196
Expenditures					
General Government	\$ 5,009,273	\$ 4,787,691	\$ 4,836,508	\$ 6,614,984	\$ 6,132,607
Community Development	2,040,732	1,822,603	2,279,163	1,365,628	1,212,552
Public Safety	16,816,608	16,277,363	15,343,904	15,042,122	14,757,070
Public Works	2,532,760	2,823,187	2,488,151	2,165,626	2,177,559
Parks and Recreation	4,951,661	4,861,853	4,580,043	4,215,320	4,363,524
Capital Outlay	194,394	240,043	979,708	1,238,198	3,384,739
Total Expenditures	\$ 31,545,428	\$ 30,812,740	\$ 30,507,477	\$ 30,641,878	\$ 32,028,051
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 5,213,602	\$ 4,331,990	\$ 3,603,753	\$ 883,683	\$ (1,750,855)
Sales of Capital Assets	8,238	30,961	721,437	17,510	14,290
Operating Transfers In	2,339,591	-	-	3,238,715	3,293,852
Operating Transfers Out	(2,695,669)	(480,000)	(10,405,781)	(346,292)	(300,000)
Note Proceeds	-	-	-	-	-
Increase (Decrease) in Fund Balance	\$ 4,865,762	\$ 3,882,951	\$ (6,080,591)	\$ 3,793,616	\$ 1,257,287
Beginning Fund Balance	16,777,299	12,894,348	20,132,549	16,338,933	15,081,646
Adjustments	-	-	(1,157,610)	-	-
Ending Fund Balance	\$ 21,643,061	\$ 16,777,299	\$ 12,894,348	\$ 20,132,549	\$ 16,338,933

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In January of 1992, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for parks and recreation facilities. Collection for the additional tax went into effect on July 1, 1992. The sales tax for parks and recreational facilities is collected solely for the benefit of Keller Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation for the aforementioned purposes. In November, 2001, the voters approved the imposition of an additional sales and use tax of three-eighths of one percent (3/8th of 1%) for crime control and prevention pursuant to Chapter 363 of the Texas Government Code. In May 2006, this tax was re-authorized by the voters for an additional fifteen years, and in November 2007, voters authorized a reduction in the rate from 3/8th of 1% to ¼ of 1%. Said sales tax is collected solely for the benefit of the Keller Crime Control and Prevention District Board of Directors and may be pledged to secure payment of sales tax revenue bond issues. In November, 2003, the voters approved the imposition of an additional sales and use tax of one-eighth of one percent (1/8th of 1%) for street maintenance pursuant to Chapter 327 of the Texas Government Code. In November 2007, this tax was re-authorized by the voters for an additional four years at ¼ of 1%, effective April 1, 2008. Said sales tax is collected solely for the repair, rehabilitation and reconstruction of existing streets and may be pledged to secure payment of sales tax revenue bond issues. **Such sales tax revenues are not pledged to the payment of the Certificates.**

Fiscal Year Ended 9/30	1% Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2015	\$ 5,340,418	27.30%	\$ 0.1241	\$ 125
2016	5,705,047	28.01%	0.1297	133
2017	5,945,584	26.78%	0.1191	135
2018	6,155,624	27.72%	0.1176	138
2019 ⁽²⁾	3,202,447	13.41%	0.0554	71

(1) Excludes the one-half cent Keller Development Corporation sales tax, the 1/4 cent Keller Crime Control Prevention District sales tax, and the 1/4 cent street maintenance tax.

(2) Collections for part year only, through April 1, 2019

The sales tax breakdown for the City is as follows:

Economic and Community Development	0.500¢
City Sales & Use Tax	1.000¢
Crime Control and Prevention	0.250¢
Street Maintenance Tax	0.250¢
State Sales & Use Tax	<u>6.250¢</u>
Total	8.250¢

FINANCIAL POLICIES

Basis of Accounting . . . The City’s accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenues susceptible to accrual are property taxes, franchise taxes and sales taxes and are recognized as revenue when measurable. However, the City has established an allowance for delinquent taxes equal to 100% of uncollected ad valorem taxes. As a result only ad valorem taxes collected are actually recognized as revenue. Gross receipts of taxes, license, charges for services, fines and miscellaneous revenues are recorded as revenue when received because they are generally not measurable until received.

Proprietary Fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

Transfers are recognized in the period in which the interfund receivable and payable arise.

Budgetary Procedures . . . The City adopts an annual appropriated budget for the General Fund, the Water and Sewer Fund, Debt Service Fund and the Drainage Utility Fund. All annual appropriations lapse at fiscal year end. The budget is legally enacted through passage of an ordinance after public hearings are conducted for the purpose of obtaining taxpayer comments. Project lengths financial plans are adopted for capital improvement program funds.

INVESTMENTS

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

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

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or 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 Texas 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; that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

TABLE 15 - CURRENT INVESTMENTS

As of April 1, 2019, the City's investable funds were invested in the following categories:

Description	Book Value	Book Value	Market Value
	as a % of Total		
Investment Pools	11.04%	\$ 11,672,529	\$ 11,672,529
Certificates of Deposit	63.11%	66,754,626	66,754,626
Money Market Funds/Cash	25.85%	27,339,807	27,339,807
	<u>100.00%</u>	<u>\$ 105,766,962</u>	<u>\$ 105,766,962</u>

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C – Form of Bond Counsel's Opinion.

In rendering the foregoing opinion, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate with respect to the Certificate issue, and (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the City is conditioned on compliance by the City with such requirements, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the projects being financed or refinanced therewith. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Certificates may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued 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 Certificates 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 (a) 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 (b) 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, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which 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 the treatment 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.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECENTLY ENACTED LEGISLATION OR PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City expects that the Certificates will be designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations".**

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 Certificates. The City is required to observe each agreement while it remains obligated to advance funds to pay such Certificates. Under each agreement, the City will be obligated to provide certain updated financial information and operating data annually, and the timely notice of specified events to the Municipal Securities Rulemaking Board ("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.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement 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.

The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2019. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but 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 Financial Statements becomes available.

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

The City's current fiscal year end is September 30. Accordingly, the City must provide the Annual Operating Report by the last day of March in each year, and audited Financial Statements for the preceding fiscal year (or unaudited Financial Statements if the audited Financial Statements are not yet available) as described above. 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 the Annual Operating Report as set forth above.

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

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

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 Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations 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 Certificates 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 Certificates 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 Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Certificates. 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 . . . For fiscal years ended September 30, 2014 and September 30, 2015, the City timely filed financial information and operating data with respect to the City in the form of tables as outlined in the above subcaption "Annual Reports" by the respective March 31, 2015 and March 31, 2016 deadlines (the "Filing Deadline"). The City's audited financial statements were not completed and provided to the City until after the Filing Deadline. As provided in certain of its prior undertakings, the City was required to file unaudited financial statements to the extent the audited financial statements were not available by the Filing Deadline. The City filed unaudited financial information for certain tables outlined in the above subcaption "Annual Reports" by the Filing Deadline and subsequently filed its audited financial statements on April 20, 2015 and May 11, 2016, respectively.

OTHER INFORMATION

RATINGS

The Certificates and the presently outstanding tax supported debt of the City are rated "Aaa" by Moody's and "AAA" by S&P. 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 organization and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates 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 Certificates 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 Certificates 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 Certificates be assigned a rating of not less than "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 Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates 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 Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Certificates will also be furnished.

Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, 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 Certificates 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 Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Hilltop Securities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, 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 OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of FTN Financial Capital Markets (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium of \$279,184.20. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish to the Initial Purchasers a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, 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, the 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 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 the 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.

LINKS TO WEBSITES

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

MISCELLANEOUS

The Ordinance authorized the issuance of the Certificates and approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Initial Purchaser.

PAT MCGRAIL
Mayor
City of Keller, Texas

ATTEST:

KELLY BALLARD
City Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

Nestled comfortably in the heart of the Dallas- Fort Worth Metroplex, Keller has gained national attention by pairing big-city conveniences and amenities with small-town roots and an emphasis on quality of life. The city features a warm and welcoming atmosphere, an excellent school system, a wide variety of shopping and dining destinations, and award-winning city facilities and programs.

The distinct business districts, historic Old Town Keller and the urban Keller Town Center, are just two of its unique economic engines. And the citywide parks and trails system, anchored by Big Bear Creek, offers recreation and mobility among the city's recreation and aquatics center, The Keller Pointe, and multiple sports facilities. The Keller Public Library offers more than 80,000 in materials and a slew of online resources, and next door, the Keller Senior Activities Center brings senior citizens together for stimulating activities, emphasizing health and fellowship.

Keller has been named to CNN/Money Magazine's biennial listing of "Top 100 Places to Live — America's Best Small Towns" three times since 2007, including taking seventh place in 2009. And recent awards have included a spot in D Magazine's "Top 20 Dallas-Fort Worth Metroplex Suburbs," mentions in Fort Worth, Texas Magazine's "Best Places to Live" lists, recognition as an "Emerging Art Town" by Southwest Art Magazine, certification as a Scenic City by the Scenic Texas organization, and third place among the "Top 10 Most Notable High-Growth Areas in the Country," according to the Gadberry Group

LOCATION AND HISTORY . . . The city was incorporated on Nov. 16, 1955 under the general laws of the State of Texas, and the current home-rule charter was approved by the voters in 1982. The city operates under the Council-Manager form of government. The City Council is comprised of a mayor and six council members who enact local legislation, determine overall city policies, pass ordinances, appoint committees and adopt the city's budget. The mayor and council members are all elected at-large on a non-partisan basis for three-year terms. The City Manager is appointed by the City Council and is responsible to them for proper administration of the daily affairs of the city.

The City of Keller is located in Northeast Tarrant County, Texas, approximately 10 miles northeast of downtown Fort Worth on US 377, and 25 miles northwest of downtown Dallas. It is part of the 12-county "Metroplex" of North Central Texas, which includes the cities of Fort Worth and Dallas as well as surrounding communities, with an estimated population in the 12-county area exceeding 7.26 million in January 2018. The city limits of Keller currently encompass 18.4 square miles.

The city provides a full range of municipal services, including general government, public safety (police and fire), streets, parks and recreation, community development, planning and zoning, code enforcement, public library, and business-type activities such as water, sewer and drainage utilities. Sanitation collection services are provided through a private contractor; customers contract through the city, with collection fees added to their municipal water, sewer and drainage utility bills.

POPULATION . . . Since 1970, the total population increase exceeds 39,000. That growth has calmed in recent years, however, as the community has moved toward residential buildout. The city's estimated population is 44,940. Tarrant County has experienced similar growth during the last 30 years, increasing from 715,587 in 1970 to 1,809,034 in 2010. According to the North Central Texas Council of Governments' population projections, the population of Tarrant County in 2019 is 2,024,030. The City of Keller has a staff of approximately 344.49 full-time employees, including 89.44 police department personnel and 57 fire/EMS department employees..

ECONOMICS . . . Keller is part of the Dallas/Fort Worth Metroplex, which has maintained a very strong economy, and is located midway between the Dallas/Fort Worth International Airport and Alliance Airport. A favorable personal and corporate tax climate, excellent schools, favorable right to work laws and a strong continuing commitment to business have made the city and state positive areas in which businesses can locate. The key city strengths of Keller include a strong diversified economy, high home values, highly ranked public schools, a low unemployment rate, an extremely low crime rate and several quality of life amenities such as The Keller Pointe fitness and aquatic center, Bear Creek Park, the Keller Sports Park, Keller Town Center, and the K-9 Pointe Dog Park

Based upon these strengths, the City has received several awards over the past few years including:

- Top 10 Affordable, Kid-Friendly Suburbs that City Parents Won't Hate, Realtor.com
- Top 100 Safest Cities in the U.S., Neighborhood Scout
- Top 10 Safest Cities in Texas, USA Today
- Top 10 Cities & Towns for New Families in the U.S.
- The 10 Best Places to Live in Texas, HomeSnacks
- The Safest Cities in Texas 2018, National Council for Home Safety and Security
- Texas' 50 Safest Cities of 2018, Safewise.com
- 10 Safest Places in Texas, HomeSnacks
- Best Suburbs to Raise a Family in Texas, Niche
- Safest Suburbs in Texas, Niche
- Best Suburbs to Buy a House in Texas, Niche
- Best Places to Raise a Family in Texas, Niche
- 7 Dallas-Fort Worth Suburbs with the Best Downtowns, Neighborhoods.com
- Scenic City Gold Status, Scenic City Texas
- Tree City USA 25th Anniversary, Arbor Day Foundation

In continuing to meet resident expectations, the city has recently invested in several park, street and public works projects. Construction recently finished on a brand new park on the southeast end of the city — Milestone Park — and work will soon begin on a \$2.47 million expansion of Overton Ridge Park on the northwest side of town. Plans for Overton Ridge include extensions to the trail system along with playground, restroom and parking amenities on site. Meanwhile, the city has dedicated \$250,000 annually to extending its hike and bike trail system, is continuing to install pedestrian amenities aimed at making park patrons more visible to area motorists, and will soon embark on a campaign to revitalize older parks by replacing playgrounds and sprucing up other amenities on site.

The city is also nearing completion on a \$16 million water project to build a new pump station and transmission line; is in the design and construction stages on millions in road projects aimed at improving traffic efficiency and circulation; and will soon move forward with a sanitary sewer project along US 377 North intended to help spur commercial construction along the corridor.

Keller also continues to see growth in its commercial sector with more than \$47 million in projects finishing up by the end of the last fiscal year and millions more in construction ongoing. Staff is anticipating about \$26.7 million in economic growth this year, bringing retail and office square footage to over 6.6 million, according to Tarrant Appraisal District records.

The city's economic growth has occurred primarily along major arterials such as FM 1709 and US 377. Old Town Keller, which stretches along both sides of Hwy. 377, has also experienced a resurgence in office, retail and restaurant activity in the past few years. This is largely due to the \$4.25 million investment the city made in Fiscal Year 2016-17 as a first phase of redevelopment and beautification in the area. City Council is now contemplating similar amenities across the street in Old Town Keller East as a second phase of the revitalization.

Keller Town Center, too, has seen an increase in activity, and the commercial properties continue to be approximately 97 percent occupied. Sunny Street Café, Rush Bows, Nestle Toll House Café by Chip, Frios Gourmet Pops, Lavender Hill Spa, Summer Moon Coffee, Boca 31 and Play Street Museum recently opened in Town Center, and construction continues at the site of Keller's first hotel, a Hampton Inn & Suites.

This year the city is also anticipating the opening of a high-end, private wedding and event center — Chandon Arbors — and the completion of construction on a \$20 million privately owned physical rehabilitation center that recently broke ground on US 377 South.

EDUCATION . . . As one of the fastest-growing school districts in Texas, Keller Independent School District (the "District") is proud to boast two National Blue Ribbon Schools of Excellence, and the 2007 Texas State Secondary Teacher of the Year. The District encompasses an area of approximately 51 square miles and conducts programs for K-12. The District has 42 campuses serving more than 35,000 students. Approximately 4,000 teachers, administrative personnel, and support staff are employed by the District. The District believes that education is a partnership among schools, parents and the community.

The physical facilities of the District include:

5	High schools (9-12)
7	Middle schools (7-8)
4	Intermediate schools (5-6)
23	Elementary schools (K-4)
2	Early Learning (Pre-K)
1	Alternative Education (9-12)

Educational opportunities beyond high school are readily available. The Northeast campus of the Tarrant County College District is within short driving distance. In addition, within a 40-mile radius, there are a number of colleges and universities, including Southern Methodist University, Texas Christian University, Texas Women's University, the University of North Texas, the University of Dallas, and the University of Texas at Arlington. In addition, there are several trade, industrial and technical schools located throughout the area.

TRANSPORTATION . . . Access to Keller is provided by a number of adjacent highways both on a north/south and east/west axis. North/south highways are SH 121, SH 26, FM 1938 and US Hwy. 377. The east/west highways are IH Loop 820, SH 170, SH 114, SH 183, and FM 1709. These major highways provide easy access to Dallas, Fort Worth and the entire Metroplex area.

Air service is provided by nearby Dallas/Fort Worth International Airport, the nation's third busiest airport, providing service to national and international destinations. Meacham Field, approximately five miles away in northern Fort Worth, is a fixed base operation for private and commercial service and provides sophisticated instrument approach facilities, lighted runways, terminal facilities and fuel and maintenance services. Alliance Airport, located northwest of Keller, began limited operations in 1989, and is the first newly constructed industrial airport in the United States. The Airport is home to a new FedEx hub, BNSF Intermodal Terminal, DEA, Galaxy Aviation, and numerous company distribution facilities.

MEDICAL . . . Excellent health care facilities are located within minutes of the City, including four of the largest hospitals in Tarrant County. The Metroplex area is served by more than 70 hospitals which offer specialized services such as organ transplantation, major trauma care, cancer treatment, kidney dialysis and chemical dependency treatment. Keller is also home to Baylor Scott & White Emergency Hospital on US 377 South, a location of Cook Children’s Pediatrics on FM 1709 and a wide variety of specialty care providers..

MISCELLANEOUS . . . The city offers suburban pedestrian-oriented quality-of-life living, tree-lined streets with neighborhood connectivity via a massive system of hike and bike trails. The city is in close proximity (within a 40-minute drive time) to 10 lakes, offering boating, fishing, camping, and picnicking facilities, entertainment facilities, and major sporting outlets. The Cities of Fort Worth and Dallas with their varied cultural opportunities of theaters, museums, zoos, botanical gardens and professional sport teams are less than a 30 minute drive from the city.

EMPLOYMENT DATA

	March 2019	Average Annual 2018	Average Annual 2017	Average Annual 2016	Average Annual 2015	Average Annual 2014
Keller:						
Civilian Labor Force	24,837	24,518	23,947	23,303	22,798	22,294
Unemployed	718	750	801	792	776	922
Percent of Unemployed	2.89%	3.06%	3.34%	3.40%	3.40%	4.14%
Dallas/Fort Worth/Arlington MSA:						
Civilian Labor Force	3,977,057	3,900,458	3,795,291	3,684,673	3,571,049	3,529,700
Unemployed	131,305	136,486	138,248	141,818	145,176	177,359
Percent of Unemployed	3.30%	3.50%	3.64%	3.85%	4.07%	5.02%
Tarrant County						
Civilian Labor Force	1,076,734	1,062,733	1,033,317	1,008,020	988,324	989,350
Unemployed	35,934	37,114	37,978	39,774	41,104	49,672
% of Unemployment	3.34%	3.49%	3.68%	3.95%	4.16%	5.02%

Source: Texas Workforce Commission.

APPENDIX B

EXCERPTS FROM THE

CITY OF KELLER, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2018

The information contained in this Appendix consists of excerpts from the City of Keller, Texas Annual Financial Report for the Year Ended September 30, 2018, 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