

OFFICIAL STATEMENT

Dated: August 24, 2021

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS:
S&P: "AAA"
Fitch: "AA+"
(See "OTHER
INFORMATION – Ratings")

In the opinion of Co-Bond Counsel to the City, under existing law, interest on the Series 2021C Bonds will be excludable from gross income for federal income tax purposes. See "TAX MATTERS" for a discussion of the opinion of Co-Bond Counsel.

\$126,130,000

CITY OF DALLAS, TEXAS

(Dallas, Denton, Collin, Kaufman, and Rockwall Counties)

Waterworks and Sewer System Revenue Refunding Bonds, Series 2021C

Dated Date: Date of Delivery

Due: October 1, as shown on Page ii

PAYMENT TERMS . . . Interest on the \$126,130,000 City of Dallas, Texas, Waterworks and Sewer System Revenue Refunding Bonds, Series 2021C (the "Series 2021C Bonds") will accrue from their date of initial delivery and will be payable on April 1, 2022, and on each October 1 and April 1 thereafter until maturity or prior redemption. Interest on the Series 2021C Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Series 2021C Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Series 2021C Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Series 2021C Bonds will be made to the owners thereof. Principal of and interest on the Series 2021C Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Series 2021C Bonds. See "THE SERIES 2021C BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Series 2021C Bonds is UMB Bank, N.A., Dallas, Texas (see "THE SERIES 2021C BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Series 2021C Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, and an ordinance (the "Ordinance"), passed by the City Council of the City of Dallas, Texas (the "City") on August 11, 2021. The Series 2021C Bonds are special obligations of the City, payable, both as to principal and interest, solely from and, together with parity bonds currently or hereafter outstanding, secured by a first lien on and pledge of the Pledged Revenues (defined herein) of the City's Waterworks and Sewer System (the "System"), which include the Net Revenues of the System remaining after deduction of current expenses of operation and maintenance. **The City has not covenanted nor obligated itself to pay the Series 2021C Bonds from monies raised or to be raised from taxation** (see "THE SERIES 2021C BONDS – Security and Source of Payment"). In the Ordinance, the City Council delegated to designated officers of the City authority to solicit bids for the sale of the Series 2021C Bonds, to establish certain terms related to the issuance and sale of the Series 2021C Bonds, and to execute the bid form submitted as the best bid for the purchase of the Series 2021C Bonds (see "THE SERIES 2021C BONDS – Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Series 2021C Bonds, together with other available System funds, if necessary, will be used to refund outstanding Commercial Paper Notes of the City (the "Refunded Notes"). See "PLAN OF FINANCING".

CUSIP Prefix: 23542J

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page ii

LEGALITY . . . The Series 2021C Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinions of the Attorney General of the State of Texas, and of Co-Bond Counsel, McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, LLP (see Appendix D - "Form of Co-Bond Counsel's Opinion"). Certain legal matters will be passed upon by the City by Norton Rose Fulbright US LLP and Kintop Smith, PC, Co-Disclosure Counsel.

DELIVERY . . . It is expected that the Series 2021C Bonds will be available for delivery through DTC on or about September 23, 2021 (the "Date of Delivery").

MATURITY SCHEDULE

CUSIP⁽¹⁾ Prefix: 23542J

\$126,130,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2021C

\$62,825,000 Serial Bonds

Maturity (October 1)	Amount	Rate	Initial Yield	CUSIP ⁽¹⁾ Suffix	Maturity (October 1)	Amount	Rate	Initial Yield	CUSIP ⁽¹⁾ Suffix
2022	\$ 2,260,000	5.000%	0.070%	UQ6	2031	\$ 3,545,000	5.000%	1.030%	UZ6
2023	2,375,000	5.000%	0.100%	UR4	2032	3,725,000	5.000%	1.120% ⁽²⁾	VA0
2024	2,500,000	5.000%	0.170%	US2	2033	3,900,000	4.000%	1.350% ⁽²⁾	VB8
2025	2,625,000	5.000%	0.300%	UT0	2034	4,060,000	4.000%	1.430% ⁽²⁾	VC6
2026	2,760,000	5.000%	0.490%	UU7	2035	4,225,000	4.000%	1.470% ⁽²⁾	VD4
2027	2,905,000	5.000%	0.630%	UV5	2036	4,375,000	3.000%	1.520% ⁽²⁾	VE2
2028	3,050,000	5.000%	0.770%	UW3	2037	4,505,000	3.000%	1.550% ⁽²⁾	VF9
2029	3,210,000	5.000%	0.870%	UX1	2038	4,645,000	3.000%	1.590% ⁽²⁾	VG7
2030	3,375,000	5.000%	0.960%	UY9	2039	4,785,000	3.000%	1.630% ⁽²⁾	VH5

\$63,305,000 Term Bonds

\$10,010,000 3.000% Term Bonds Due October 1, 2041, Priced to Yield 1.740%⁽²⁾ – CUSIP⁽¹⁾ Suffix: VJ1

\$27,825,000 3.000% Term Bonds Due October 1, 2046, Priced to Yield 1.910%⁽²⁾ – CUSIP⁽¹⁾ Suffix: VK8

\$25,470,000 3.000% Term Bonds Due October 1, 2050, Priced to Yield 2.000%⁽²⁾ – CUSIP⁽¹⁾ Suffix: VL6

(Interest accrues from the Date of Delivery)

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), 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 services provided by CGS. The City, the Financial Advisor and the Initial Purchaser of the Series 2021C Bonds take no responsibility for the accuracy of such numbers.

⁽²⁾ Yield shown is yield to first optional call date, October 1, 2031.

REDEMPTION. . . The City reserves the right, at its option, to redeem Series 2021C Bonds having stated maturities on and after October 1, 2032, in whole, or in part in principal amounts of \$5,000 or any integral multiple thereof, on October 1, 2031 or on any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption (see “THE SERIES 2021C BONDS – Optional Redemption”). The Series 2021C Bonds maturing October 1, 2041, October 1, 2046 and October 1, 2050 (the “Term Bonds”), are also subject to mandatory sinking fund redemption as described herein (see “THE SERIES 2021C BONDS – Mandatory Sinking Fund Redemption”).

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 Co-Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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 OR 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 agreements of the City and others related to the Series 2021C Bonds 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 Series 2021C Bonds is to be construed as constituting an agreement with the purchasers of the Series 2021C Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NEITHER THE CITY NOR ITS CO-FINANCIAL ADVISORS MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY ("DTC") FOR USE IN THIS OFFICIAL STATEMENT.

THE SERIES 2021C BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE SERIES 2021C BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE SERIES 2021C BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Weaver and Tidwell, LLP, the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report, nor have they performed any procedures relating to this Official Statement.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY	v	OTHER INFORMATION	32
SELECTED WATER AND WASTEWATER SYSTEM		RATINGS	32
INDICES.....	vi	LITIGATION.....	33
CITY OFFICIALS, STAFF AND CONSULTANTS.....	vii	CITY LAWSUITS	33
ELECTED OFFICIALS	vii	CYBER SECURITY	33
SELECTED ADMINISTRATIVE STAFF	viii	CONTINUING DISCLOSURE OF INFORMATION.....	34
DALLAS WATER UTILITIES DEPARTMENT		REGISTRATION AND QUALIFICATION OF SERIES 2021C	
MANAGEMENT OFFICIALS	viii	BONDS FOR SALE.....	35
CONSULTANTS AND ADVISORS.....	viii	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE	
INTRODUCTION	1	PUBLIC FUNDS IN TEXAS.....	35
INFECTIOUS DISEASE OUTBREAK - COVID-19.....	1	LEGAL OPINIONS.....	35
PLAN OF FINANCING.....	2	CO-FINANCIAL ADVISORS	36
THE SERIES 2021C BONDS	2	INITIAL PURCHASER	36
THE WATER AND WASTEWATER SYSTEM.....	8	FORWARD-LOOKING STATEMENTS	36
TABLE 1 – WHOLESALE TREATED WATER		CERTIFICATION OF THE OFFICIAL STATEMENT	36
CUSTOMERS.....	13		
TABLE 2 - TREATED WATER PUMPAGE	13	APPENDICES	
TABLE 3 – TREATED WATER CONSUMPTION BY		GENERAL INFORMATION REGARDING THE CITY	A
CUSTOMER CLASS	14	SELECTED PROVISIONS OF THE ORDINANCE	B
TABLE 4A – TEN LARGEST WHOLESALE TREATED		DALLAS WATER UTILITIES FINANCIAL STATEMENTS	C
WATER CUSTOMERS	14	FORM OF CO-BOND COUNSEL'S OPINION	D
TABLE 4B – TEN LARGEST RETAIL TREATED WATER			
CUSTOMERS.....	15	The cover page hereof, this page and the appendices	
TABLE 5 – WHOLESALE WASTEWATER CUSTOMERS ..	16	included herein and any addenda, supplement or amendment	
TABLE 6 – TREATED WASTEWATER FLOW	16	hereto, are part of the Official Statement.	
TABLE 7 – RETAIL CUSTOMER CHARGE	17		
TABLE 8 – RETAIL USAGE CHARGE	17		
TABLE 9 – WHOLESALE CUSTOMER CHARGES	19		
DEBT INFORMATION.....	20		
TABLE 10 - WATERWORKS AND SEWER SYSTEM			
REVENUE BOND REQUIREMENTS	20		
TABLE 11 – HISTORICAL COVERAGE RATIOS	21		
TABLE 12 – OPERATIONS AND MAINTENANCE FOR			
WATER SUPPLY AND WASTEWATER			
TREATMENT.....	22		
FUTURE BOND ISSUANCE	23		
FINANCIAL INFORMATION	24		
TABLE 13 – SUMMARY OF OPERATIONS	24		
TABLE 14 – PROJECTED COVERAGE AND FUND			
BALANCES	25		
TABLE 15 – SUMMARY OF NET REVENUES FOR			
REVENUE BOND COVERAGE - CASH BASIS	25		
TABLE 16 – NET POSITION AND LONG TERM DEBT ...	26		
TABLE 17 - CURRENT INVESTMENTS	31		
TAX MATTERS	31		

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 Series 2021C Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE ISSUER The City of Dallas, Texas (the “City”), is a political subdivision located in Dallas, Denton, Collin, Kaufman, and Rockwall Counties, operating as a home-rule city under the laws of the State of Texas (the “State”) and a charter initially approved by the voters in 1907. The City operates under the City Council-Manager form of government where the Mayor is elected for a four-year term and fourteen City Councilmembers are each elected for two-year terms. The Mayor’s term is limited to two consecutive terms and the fourteen Councilmembers are limited to four consecutive terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.

The City is among the three most populous cities in Texas and among the ten most populous cities in the U.S. The City is approximately 378 square miles in area (see Appendix A - “General Information Regarding the City”).

THE SERIES 2021C BONDS The \$126,130,000 City of Dallas, Texas, Waterworks and Sewer System Revenue Refunding Bonds, Series 2021C (the “Series 2021C Bonds”) are issued as serial bonds maturing on October 1 in each of the years 2022 through and including 2039, and as term bonds maturing on October 1, 2041, October 1, 2046, and October 1, 2050. The Series 2021C Bonds shall mature on the dates as shown on page ii of this Official Statement (see “THE SERIES 2021C BONDS - Description of the Series 2021C Bonds”).

PAYMENT OF INTEREST Interest on the Series 2021C Bonds accrues from their date of delivery, and is payable commencing April 1, 2022 and on each October 1 and April 1 thereafter until maturity or prior redemption (see “THE SERIES 2021C BONDS - Description of the Series 2021C Bonds”, “THE SERIES 2021C BONDS – Optional Redemption” and “THE SERIES 2021C BONDS – Mandatory Sinking Fund Redemption”).

AUTHORITY FOR ISSUANCE The Series 2021C Bonds are issued pursuant to the general laws of the State, particularly Chapter 1207, Texas Government Code, and the Ordinance passed by the City Council of the City. The Ordinance delegated to designated officers of the City authority to solicit bids for the sale of the Series 2021C Bonds, to establish certain terms related to the issuance and sale of the Series 2021C Bonds, and to execute the bid form submitted as the best bid for the purchase of the Series 2021C Bonds (see “THE SERIES 2021C BONDS – Authority for Issuance”).

SECURITY FOR THE SERIES 2021C BONDS The Series 2021C Bonds constitute special obligations of the City payable, both as to principal and interest, solely from and secured, together with parity bonds currently or hereafter outstanding, by a first lien on and pledge of the Pledged Revenues of the System, which include the Net Revenues of the System remaining after deduction of current expenses of operation and maintenance. **The City has not covenanted nor obligated itself to pay the Series 2021C Bonds from monies raised or to be raised from taxation** (see “THE SERIES 2021C Bonds - Security and Source of Payment”).

REDEMPTION The City reserves the right, at its option, to redeem the Series 2021C Bonds having stated maturities on and after October 1, 2032, on October 1, 2031 or any date thereafter at the par value thereof, plus accrued interest to the date fixed for redemption (see “THE SERIES 2021C BONDS – Optional Redemption”). The term bonds are subject to mandatory sinking fund redemption as provided herein (see “THE SERIES 2021C BONDS – Mandatory Sinking Fund Redemption”).

TAX EXEMPTION In the opinion of Co-Bond Counsel, the interest on the Series 2021C Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS” herein, including the alternative minimum tax on corporations.

USE OF PROCEEDS Proceeds from the sale of the Series 2021C Bonds, together with other available System funds, if necessary, will be used to refund outstanding Commercial Paper Notes of the City (the “Refunded Notes”).

RATINGS S&P Global Ratings, a division of S&P Global Inc. (“S&P”), and Fitch Inc. (“Fitch”, and together with S&P, the “Rating Agencies”) have assigned ratings of “AAA” and “AA+”, respectively, to the Series 2021C Bonds. An explanation of the significance of such ratings may be obtained from the Rating Agencies. The ratings reflect only the respective views of each Rating Agency and the City makes no representation as to the appropriateness of the ratings. (See “OTHER INFORMATION – Ratings”).

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

BOOK-ENTRY-ONLY SYSTEM The definitive Series 2021C Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Series 2021C Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Series 2021C Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Series 2021C Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distributions of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Series 2021C Bonds (see “THE SERIES 2021C BONDS - Book-Entry-Only System”).

SELECTED WATER AND WASTEWATER SYSTEM INDICES

Fiscal Year Ended 9/30	Dallas Population	Treated Water Pumpage (Thousand Gallons)			Net Revenues Available For Debt Service	Average Annual Debt Service Requirements	Coverage of Debt Service
		Average Day	Peak Day	Total			
2016	1,257,730	369,000	592,000	135,159,000	\$ 313,805,000	110,895,524	2.83x
2017	1,270,170	372,000	511,000	135,664,000	346,873,000	107,584,867	3.22x
2018	1,286,380	389,000	607,000	141,920,000	386,468,000	117,322,323	3.29x
2019	1,301,970	369,000	606,000	134,600,000	347,532,000	113,472,634	3.06x
2020	1,314,610	380,000	588,000	139,092,000	350,606,000	120,915,973	2.90x

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

For additional information regarding the City, please contact:

Ms. M. Elizabeth Reich
Chief Financial Officer
City of Dallas
1500 Marilla Street, 4DN
Dallas, Texas 75201
(214) 670-7804

or

Mr. Steve Johnson
Ms. Emily Hundley
Hilltop Securities Inc.
717 North Harwood, Suite 3400
Dallas, Texas 75201
(214) 953-4000

or

Mr. Noe Hinojosa, Jr.
Ms. Tania Askins
Estrada, Hinojosa & Company, Inc.
600 North Pearl St., South Tower, Suite 2100
Dallas, Texas 75201
(214) 658-1670

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires	Length of Service as of June 15, 2021	Occupation
Eric Johnson Mayor - Place 15	June 2023	2 Years	Attorney
Chad West Mayor Pro Tem - Place 1	June 2023	2 Years	Attorney
Jesse Moreno Councilmember - Place 2	June 2023	-	Manager
Casey Thomas, II Councilmember - Place 3	June 2023	6 Years	Council Member
Carolyn King Arnold ¹ Councilmember – Place 4	June 2023	6 Years	Council Member
Jaime Resendez Deputy Mayor Pro Tem - Place 5	June 2023	2 Years	Attorney
Omar Narvaez Councilmember - Place 6	June 2023	4 Years	Council Member
Adam Bazaldua Councilmember - Place 7	June 2023	2 Years	Council Member
Tennell Atkins ² Councilmember - Place 8	June 2023	3 Years, 11 Months	Public Service
Paula Blackmon Councilmember - Place 9	June 2023	2 Years	Consultant
Adam McGough Councilmember - Place 10	June 2023	5 Years, 11 Months	Attorney/Mediator
Jaynie Schultz Councilmember - Place 11	June 2023	-	Community Service
Cara Mendelsohn Councilmember - Place 12	June 2023	2 Years	Non-Profit Executive
Gay Donnell Willis Councilmember - Place 13	June 2023	-	President & CEO
Paul E. Ridley Councilmember - Place 14	June 2023	-	Attorney

¹ Councilmember Arnold previously served on the City Council for two years.

² Councilmember Atkins previously served on the City Council for eight years.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Time in This Position as of June 15, 2021		Tenure with City of Dallas as of June 15, 2021	
T.C. Broadnax	City Manager	4 Years,	4 Months	4 Years,	4 Months
M. Elizabeth Reich	Chief Financial Officer and City Treasurer	4 Years,	9 Months	4 Years,	9 Months
Christopher J. Caso	City Attorney	2 Years,	9 Months	15 Years,	3 Months
Billierae Johnson	City Secretary	2 Years,	9 Months	22 Years,	
Mark S. Swann	City Auditor	2 Years,		2 Years,	
Majed A. Al-Ghafry	Assistant City Manager	4 Years,	4 Months	4 Years,	4 Months
Jon Fortune	Assistant City Manager	4 Years,		4 Years	
Joey Zapata	Assistant City Manager	10 Years,		27 Years	
Kimberly Bizer Tolbert	Chief of Staff	4 Years,	2 Months	13 Years,	9 Months
Dr. Eric A. Johnson	Chief of Economic Development and Neighborhood Services	1 Year,	3 Months	1 Year,	3 Months
M. Elizabeth (Liz) Cedillo-Pereira	Chief of Equity and Inclusion	1 Year,	11 Months	4 Years,	4 Months

DALLAS WATER UTILITIES DEPARTMENT MANAGEMENT OFFICIALS

Name	Position	Length of Time in This Position as of June 15, 2021		Tenure with City of Dallas as of June 15, 2021	
Terry S. Lowery	Director of Water Utilities	4 Years,	2 Months	29 Years,	7 Months
Richard Wagner, P.E.	Assistant Director, Business Operations	3 Years,	7 Months	27 Years	
Matthew Penk, P.E.	Assistant Director, Capital Improvements	3 Years,	7 Months	19 Years,	3 Months

CONSULTANTS AND ADVISORS

Auditors	Weaver and Tidwell, LLP Dallas, Texas
Co-Bond Counsel.....	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
	Escamilla & Poneck, LLP Dallas, Texas
Co-Disclosure Counsel	Norton Rose Fulbright US LLP Dallas, Texas
	Kintop Smith, PC Dallas, Texas
Co-Financial Advisors	Hilltop Securities Inc. Dallas, Texas
	Estrada Hinojosa & Company, Inc. Dallas, Texas

OFFICIAL STATEMENT
RELATING TO
\$126,130,000
CITY OF DALLAS, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2021C

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$126,130,000 City of Dallas, Texas, Waterworks and Sewer System Revenue Refunding Bonds, Series 2021C (the “Series 2021C Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on August 11, 2021, which authorized the issuance of the Series 2021C Bonds (the “Ordinance”), except as otherwise indicated herein (see Appendix B – “Selected Provisions of the Ordinance - Definitions”). The Ordinance delegated to designated officers of the City authority to solicit bids for the sale of the Series 2021C Bonds, to establish certain terms related to the issuance and sale of the Series 2021C Bonds, and to execute the bid form submitted as the best bid for the purchase of the Series 2021C Bonds (see “THE SERIES 2021C BONDS – Authority for Issuance”).

This Official Statement includes descriptions of the Series 2021C Bonds and certain information regarding the City of Dallas, Texas (the “City”) and its finances. All descriptions of documents contained herein are summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Hilltop Securities Inc., Dallas, Texas, and Estrada Hinojosa & Co., Inc., Co-Financial Advisors to the City.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless otherwise specified in this Official Statement, references to websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

DESCRIPTION OF THE CITY...The City is a political subdivision located in Dallas, Denton, Collin, Kaufman, and Rockwall Counties, operating as a home rule city under the laws of the State of Texas (the “State”) and a charter first approved by the voters in 1907 (the “City Charter”). The City operates under a Council-Manager form of government with a City Council comprising of the Mayor and fourteen Council members. The Mayor is elected for a four-year term and the fourteen Council members are each elected for two-year terms. The Mayor’s term is limited to two consecutive terms and the fourteen Council members are limited to four consecutive terms. Each of the fourteen Council members represents a district within the City. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, environmental and health services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 estimated population for the City was 1,314,610. The City covers approximately 378 square miles.

INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except possibly in counties with an “area with high hospitalizations,” where a county judge may impose COVID-19 related mitigation strategies. In August, 2021, Dallas County raised the COVID-19 threat level to Red due to an increase in coronavirus cases and hospitalizations in Dallas County. None of Denton, Collin, Rockwall, and Kaufman Counties is currently an “area with high hospitalizations.” The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Offering Memorandum.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and City revenues and expenses, including revenue from and expenses of the System. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on the City’s operations or financial condition.

Beginning on March 16, 2020, Dallas Water Utilities (defined below) suspended water disconnects and late fees as a result of the COVID-19 pandemic and has experienced an increase in accounts in arrears, although such delinquency has not resulted in a material adverse effect on System revenues. Dallas Water Utilities expects to resume water disconnects and collection of late fees effective October 1, 2021. As part of resuming assessing and

collecting late fees and issuing disconnects, Dallas Water Utilities intends to actively reach out to its customers whose accounts are in arrears to establish payment plans intended to bring their accounts into current status.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Series 2021C Bonds, together with other available System funds, if necessary, will be used to refund outstanding Commercial Paper Notes of the City (the “Refunded Notes”). See “DEBT INFORMATION – Commercial Paper Notes Payable”.

REFUNDED NOTES . . . The principal and interest due on the Refunded Notes are to be paid on their scheduled maturity dates from funds to be deposited with U.S. Bank National Association, the issuing and paying agent for the Refunded Notes. The Ordinance provides that from a portion of the proceeds of the sale of the Series 2021C Bonds received from the Initial Purchaser of the Series 2021C Bonds (see “OTHER INFORMATION – Initial Purchaser”), together with other available funds of the City, if necessary, the City will deposit with U.S. Bank National Association, as issuing and paying agent for the Refunded Notes, an amount sufficient to accomplish the discharge and final payment of the Refunded Notes on their scheduled maturity dates, expected to be the Dated Date (herein defined).

THE SERIES 2021C BONDS

DESCRIPTION OF THE SERIES 2021C BONDS . . . The Series 2021C Bonds are dated as of their date of delivery (the “Dated Date”), and will mature on October 1 in each of the years and in the amounts shown on page ii hereof. Interest on the Series 2021C Bonds will accrue from their Dated Date, will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on April 1, 2022 and on each October 1 and April 1 thereafter until maturity or prior redemption.

AUTHORITY FOR ISSUANCE . . . The Series 2021C Bonds are issued pursuant to the general laws of the State, particularly Chapter 1207, Texas Government Code, and the Ordinance. The Series 2021C Bonds are special obligations of the City, payable, both as to principal and interest, solely from and together with certain outstanding parity bonds, secured by a first lien on and pledge of the Pledged Revenues of the System, which include the Net Revenues of the System remaining after deduction of current expenses of operation and maintenance. **The City has not covenanted nor obligated itself to pay the Series 2021C Bonds from monies raised or to be raised from taxation** (see “THE SERIES 2021C Bonds – Security and Source of Payment”).

SECURITY AND SOURCE OF PAYMENT . . . The Series 2021C Bonds, together with certain outstanding revenue bonds of the City (the “Previously Issued Parity Bonds”) and any additional parity bonds that may be issued in the future (“Additional Bonds”), are special obligations of the City payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Pledged Revenues of the System, which include the Net Revenues of the System remaining after the payment of operation and maintenance expenses (see Appendix B – “Selected Provisions of the Ordinance – Pledge”).

The Series 2021C Bonds are not a charge upon any other income or revenues of the City **and will never constitute an indebtedness, pledge, or a lien on the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except the Pledged Revenues, and amounts on deposit in the Reserve Fund established for the benefit of the Parity Obligations (including the Series 2021C Bonds), and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

As additional security, the Reserve Fund will be funded over a 60-month period from operations of the System in the amount equal to 100% of the average annual debt service requirements (including Amortization Installments) of the outstanding Previously Issued Parity Bonds, the Series 2021C Bonds and any Additional Bonds issued on a parity with the Series 2021C Bonds (see Appendix B - “Selected Provisions of the Ordinance – Reserve Requirements”).

Chapter 1208, Texas Government Code, applies to the issuance of the Series 2021C Bonds and the pledge of the Pledged Revenues, and such pledge is valid, effective, and perfected. Should Texas law be amended at any time while the Series 2021C Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, as amended, in order to preserve to the owners the perfection of the security interest in such pledge, the City agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

APPLICATION OF SYSTEM REVENUES . . . Gross Revenues of the System are deposited in the Revenue Fund and are applied first to the payment of all necessary and reasonable expenses of operation and maintenance of the System, including payment of certain contractual obligations of the City with respect to water supply and wastewater treatment (see “DEBT INFORMATION – Table 12 – Operations and Maintenance for Water Supply and Wastewater Treatment”), then to the payment of the amounts required for the Interest and Sinking Fund and the Reserve Fund, in that order, established by the Ordinance. The City Charter requires that all System receipts and revenues be devoted to System purposes and to payment of charges that would be due the City if the Water Utilities Department were not a City-owned public utility. The Ordinance states that excess Pledged Revenues may be used for any lawful purpose not inconsistent with the City Charter (see Appendix B – “Selected Provisions of the Ordinance – Deficiencies; Excess Pledged Revenues”).

RATES . . . The City has covenanted in the Ordinance that it will at all times charge and collect for services rendered by the System at rates sufficient to pay all current operating and maintenance expenses of the System, to produce Net Revenues for each fiscal year at least equal to 1.25 times the Annual Debt Service requirements on all then outstanding Previously Issued Parity Bonds, the Series 2021C Bonds and Additional Bonds for the fiscal year during which such requirement are scheduled to be the greatest, to pay all other System obligations reasonably anticipated to be paid from gross revenues and to establish and maintain the funds provided for in the Ordinance. The City has further covenanted that, if the System should become legally liable for any other indebtedness, it will fix and maintain rates and collect charges for the services of the System sufficient to discharge such indebtedness.

ADDITIONAL BONDS . . . The City may issue Additional Bonds payable from the Pledged Revenues which, together with the Previously Issued Parity Bonds and the Series 2021C Bonds, will be equally and ratably secured by a parity lien on and pledge of the Pledged Revenues of the System, subject,

however, to complying with certain conditions in the Ordinance. (See Appendix B – “Selected Provisions of the Ordinance – Additional Bonds” for terms and conditions to be satisfied for the issuance of Additional Bonds).

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Series 2021C Bonds having stated maturities on and after October 1, 2032, in whole, or in part in principal amounts of \$5,000 or any integral multiple thereof, on October 1, 2031 or on any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. If less than all of the Series 2021C Bonds are to be redeemed and if less than all of a maturity is to be redeemed, the Paying Agent/Registrar will determine by lot the Series 2021C Bonds, or portions thereof, within such maturity to be redeemed; provided, however, that during any period in which ownership of the Series 2021C Bonds is determined only by a book entry at a securities depository (see “THE SERIES 2021C BONDS - Book-Entry-Only System”, below), if fewer than all of the Series 2021C Bonds of the same maturity are to be redeemed, the particular Series 2021C Bonds will be selected in accordance with arrangements between the City and the securities depository. Also see the second paragraph under “THE SERIES 2021C BONDS – Notice of Redemption”.

MANDATORY SINKING FUND REDEMPTION. . . The Series 2021C Bonds maturing on October 1 in each of the years 2041, 2046 and 2050 (the “Term Bonds”) are subject to mandatory redemption in part by lot pursuant to the terms of the Ordinance, in the following years and in the following amounts, at a price equal to the principal amount thereof and accrued and unpaid interest to the date of redemption, without premium:

Term Bond Due October 1, 2041 (CUSIP # 23542J VJ1)	
Mandatory Redemption Date	Mandatory Redemption Amount
October 1, 2040	\$4,930,000
October 1, 2041 +	\$5,080,000
Term Bond Due October 1, 2046 (CUSIP # 23542J VK8)	
Mandatory Redemption Date	Mandatory Redemption Amount
October 1, 2042	\$5,235,000
October 1, 2043	\$5,395,000
October 1, 2044	\$5,560,000
October 1, 2045	\$5,730,000
October 1, 2046 +	\$5,905,000
Term Bond Due October 1, 2050 (CUSIP # 23542J VL6)	
Mandatory Redemption Date	Mandatory Redemption Amount
October 1, 2047	\$6,085,000
October 1, 2048	\$6,270,000
October 1, 2049	\$6,460,000
October 1, 2050 +	\$6,655,000

+ Final Maturity

To the extent, however, that Term Bonds subject to sinking fund redemption have been previously purchased or called for redemption in part and otherwise than from a sinking fund redemption payment, each annual sinking fund payment for such Term Bond shall be reduced by the amount obtained by multiplying the principal amount of Term Bonds so purchased or redeemed by the ratio which each remaining annual sinking fund redemption payment for such Term Bonds bears to the total remaining sinking fund payments, and by rounding each such payment to the nearest \$5,000 integral; provided, that during any period in which ownership of the Term Bonds is determined only by a book entry at a securities depository for the Term Bonds, the particular Term Bonds to be called for mandatory redemption shall be selected in accordance with the arrangements between the City and the securities depository.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Series 2021C Bonds called for redemption, the City will cause (i) a written notice of such redemption to be given by the Paying Agent/Registrar to the registered owner of each Series 2021C Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such registered owner at the address of such registered owner shown on the Registration Books of the Paying Agent/Registrar and (ii) a notice of such redemption to be published one time in a financial journal or publication of general circulation in the United States of America or the State of Texas carrying as a regular feature notices of municipal bonds called for redemption; provided, however, that the failure to send, mail or receive such notice described in (i) above, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any Series 2021C Bonds, and the publication of notice as described in (ii) above shall be the only notice actually required in connection with

or as a prerequisite to the redemption of any Series 2021C Bonds. ANY NOTICE WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE SERIES 2021C BONDS CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY SERIES 2021C BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF WILL CEASE TO ACCRUE, EXCEPT AS PROVIDED IN THE NEXT PARAGRAPH.

With respect to any optional redemption of the Series 2021C Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Series 2021C Bonds to be redeemed before giving of a notice of redemption, the notice of redemption may state the City may condition redemption on the receipt by Paying Agent/Registrar of such funds on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Series 2021C Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Series 2021C Bonds have not been redeemed.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Series 2021C Bonds are to be transferred and how the principal of, premium, if any, and interest on the Series 2021C Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Series 2021C Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Series 2021C Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Series 2021C Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the “SEC”), 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 Series 2021C Bonds. The Series 2021C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for each maturity of the Series 2021C Bonds will be issued, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). Direct Participants and Indirect Participants are collectively referred to as “Participants”. DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2021C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021C Bonds on DTC’s records. The ownership interest of each actual purchaser of Series 2021C Bonds (“Beneficial Owner”) is in turn to be recorded on the Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021C Bonds 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 Series 2021C Bonds, except in the event that use of the book-entry system for the Series 2021C Bonds discontinued.

To facilitate subsequent transfers, all Series 2021C Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021C Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2021C Bonds 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 Series 2021C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2021C Bond documents. For example, Beneficial Owners of Series 2021C Bonds may wish to ascertain that the nominee holding the Series 2021C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2021C Bonds 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 Series 2021C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2021C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021C Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2021C Bonds are required to 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 Series 2021C Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners or bondholders should be read to include the person for which the Participant acquires an interest in the Series 2021C Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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 Series 2021C Bonds will be issued to the holders and the Series 2021C Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE SERIES 2021C BONDS- Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar for the Series 2021C Bonds is UMB Bank, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Series 2021C Bonds are duly paid, and any successor Paying Agent/Registrar must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Series 2021C Bonds. Upon any change in the Paying Agent/Registrar for the Series 2021C Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Series 2021C Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar.

In the event the Book-Entry-Only System hereinabove described should be discontinued, principal of the Series 2021C Bonds will be payable to the registered owner at maturity or redemption prior to maturity upon presentation at the Dallas, Texas corporate trust office of the Paying Agent/Registrar (the "Designated Trust Office"). Interest on the Series 2021C Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "Record Date for Interest Payment" below), or by such other method, 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 Series 2021C Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which 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, the Series 2021C Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Series 2021C Bonds may be assigned by the execution of an assignment form on the Series 2021C Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Series 2021C Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Series 2021C Bonds being transferred or exchanged, at the Designated Trust Office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or the designee thereof. To the extent possible, new Series 2021C Bonds issued in an exchange or transfer of the Series 2021C Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Series 2021C Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Series 2021C Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one

maturity and series and for a like aggregate designated amount and series as the Series 2021C Bonds surrendered for exchange or transfer. See "THE SERIES 2021C BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Series 2021C Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Series 2021C Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of the Series 2021C Bonds.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Series 2021C Bonds on any interest payment date means the close of business on the 15th 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 must be 15 days after the Special Record Date) will 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 Series 2021C Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

SOURCES AND USES OF FUNDS . . . The sources and uses of funds, including Series 2021C Bond proceeds and a contribution from the City, shall be as follows:

Sources of Funds	
Par Amount of Series 2021C Bonds	\$ 126,130,000.00
Reoffering Premium	19,909,631.40
City Contribution to Note Payment Funds	8,614.60
Total Sources of Funds	<u>\$ 146,048,246.00</u>
Uses of Funds	
Deposit to Note Payment Funds for the Refunded Notes	\$ 144,908,614.60
Underwriters' Discount	1,134,475.27
Deposit to Debt Service Fund ⁽¹⁾	5,156.13
Total Uses of Funds	<u>\$ 146,048,246.00</u>

⁽¹⁾ Includes proceeds in excess of amounts needed to retire Refunded Notes and to pay costs of issuance.

DEFEASANCE . . . The Ordinance provides that the City may discharge its obligations to the registered owners of the Series 2021C Bonds to pay principal, interest and redemption price thereon in any manner permitted under current law. Under current State law, such discharge may be accomplished either by depositing (1) with the Comptroller of Public Accounts of the State a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Series 2021C Bonds to maturity or redemption, or (2) with any place of payment (paying agent) for obligations of the City payable from revenues or ad valorem taxes, or both, amounts sufficient to provide for the payment and/or redemption of the Series 2021C Bonds; provided, that such deposits may be invested in "Defeasance Securities", which shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Series 2021C Bonds, to establish certain terms related to the issuance and sale of the Series 2021C Bonds, and to executed the bid form submitted as the best bid for the purchase of the Series 2021C Bonds (see "THE SERIES 2021C BONDS – Authority for Issuance"). "Defeasance Securities" is defined to mean (1) direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the City provides for the funding of an escrow to effect the defeasance of the Series 2021C Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than "AAA" or its equivalent, (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the City provides for the funding of an escrow to effect the defeasance of the Series 2021C Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than "AAA" or its equivalent, or (4) any other then authorized securities or obligations that may be used to defease obligations such as the Series 2021C Bonds under the then applicable laws of the State.

Upon such deposit as described above, such Series 2021C Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Series 2021C Bonds have been made as described above, all rights of the City to initiate proceedings to call the Series 2021C Bonds for redemption or take any other action amending the terms of the Series 2021C Bonds are extinguished; provided, however, that the right to call the Series 2021C Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Series 2021C Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Series 2021C Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Series 2021C Bonds. Because the Ordinance does not contractually limit such investments,

registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BONDHOLDERS' REMEDIES. . . The Ordinance specifies events of default with respect to the Series 2021C Bonds (see Appendix B – “Selected Provisions of the Ordinance – Default and Remedies”). If the City defaults in the payment of principal, interest, or redemption price on the Series 2021C Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Series 2021C Bonds if there is no other available remedy at law to compel performance of the Series 2021C Bonds or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and is within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Series 2021C Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Series 2021C Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on the System or sell the System to enforce the pledge of Pledged Revenues to pay the principal of and interest on the Series 2021C Bonds. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through 160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities under certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce the Series 2021C Bonds and the Ordinance would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Co-Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Series 2021C Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity that permit the exercise of judicial discretion.

AMENDMENTS TO THE ORDINANCE . . . The City has reserved the right to amend the Ordinance, under certain circumstances, without the consent of any holder of the Series 2021C Bonds (see Appendix B – “Selected Provisions of the Ordinance – Amendment of Ordinance”).

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

THE WATER AND WASTEWATER SYSTEM

BACKGROUND . . . Dallas Water Utilities Department (“Dallas Water Utilities”) is the department of the City responsible for the administration and management of the System. As of September 30, 2020, the City employed approximately 1,307 persons within the water and wastewater system of Dallas Water Utilities. The primary purposes of Dallas Water Utilities are to obtain, store, purify and distribute water to its customers, and to collect wastewater from its customers, treat it, and dispose of it, in accordance with drinking water standards and effluent guidelines and limitations established by the Texas Commission on Environmental Quality (“TCEQ”) and the United States Environmental Protection Agency (“USEPA”). References to the TCEQ in this Official Statement are intended to include agencies whose duties and responsibilities the TCEQ has assumed under state law.

The fundamental legal document on which the governance of the City rests is its City Charter. In a provision directly relevant to Dallas Water Utilities, the City Charter states in Chapter XI, Section 14 that all water and wastewater services “must be paid for by rate schedules as approved by the City Council and such state authority as may be required”. The City Charter also states that “all receipts and revenues from the water utilities department constitute a separate and sacred fund, which may never be diverted or drawn upon” for any purposes other than provision of water and wastewater services, and for paying, discharging, or retiring the indebtedness and obligations of the City that have been or may be incurred for water utilities department purposes, and “payment of an amount equal to ad valorem taxes and other charges that would be due the city if the water utilities department were not a city-owned public utility” (see “Water and Wastewater Service Rates” herein). State law provides that notwithstanding any municipal charter provision, a municipality may transfer to the municipality’s general fund and may use, for general or special purposes, revenue of any municipally-owned utility system in the amount and to the extent authorized in an ordinance providing for and securing payment of utility system revenue bonds, which the City has addressed in each ordinance authorizing the issuance of Prior Lien Bonds and the Series 2021C Bonds (collectively, the “Revenue Bond Ordinances”). However, the Revenue Bond Ordinances state that excess Pledged Revenues (which consist of Net Revenues and any additional funds that in the future may be pledged to obligations issued or incurred by the System payable from Pledged Revenues) may be used for any lawful purpose not inconsistent with the City Charter and, therefore, prevents any transfer of excess Pledged Revenues from the Dallas Water Utilities to the general fund or any special funds of the City, except to the extent permitted by the City Charter.

MANAGEMENT . . . Management officials of Dallas Water Utilities provide departmental administration within the framework of the City’s council-manager form of government. Subject to the direction and supervision of the Office of the City Manager, the Director of Water Utilities is charged with management of the System.

WATER SUPPLY . . . Summary of Present Supply Sources . . . Water supply is now available to Dallas Water Utilities from six surface water impoundments, from water in the Elm Fork of the Trinity River, and from recycled water, as further described herein. Additionally, one other surface water impoundment, Lake Palestine, is in the process of being connected to the City’s water treatment and distribution system. All of the sources are located in north central and east Texas. The following table contains data as to annual diversion rights permitted to the City and “dependable yield” of each source to the City, expressed in million gallons per day (“MGD”). “Dependable yield” is an estimate of average daily supply reliably available during a period of extreme drought corresponding to the most severe drought on record in each reservoir’s drainage area. The source of the dependable yields data shown below is the *Dallas 2014 Long Range Water Supply Plan to 2070 and Beyond*, described below under “Adequacy of Water Supply”. Estimates shown are for the Fiscal Year ending September 30, 2020.

Water Supply Source	Diversion Rights of Dallas	Dependable Yield to Dallas ⁽⁶⁾	
		Available	Connected
Lake Grapevine	76 MGD	13 MGD	13 MGD
Elm Fork System ⁽¹⁾	1,074 MGD	162 MGD	162 MGD
Lake Ray Hubbard ⁽²⁾	187 MGD	50 MGD	50 MGD
Lake Tawakoni	170 MGD	157 MGD	157 MGD
Lake Fork ⁽³⁾	107 MGD	107 MGD	36 MGD
Lake Palestine ⁽⁴⁾	102 MGD	102 MGD	0 MGD
Indirect Reuse ⁽⁵⁾	221 MGD	13 MGD	13 MGD
Total	1,937 MGD	604 MGD	431 MGD

⁽¹⁾ Elm Fork System includes Lake Lewisville, Lake Ray Roberts and Elm Fork of the Trinity River run of the river flows.

⁽²⁾ In addition to the Connected Dependable Yield of Lake Ray Hubbard, the City recently received a water rights amendment for an additional 107 MGD for operational efficiency.

⁽³⁾ Lake Fork was connected to the System in 2009; additional transmission capacity is planned for 2030 to maximize the yield for Lake Fork and Lake Tawakoni.

⁽⁴⁾ Connection to System not anticipated to occur prior to 2027.

⁽⁵⁾ Indirect reuse has been permitted in Permit No 12468 authorizing the City to reuse its wastewater return flows from Dallas Central and Southside Wastewater Treatment Plants and the Town of Flower Mound and City of Lewisville Wastewater Treatment Plants.

⁽⁶⁾ The estimated effects of reservoir sedimentation are included in dependable yields shown above.

Water supply from the six reservoirs presently connected to the System is adequate for current needs. As noted in the table above, Lake Palestine currently is not connected to the System. Plans are proceeding on schedule to add additional transmission capacity for Lake Tawakoni and Lake Fork and to build a pipeline from Lake Palestine (see “THE WATER AND WASTEWATER SYSTEM – Water Supply – Lake Fork”, “Water Supply – Lake Palestine” and “Water Supply – Integrated Pipeline Project” below). Usage of water supply is ordinarily limited only by the capacity of water treatment plants and the water distribution system. Lakes Grapevine, Lewisville, and Ray Roberts are owned by the United States and are administered by the U.S. Army Corps of Engineers (the “Corps of Engineers”) for several purposes, including water supply. The Corps of Engineers evaluates all of its dams based on their individual dam safety risk considering probability of failure, potential life safety, economic consequences and environmental consequences. Lewisville, Ray Roberts and Grapevine Lakes have been evaluated and the Corps of Engineers are developing action plans to minimize the risk of failure at each of these lakes. The City, by existing contract, will pay for its share of capital cost for repairs.

Lake Grapevine . . . Lake Grapevine is a Corps of Engineers project built in the mid-1950s in which the City, Dallas County Park Cities Municipal Utility District (“Park Cities MUD”), and the City of Grapevine are authorized to store, divert and use 85,000, 50,000 and 26,150 acre-feet per year of water rights, respectively. Lake Grapevine has a total dependable annual yield of only approximately 23,000 acre-feet per year of water, meaning that, during times of severe drought, the reservoir can only be counted on to produce approximately 23,000 acre-feet per year of water. Annual operations and maintenance costs are paid to the Corps of Engineers and the City’s share was approximately \$148,423 in the fiscal year ended September 30, 2020.

The City applied for water rights along the Elm Fork of the Trinity River in 1989, which prompted several proceedings (judicial and administrative) concerning Lake Grapevine and the water rights of the City in the Elm Fork of the Trinity River to be initiated by the Park Cities MUD. A settlement agreement involving TCEQ, the City, and the Park Cities MUD was reached in 2001 regarding the permit. Action by the TCEQ issuing orders to give effect to the settlement by the City, Park Cities MUD, the City of Grapevine and the Executive Director of the TCEQ was taken in the Fall, 2001. The settlement resolved all issues associated with Lake Grapevine reservoir operations, storage, diversion and use of water from Lake Grapevine, the City’s Elm Fork of the Trinity River permit, and protection of senior water rights of the City and the Park Cities MUD to Lake Grapevine water. There has been no additional litigation regarding this permit since the 2001 settlement was reached.

Lake Lewisville . . . Lake Lewisville was completed by the Corps of Engineers in 1955. It is located on the Trinity River’s Elm Fork northwest of the City and northeast of Lake Grapevine, which is nearby. Lake Lewisville incorporates the former “Lake Dallas”, which was built in the late 1920s at a cost of approximately \$4.6 million. The City retains reversion rights to land formerly owned by the City as a part of Lake Dallas. Contract terms provide that such land will again become property of the City when no longer used by the United States for flood control and allied purposes. Including the cost of Lake Dallas and amounts paid for the right to use 88.9% of the conservation storage of Lake Lewisville, the cost of this supply source to the City was approximately \$8.7 million. Annual operations and maintenance costs are paid to the Corps of Engineers and were approximately \$842,475 in the fiscal year ended September 30, 2020. These payments constitute current operation and maintenance expenses of the System. The City’s water permit for this lake was obtained in 1949. The City of Denton (“Denton”) holds rights to use of the remaining 11.0% of storage in Lake Lewisville. Delivery of untreated water to the vicinity of the City’s purification plants is achieved in a manner similar to that used for Lake Grapevine, through release of water as needed into the Trinity River. The Corps of Engineers operates Lake Lewisville as part of the Elm Fork System with Lake Ray Roberts and the Elm Fork of the Trinity River run of the river flows. The Lewisville Dam Safety Modifications are being designed and constructed by the Corps of Engineers to reduce risks associated with the probability of various potential failure modes for Lewisville Dam as identified by the risk assessment completed in 2014. The Lewisville Dam Safety Modifications as approved are expected to cost approximately \$150 million; the City’s share of these costs is expected to be approximately \$8.7 million. The first of two contracts was awarded by the Corps of Engineers in 2019. The second contract is expected to be awarded in the Spring of 2022. The Lewisville Dam Safety Modifications are expected to be completed in 2027.

The City and the City of Irving (“Irving”) adopted the Water Treatment Services Contract on January 8, 1998. This agreement allowed Irving to store 9,700 acre feet of Lake Chapman water in Lake Lewisville and for the City to treat Irving’s water at the Elm Fork Water Treatment Plant. The effective date of the Water Treatment Services Contract and the Wholesale Treated Water Contract with Irving is June 30, 2003. Both contract terms are for thirty years. The implementation of this contract allows for additional water supply of 39.5 MGD to Dallas Water Utilities System for future sales to other customers.

Lake Ray Roberts . . . On September 16, 1980, the City and Denton entered into agreements with the United States for construction of Lake Ray Roberts by the Corps of Engineers. Under permits granted by the Texas Water Commission in June 1976, the City shares this supply source and the costs thereof with Denton on a basis of 74% and 26%, respectively. The U.S. Congress in 1965 authorized the Corps of Engineers to construct the reservoir for water supply and recreation. In June 1987, the gates of the dam were closed, initiating the filling of the reservoir. The reservoir was filled by May 1990. The Corps of Engineers operates Lake Ray Roberts as part of the Elm Fork System with Lake Lewisville and the Elm Fork of the Trinity River run of the river flows.

Lake Ray Roberts is located on the Elm Fork of the Trinity River north of Denton and just north of Lake Lewisville. Portions of the reservoir extend into Denton, Grayson and Cooke Counties. No major transmission facilities are required to transport water from the reservoir to existing treatment plants. The location of Lake Ray Roberts is upstream from the Elm Fork and Bachman Water Treatment Plants and this provides natural gravity flow to the plants, as is the case for Lakes Lewisville and Grapevine.

Construction costs, including interest during construction, resulted in a total City share of construction costs for water supply and recreation of approximately \$198 million. The City funded its share of the construction costs through the issuance of utility system revenue bonds. The City must pay its share of annual operating costs, which are treated as current operation and maintenance costs of the System, and which were approximately \$383,124 in the fiscal year ended September 30, 2020.

Lake Ray Hubbard . . . The City constructed, owns, operates and has available for its use 100% of the permitted water supply from Lake Ray Hubbard. Pumpage of water to nearby treatment facilities began in the summer of 1973. Reservoir cost was approximately \$38 million, a major part of which was for land acquisition and for relocation of highways, railroads and other facilities. Lake Ray Hubbard is located in the City limits (partially in Dallas County) on the East Fork of the Trinity River. A 1959 water permit applies to the reservoir and its use, and also permits (under limited conditions) storage and usage of water pumped by pipeline from Lake Tawakoni.

Lake Tawakoni . . . Lakes Grapevine, Lewisville, Ray Roberts and Ray Hubbard are in the Trinity River Basin, as are the City and all of its present water and wastewater customers. Lake Tawakoni, one of the two reservoirs located in the Sabine River Basin, is approximately 50 miles east of the City on the Sabine River, another drainage area in the State. Lake Tawakoni was constructed jointly by the City and the Sabine River Authority of Texas (the “Authority”), at a cost to the City of approximately \$17.7 million. By contractual agreement with the Authority, the City has rights to use 80% of the available water in the reservoir. The agreement also states that the City will pay 80% of reservoir operation and maintenance expenses to the Authority. Such payments to the Authority were approximately \$5,985,886 in the fiscal year ended September 30, 2020, and constitute current operation and maintenance expenses of the System. The first significant pumpage of water to the City treatment facilities occurred early in 1964. Two water transmission pipelines, measuring 72 inches and 84 inches in diameter and having a combined capacity of 250 MGD, and associated pumping and interim storage facilities, allow full utilization of the City’s permitted water supply from Lake Tawakoni. These transmission pipelines and associated facilities transport untreated water to the East Side Treatment Plant, which also receives untreated water from Lake Ray Hubbard. Based on information received from the Authority, other principal users of water from Lake Tawakoni (from the portion of reservoir supply not applicable to the City water rights) include the Commerce Water District and the Cities of Greenville, Wills Point, Emory, West Tawakoni, Point and Cash, and the North Texas Municipal Water District.

Lake Fork . . . Lake Fork is owned and operated by the Authority and is on Lake Fork Creek, a tributary of the Sabine River. Lake Fork is located in Wood, Hopkins and Rains Counties, approximately 70 miles east of the City. Construction of the reservoir began in June 1975 and the gates of the dam were closed to begin impoundment in February 1980.

Lake Fork was constructed under a contract between the Authority and Texas Utilities Generating Company (referred to herein as “Luminant”). In 1980, Luminant approached the City concerning assumption of its contract and water rights in Lake Fork. A feasibility study was conducted by the City’s long range water supply consultant (URS/Forrest and Cotton, Inc.), which concluded that the cost of obtaining water from Lake Fork was the most reasonable of all potential supply sources. Following the findings of the study, the City entered into negotiations with the Authority and Luminant for the purchase of water rights. A contract conveying Luminant’s interest in the project to the City became effective October 1, 1981. The cost of the City’s share of Lake Fork water supply rights was approximately \$117.0 million. Financial obligations for the City’s share were fully paid as of December 2004. The TCEQ issued an amended water permit in August 1983 confirming the transaction. The City now has a contract with the Authority for 64% of the diversion rights of the water available from Lake Fork. The Lake Fork contract and the water rights described therein provide to the City the right to use 107 MGD for water supply in the Trinity River Basin, in which the City is located. Pursuant to a rate challenge by the City, and a subsequent settlement between the City and the Authority, the City is required to pay the Authority for a pro rata share of the operation and maintenance costs associated with Lake Fork, which was approximately \$12,308,484 in the fiscal year ended September 30, 2020.

In the 1981 contract conveying Luminant’s interest in Lake Fork to the City, Luminant retained an option to purchase water from the City. Luminant exercised its option and entered into a contract with the City in 2011. On April 29, 2014, Luminant filed for bankruptcy. The Bankruptcy Court granted Luminant’s request to reject (i.e., breach) its Lake Fork Contract with the City retroactively to September 22, 2015.

Water transmission facilities from Lake Fork to existing City facilities at Lake Tawakoni, which is located 20 miles west of Lake Fork, were completed in 2009. Additional transmission capacity from Lake Tawakoni to City treatment facilities are planned for 2030 to maximize the yield of Lake Fork and Lake Tawakoni.

Lake Palestine . . . Lake Palestine, located approximately 90 miles southeast of the City, is located in the Neches River Basin, and is owned and operated by the Upper Neches River Municipal Water Authority (“Upper Neches”). Blackburn Crossing Dam, which impounds Lake Palestine, was completed in 1971. In 1972, the City acquired rights to use of 53.73% of the annual dependable yield of the reservoir through a contract with Upper Neches. For such rights, the City made payments to Upper Neches equal to a portion of the principal and interest requirements on Upper Neches’ previously issued bonds to develop Lake Palestine. The cost of the City’s share of Lake Palestine water supply rights was approximately \$10.9 million. The City is also required to pay Upper Neches the amounts required annually for the operation and maintenance of Lake Palestine, less recreation costs and other credits including receipts from water sales and earnings on certain funds of Upper Neches. The payments of the City with respect to such operation and maintenance were approximately \$401,050 for the fiscal year ended September 30, 2020. Water rights in Lake Palestine are held by the City to meet future needs of its customers.

Integrated Pipeline Project . . . Water transmission and other facilities will be needed when service from Lake Palestine is begun by Dallas Water Utilities. The City has contracted with the Tarrant Regional Water District (“TRWD”) to design and build a transmission line that will connect Lake Palestine to the System as well as interconnecting TRWD’s Cedar Creek and Richland Chambers reservoir with Lake Palestine and the System. The TRWD contracts relate to an “Integrated Pipeline Project”, which is expected to produce significant savings and efficiencies in capital construction and operation and maintenance costs for both the City and TRWD. In addition, the TRWD contracts are expected to enhance regional cooperation, including water supply reliability and water sharing between the two entities. Based on current water use projection, the City does not anticipate the need to make this supply available prior to the year 2027. The payments to be made by the City to TRWD under the TRWD contracts, including payments made by the City that will be used by TRWD to pay debt service on the obligations issued by TRWD to finance the components of the Integrated Pipeline Project for use by the City, will be treated as operation and maintenance expenses of the City in calculating Net Revenues for the City’s revenue bond coverage requirements under the Revenue Bond Ordinances.

The TRWD contracts include a “Financing Agreement” and a “Delivery Contract”. The “Financing Agreement” establishes that TRWD will own, operate and finance the transmission facilities and that the City will own “Reserved Capacity Rights” of 150 MGD and will pay its share of the design and construction based on “Reserved Capacity Rights”. Principal and interest on the obligations issued by TRWD (“TRWD Bonds”) are secured by and payable solely from payments to be received by TRWD from the City to the extent required and provided in the Financing Agreement. The TRWD Bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements; however, for accounting purposes, the obligation of the City under the Financing Agreement is treated as a liability of the City to the extent that such obligations are for the payment of bonds issued to fund the City’s share of the costs for the Integrated Pipeline Project. The City has also capitalized the development of an intangible asset, Pipeline Reserved Capacity Rights for the actual Integrated Pipeline Project costs incurred by TRWD. The unspent proceeds of TRWD Bonds held by TRWD for future construction costs have been recorded in Other Noncurrent Assets — Future Pipeline Reserved Capacity Rights. The balance of the obligation for the Financing Agreement was \$425,442,000 at September 30, 2020. The “Delivery Contract” establishes the cost allocation of operation and maintenance costs and the operation guidelines for the transmission system.

The City’s current estimated share of the total capital cost of the Integrated Pipeline Project is \$1.0 billion. As of the date of this Official Statement, \$1,012,485,000 of TRWD Bonds have been issued, with \$688,135,000 currently outstanding. For the fiscal year ended September 30, 2020, the total amount paid on the outstanding TRWD Bonds by the City pursuant to the Financing Agreement was \$26,581,921. In February, 2021, TRWD issued \$298,395,000 in revenue refunding bonds and \$240,025,000 in revenue bonds for the Dallas share of the Integrated Pipeline Project. It is anticipated that TRWD will issue additional TRWD Bonds over a 10 to 15 year period to pay the total capital cost of the Integrated Pipeline Project. It is anticipated that water rate increases would be presented to the City Council for approval as necessary to pay for the City’s share of debt service on the TRWD Bonds and operating expense of the Integrated Pipeline Project. All such payments by the City will constitute operating expenses of the System for purposes of calculating Net Revenues for the City’s revenue bond coverage requirements under the Revenue Bond Ordinances. For further discussion of the Integrated Pipeline Project and the System’s obligations for repayment of its share of TRWD Bonds issued for such project, as of September 30, 2020, see the Dallas Water Utilities audited Basic Financial Statements for the Fiscal Year ended September 30, 2020, particularly Note 5 Long-Term Debt.

RECYCLED WATER . . . In addition to the City’s water supply from its surface water impoundments and from the Elm Fork of the Trinity River, the City has State-issued water rights for the diversion and use of its recycled wastewater return flows. The recycled Water Permit allows for the use of up to 221 MGD limited only by the actual discharge from Dallas’ Central and Southside Wastewater Treatment Plants, the City of Lewisville’s Wastewater Treatment Plant and the Town of Flower Mound’s Wastewater Treatment Plant and instream flow requirements.

In 2008, the City entered into a contract with North Texas Municipal Water District (“NTMWD”) for the exchange of NTMWD’s permitted return flows in Lake Ray Hubbard and the Elm Fork of the Trinity River for an equivalent volume of the City’s permitted return flows from Dallas’ Central and Southside Wastewater Treatment Plants. This exchange will provide the City with access to recycled water in Lake Ray Hubbard and Lake Lewisville with significantly reduced transmission facilities and operation and maintenance costs.

ADEQUACY OF WATER SUPPLY . . . Water supply from each of the seven reservoirs described above is limited in time only by reservoir life. Ongoing dam maintenance and measured sedimentation rates of these reservoirs indicates a useful life of over one hundred years. The dependable yield available to Dallas Water Utilities from the six connected reservoirs described above is estimated to be adequate until about the year 2027. With the connection of Lake Palestine to the System, the dependable yield is estimated to be adequate through the year 2055. This projection assumes expected increases in customer demand throughout the utility’s regional service area. Additional transmission, treatment and other facilities will be required before that time to fully utilize the available supply. The City Council has approved funding for Dallas Water Utilities to explore options for the development of future water supply sources for the City.

In June 1997, Senate Bill 1, which requires statewide water planning, was signed into law. This bill set up a state-wide initiative to identify future water needs for the State. The State was divided into 16 regional water planning areas. A regional water planning group (“RWPG”) was established for each of the 16 regions. The RWPG is composed of members that represent one of 12 interest categories (i.e., public, counties, municipalities, industries, agriculture, environment, small business, electric generating utilities, river authorities, water districts, water utilities and groundwater management areas). The RWPG of each region is required to project population and water demands, evaluate current water supplies, compare current supply to projected demand and identify and recommend water management strategies to meet water supply shortages. The City is in Region C, and has a representative presently serving on the Region C Group. The Region C Group is required to submit its Regional Water Plan every five years, the first plan having been submitted in January 2001. Every five years upon receiving each of the 16 regional water plans the State reviews and approves the plans and consolidates them into a draft State Water Plan. The Region C Group submitted its Regional Water Plan to the State in January 2021. The State is compiling the Regional Plans into the new five-year State Water Plan, which is scheduled to be delivered to the Governor and State Legislature in January 2022.

The City’s Long Range Water Supply Plan (“LRWSP”) was updated in 2014 on behalf of the City by the engineering consulting firm of HDR, Inc. to meet future water demands for the City and its customer cities through the year 2070 and beyond. The LRWSP identified recommended and alternate water management strategies and infrastructure recommendations.

The City Council enacted an expanded Water Conservation Program effective October 1, 2001. During the first three years, the program focused primarily on outdoor water conservation practices. In 2004, the City embarked on a more holistic approach to encouraging water conservation designed to reduce total water consumption without reducing the benefit of the water used. This long-term strategic approach is designed to: reduce the consumption of water; reduce the loss and waste of water; improve the efficiency in the use of water; postpone the construction of new water system improvements; serve as an alternative water supply source to reduce future needs and; comply with statewide legislative criteria and new initiatives. The City adopted its 2019 Water Conservation Plan on April 24, 2019, which establishes 5-year and 10-year goals for water savings.

WATER PURIFICATION AND DISTRIBUTION . . . Water purification, which meets or surpasses all present State and federal quality standards, is now accomplished by Dallas Water Utilities at its three treatment plants. The current capacity of purification facilities is as follows, measured in million gallons per day:

Water Treatment Plant	Treatment Capacity
East Side	440 MGD
Elm Fork	310 MGD
Bachman	<u>150 MGD</u>
Total	<u>900 MGD</u>

Distribution storage capacity and treated water pumping stations are adequate to meet delivery of service for maximum day, maximum hour and fire protection requirements within the City. Based upon System demand of the City and customer cities, current treatment and distribution capacity is estimated to be adequate to meet maximum daily requirements.

In March 2018, the City awarded the Water Delivery Comprehensive System Assessment and Update, scheduled to be completed in 2021, which consists of historic and future demand projections through 2040, condition assessment of water delivery infrastructure, hydraulic modeling for water quality and surge analysis, and recommendation of capital improvements with implementation triggers. As of September 30, 2020, there were approximately 5,005 miles of water mains in service.

The federal Safe Drinking Water Act, as amended, provides for establishment of potable water standards in the United States. While the quality of water treated in the System presently meets all federal standards, such standards are subject to revision, which may in turn result in the need to construct additional treatment facilities or modify existing treatment processes.

PERFORMANCE STUDIES . . . The City has two separate studies of performance of operations of Dallas Water Utilities. One is an audit performed by the Office of the City Auditor, dated December 27, 2002; the other is an efficiency study of Dallas Water Utilities performed by the engineering firm Black & Veatch, which was released on January 10, 2003. In 2017, the City hired Raftelis to complete a cost of service rate study for the Dallas Water Utilities which completed this study in 2018. The studies confirm the need for Dallas Water Utilities to continue to invest more capital in upgrading existing infrastructure that serves the customers of Dallas Water Utilities. The City’s current Water Distribution System Master Plan also anticipated expending funds to gradually upgrade the existing infrastructure. Implementing the recommendations made in the reports could result in an increase in the level of capital improvements to the System. In order to implement some or all of the recommendations noted in the studies, Dallas Water Utilities has sought and received from the City Council approval of fifteen (15) retail rate increases through the fiscal year ended September 30, 2020, for water and sewer services.

In 2014 and 2015, performance audits were completed by the City Auditor's Office on Security Alarm Permits; Internal Controls over Chemical Supplies; Design of Controls for the Meter to Billing Process; and, Maintenance of Infrastructure. Additionally, the City has initiated a Lean Six Sigma program through the Center for Performance Excellence. In 2017, Dallas Water Utilities hired a Lean Six Sigma Black Belt Manager to implement a Lean Six Sigma initiative within the organization and enhance performance improvement efforts.

In addition to performance studies, Dallas Water Utilities uses master plans for strategic planning and to develop short and long term goals associated with the regulatory, growth and maintenance needs of the System. A Comprehensive Wastewater Collection System Assessment Update was awarded in early 2017 and completed in April 2020, a Water Delivery Comprehensive System Assessment and Update was awarded in March 2018 and is scheduled to be completed in 2021, and a Water Production Facilities Strategic Plan was awarded on December 11, 2019 and is scheduled to be completed in 2022. Other plans include the 2010 Wastewater Treatment Master Plan; 2011 Water Quality Study; 2014 Business Technology Master Plan; 2014 Long Range Water Supply Plan; 2016 Water Conservation Five-Year Work Plan; and the 2017 Comprehensive Retail Water and Wastewater Cost of Service and Rate Development Study.

In the City budget approved September 23, 2020, for the fiscal year beginning October 1, 2020, the City Council approved a 1.0% retail rate increase (see “THE WATER AND WASTEWATER SYSTEM — Water and Wastewater Service Rates”). The City Council did not implement retail rate increases for Fiscal Year 2018-2019 and Fiscal Year 2019-2020 as a result of the Sabine River Authority / Lake Fork rate dispute settlement. (see “THE WATER AND WASTEWATER SYSTEM – Water and Wastewater Service Rates”).

WATER SERVICE CUSTOMERS . . . Dallas Water Utilities provides treated water to its customers within the City on a “retail” basis. Treated and untreated water is provided on a “wholesale” basis to other cities and governmental entities outside of Dallas. Retail service is characterized by a water distribution system, by a customer service system (including service billings to final consumers) and by provision of water facilities for fire protection. Wholesale water customers provide their own distribution, customer service, and fire protection systems for the ultimate benefit of consumers.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE 1 – WHOLESALE TREATED WATER CUSTOMERS

Treated water is now supplied on a wholesale basis to the following cities and authorities under contracts expiring in the calendar years indicated.

Entity	Year	Entity	Year
Addison	2042	Flower Mound	2047
Carrollton	2043	Glenn Heights	2022
Cedar Hill	2044	Grand Prairie	2042
Cockrell Hill	2044	Hutchins	2042
Combine WSC	2035	Irving	2033
Coppell	2047	Lancaster	2041
Balch Springs	2045	Lewisville	2046
Dallas/Fort Worth International Airport	2045	Ovilla	2035
DeSoto	2043	Red Oak	2033
Duncanville	2044	Seagoville	2043
Ellis County WCID#1	2033	The Colony	2040
Farmers Branch	2040		

The City and its wholesale treated water customers negotiated and reached consensus on a thirty-year Memorandum of Agreement for wholesale treated water rate-setting methodology. The new Memorandum of Agreement was approved by the City Council on May 12, 2010. Wholesale rates for treated water service to all customer cities and authorities are determined per the provisions of the new Memorandum of Agreement.

As of August 13, 2003, the City Council approved a contract between Dallas Water Utilities and the Ellis County WCID#1 for wholesale supply of treated water. Ellis County WCID#1 is not yet connected to the System. This contract will expire in the year 2033.

In addition to a Wholesale Treated Water Contract, Irving and the City adopted the Water Treatment Services Contract on January 8, 1998. This agreement allows Irving to store 9,700 acre feet of its Lake Chapman water in Lake Lewisville and for the City to treat Irving's water at the Elm Fork Water Treatment Plant. The effective date of the Water Treatment Services Contract and the Wholesale Treated Water Contract with Irving was June 30, 2003. Both contract terms are for thirty years (see "The Water and Wastewater System - Water Supply - Lake Lewisville").

The City has a designated planning and service area in the 2014 update to the LRWSP. In accordance with the plans, the City is planning for the long range needs of all its existing customers and anticipates renewal of all existing contracts.

Untreated water from existing reservoirs is supplied to the City of Lewisville, the Upper Trinity Regional Water District, and the City of Grapevine under contracts extending to the years, 2046, 2022, and 2030 respectively.

Service to wholesale treated water customers comprised approximately 48 percent of total treated water sales volume and approximately 22 percent of billed revenues for treated water service in the fiscal year ended September 30, 2020.

Some cities and governmental entities, in addition to those listed above, may request wholesale water service. In the LRWSP, the wholesale service planning area was reduced in Collin County to the north, while simultaneously expanded into portions of Ellis County to the south. The current wholesale service planning area includes the corporate limits of all customer cities connected to the System in 1999. In addition to one suburban city that receives water from another wholesale supplier, the wholesale service area includes most of Dallas County and portions of the contiguous counties. Each wholesale customer pays initial costs required to extend service to their area, and other continuing costs of service. The City Council adopted "Conditions for New Treated Water Customers" in December 1984.

TABLE 2 - TREATED WATER PUMPAGE (MILLION GALLONS)

Fiscal Year	Peak Day	Average Day	Total
2016	592	369	135,159
2017	511	372	135,664
2018	607	389	141,920
2019	606	369	134,600
2020	588	380	139,092

TABLE 3 – TREATED WATER CONSUMPTION BY CUSTOMER CLASS (MILLION GALLONS)

	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
<u>Retail</u>					
Residential	24,371	21,890	25,203	23,377	23,946
General Service	33,287	32,743	34,595	33,842	32,809
Optional General Service ⁽¹⁾	4,621	4,149	5,179	4,672	4,599
Total Retail	62,279	58,782	64,976	61,891	61,354
<u>Wholesale</u>	58,563	52,175	58,372	55,086	53,811
Total	120,842	110,956	123,348	116,977	122,768

⁽¹⁾ Customers consistently using one million gallons or more monthly.

TABLE 4A – TEN LARGEST WHOLESALE TREATED WATER CUSTOMERS (MILLION GALLONS)

	Fiscal Year 2020 Water Consumption
<u>Wholesale</u>	
City of Carrollton	7,441
City of Grand Prairie	6,384
City of Irving ⁽¹⁾	4,022
City of Lewisville	3,289
City of Coppell	3,130
City of DeSoto	3,129
City of Farmers Branch	2,780
City of Lancaster	2,378
City of Cedar Hill	2,181
City of Duncanville	1,737
	36,472
Total	

⁽¹⁾ In addition to the 4,022 MG treated water provided under the treated water contract, Dallas Water Utilities also treated 11,673 MG of raw water from Irving's Lake Chapman under the Dallas Water Utilities/Irving treatment services contract. Reflects "as billed" consumption.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE 4B – TEN LARGEST RETAIL TREATED WATER CUSTOMERS (MILLION GALLONS)

	Fiscal Year 2020 Water Consumption
Retail	
Texas Instruments Inc.	1,742
Niagara Bottling, LLC	463
UT Southwestern Medical Center	393
White Wave Food Company	340
Nestle Water North America	205
Quaker Oats Inc.	185
Quality Sausage	169
Presbyterian Healthcare System	150
Yes Companies EXP2, LLC	113
Luminant Generation Company, LLC	107
Total Ten Largest Retail Customers	3,867
Other	58,412
Total Retail Treated Water Consumption	62,279

WASTEWATER SYSTEM . . . Dallas Water Utilities provides wastewater services to its customers through a system encompassing approximately 4,052 miles of wastewater collection pipelines, which transport wastewater primarily by gravity flow to two treatment plants. In addition, a small portion of the City’s wastewater treatment is obtained under long-term contracts with the Trinity River Authority of Texas (“TRA”) and the City of Garland. The contract with TRA provides that monies received from the City (and other participating cities) for wastewater treatment by TRA shall be considered to be operating and maintenance expenses of the respective cities. Net payments by the City to TRA were approximately \$7,489,387 and to the City of Garland were approximately \$1,086,705 for the fiscal year ended September 30, 2020.

The City’s wastewater treatment process is a biological treatment process providing advanced treatment to comply with State and Federal requirements for effluent quality and water pollution control. Wastewater solids generated by the treatment plants are processed for final disposal at the Southside Wastewater Treatment Plant. Solids dewatering facilities, dedicated disposal fields, and a solids only landfill (monofill) provide the capability to dispose of 120 dry tons of solids daily. The only chemicals used are chlorine and sulfur dioxide for disinfection prior to the final effluent discharge; polymers to enhance the solids dewatering process; and oxidizing agents to control odors associated with the wastewater treatment process. The filtrate (water that is pressed out of the sludge) from dewatering is closed with lime and aerated to help remove ammonia in the sidestream treatment. The cost of these chemicals is approximately 7% of wastewater treatment operational costs.

The larger of the two wastewater treatment plants operated by Dallas Water Utilities is the Central Wastewater Treatment Plant, which incorporates facilities built in phases in previous years at the same location. The Central Wastewater Treatment Plant has a permitted treatment capacity of 170 MGD. The Southside Wastewater Treatment Plant has a permitted treatment capacity of 110 MGD, resulting in total wastewater system permitted treatment capacity of 280 MGD on an average daily basis.

Dallas Water Utilities’ wastewater treatment plants are permitted to operate by the TCEQ. The Southside Plant’s permit was issued in June 2020 and expires in June of 2025. The Central Plant’s permit was issued in January 2017, and expires in December 2021. The renewal process for this permit is currently underway.

In 2007, the City entered into a voluntary Sanitary Sewer Outreach Initiative Agreement with TCEQ. This 10-year agreement has been completed and Dallas Water Utilities’ Closure Certification Letter was submitted to the State in October 2017. Dallas Water Utilities met or exceeded all agreement parameters. The agreement outlined a corrective action plan to protect public health and the environment through activities related to sanitary sewer system upgrades, pipe replacement / rehabilitation, pretreatment outreach and overall system maintenance productivity. In January 2021, Dallas Water Utilities entered into a new 10-year agreement with TCEQ.

WASTEWATER SERVICE CUSTOMERS . . . Dallas Water Utilities provides wastewater collection and treatment services on a “retail” basis to customers primarily within the City and on a “wholesale” basis to eleven customer cities. Wholesale service is characterized by service billings from the City to wholesale customers, who provide their own wastewater collection facilities, under standards established by contract with the City, and their own customer service systems, including service billings to final consumers. Wastewater service charges to retail customers generally apply to volume of water consumption, but for retail residential customers, service rates are based on average water consumption during winter months, or actual water consumption if lower.

TABLE 5 – WHOLESALE WASTEWATER CUSTOMERS

Customer cities receiving “wholesale” wastewater services are principally as follows, with contractual terms of service now extending to calendar years indicated:

Addison (portion)	2044	Hutchins	2044
Cockrell Hill	2044	Mesquite (portion)	2036
Balch Springs	2045	Richardson (portion)	2037
Duncanville (portion)	2044	Seagoville	2033
Highland Park	2044	University Park	2044
		Wilmer	2044

Wholesale service rates for wastewater services to customer cities are established by rate ordinance of the City Council. Charges to wholesale wastewater customers are based on metered wastewater flows, if technically feasible, or on average water consumption during winter months. All wastewater service customers must comply with the City ordinances applicable to prohibited substances, concentration limits, infiltration/inflow monitoring and control, and payment of equitable excess strength surcharges in addition to normal service rates.

Service to wholesale wastewater customers comprised approximately 10 percent of total wastewater volume and approximately 6 percent of billed revenues for wastewater service in the fiscal year ended September 30, 2020.

TABLE 6 – TREATED WASTEWATER FLOW (MILLION GALLONS)

Fiscal Year	Maximum Day Treated Effluent	Average Day Treated Effluent	Total Treated Effluent
2016	430	207	75,603
2017	302	162	59,147
2018	460	171	62,424
2019	552	231	84,370
2020	428	198	72,437

COST OF SERVICE STUDY . . . A rate study was completed in 2020 pursuant to the City’s financial criteria for Dallas Water Utilities cost of service studies. Adjustments in wholesale customer service rates based on the study were approved by the City Council on September 23, 2020, to provide for expected costs of service in the fiscal year beginning October 1, 2020.

WATER AND WASTEWATER SERVICE RATES . . . The System is operated as a self-sustaining municipal enterprise under the terms of the Revenue Bond Ordinances and the City Charter. The self-sustaining concept was first given legal effect in the City in 1882. Dallas Water Utilities does not contribute to general revenues of the City, other than payments for services rendered and for street rental fees, which are directly comparable to franchise fees paid by privately-owned utilities to the City and a payment in lieu of taxes (“PILOT”), as further discussed below. Since 1993, the City Charter has allowed payment of amounts equal to ad valorem taxes and other charges that would be due the City if the Water Utilities Department were not a city-owned public utility. No additional amounts pursuant to the 1993 Charter amendment were paid or assessed prior to September 30, 2004. The Fiscal Year 2008 Budget provided for a partial implementation of a PILOT, not to exceed \$6 million. This represents approximately 45% of the maximum allowed. In the fiscal year 2010 budget, the PILOT was fully implemented, payable in the amount of \$13.3 million. For fiscal year ending September 30, 2020 the PILOT payable amount was \$24.7 million. The System is not supported in any way from other City revenue sources, except payments for services rendered.

The rates charged wastewater customers are based upon the cost of providing wastewater service, as required by the USEPA.

Water and wastewater rates are intended to ensure that revenues are received from each class of customers equivalent to the costs associated with service to each respective customer class. Capital improvement planning includes provision for facilities which are adequate to meet projected customer demand, rehabilitation or replacement of aging facilities and service quality meeting required standards. All service rates, charges and basic service procedures are established by the City Council.

Retail water and wastewater service rates, as set forth in the following Tables 7 and 8, are effective as of October 1, 2020. An average monthly bill of \$63.79 is paid for water and wastewater services by a City residential customer with a 5/8 inch meter, average monthly water consumption of 8,300 gallons, and 5,300 gallons winter month average for wastewater charges.

The retail rate for treated water and wastewater services consists of a monthly customer charge which applies to each customer without reference to consumption, and a usage charge which depends on the volume of water used (or wastewater discharged). Customers are billed monthly.

TABLE 7 – RETAIL CUSTOMER CHARGE (AS OF OCTOBER 1, 2020)

The monthly customer charge for retail treated water service and wastewater service are fixed amounts based upon meter size. Both water and wastewater charges are shown below to present the total customer charge for combined water and wastewater service.

	Monthly Retail Customer Charge		
	Water	Sewer	Combined
5/8 Inch Meter	\$ 5.38	\$ 4.83	\$ 10.21
3/4 Inch Meter	7.47	6.62	14.09
1 Inch Meter	10.89	9.54	20.43
1 1/2 Inch Meter	20.20	18.48	38.68
2 Inch Meter	32.87	28.79	61.66
3 Inch Meter	77.77	70.20	147.97
4 Inch Meter	127.89	112.53	240.42
6 Inch Meter	253.96	221.50	475.46
8 Inch Meter	422.72	369.75	792.47
10 Inch Meter or larger	649.09	580.96	1,230.05

The rates charged wastewater customers are based upon the cost of providing wastewater service, as required by the USEPA.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE 8 – RETAIL USAGE CHARGE (AS OF OCTOBER 1, 2020)

	Monthly Retail Rate Per 1,000 Gallon	
	Water	Wastewater
Residential		
Up to 4,000 Gallons	\$ 1.88	\$ 5.41 ⁽¹⁾
4,001 to 10,000 Gallons	4.05	5.41 ⁽¹⁾
10,001 to 20,000 Gallons	6.59	5.41 ⁽¹⁾
20,001 to 30,000	9.40	5.41
Above 30,000	10.86	5.41 ⁽¹⁾
General Service		
Up to 10,000 Gallons	\$ 4.22	\$ 4.56
Above 10,000 Gallons	4.60	4.56
Above 10,000 and usage 1.4x annual monthly average	7.02	4.56
Wastewater metered separately		4.56
Optional General Service		
1st Million Gallons or Less	\$ 2,534.11 ⁽²⁾	\$ 4.21
Above 1 Million Gallons (Per 1,000 Gallons)	3.89	4.21
Wastewater metered separately		4.26

⁽¹⁾ Wastewater rates for residential accounts are applied to average water consumption billed in December, January, February, and March, up to 40,000 gallons per month, or actual water consumption if lower.

⁽²⁾ Fixed amount, not a volume rate.

The retail usage charge applies in addition to the customer charge shown in Table 7. The usage charge is generally stated as a rate per 1,000 gallons. Both the retail water usage charge and the retail wastewater usage charge are applied to volume of water used, except for that wastewater which is metered separately. Wastewater meters are purchased by general service customers (typically large business customers) when separate wastewater metering is advantageous to them. Retail usage charges are established for three customer classes as set forth above. For residential wastewater customers, the retail usage charge is based upon average water consumption during winter months, or actual water usage for each month if lower. Each of the rates for usage charges and for customer charges is subject to 5% additional charge if not paid when due.

In addition to the above rates, a surcharge is applied when a general service customer is found to be discharging waste of excessive strength, based upon concentration (determined by sampling) of biochemical oxygen demand and/or total suspended solids above a level of 250 milligrams per liter.

The customer deposit ordinance provides that deposits from new customers are not required upon evidence of satisfactory credit histories. The customer deposit ordinance also provides for the refund of previous deposits to existing customers, if appropriate, upon review of their credit histories.

In recent years, approval of rate adjustments, as needed, by the City Council has been received in September, at the same time approval is granted for the operating and capital budgets for the following fiscal year beginning the next succeeding October 1. The fiscal year 2021 City budget was approved on September 23, 2020. A 1.0% residential rate increase was included in the fiscal year 2021 budget. The adequacy of rates for both water and wastewater services will continue to be reviewed annually and recommendations will be made for adjustments as needed. A 1.5% retail rate increase is proposed for next fiscal year's budget. The City Council, however, may vote to increase rates in its discretion, and to decrease rates at its discretion, subject to the rate covenant contained in the Revenue Bond Ordinances (see "DEBT INFORMATION – Revenue Bond Coverage" below).

Wholesale service rates are established by rate ordinance of the City Council, within the terms of applicable contracts and agreements. The City's policy for review of wholesale rates includes an annual cost of service study, in which wholesale customers participate through a committee of their representatives. A comprehensive annual cost of services methodology review was completed in 2020. The present rates for wholesale water and wastewater service, described in Table 9, are based on an annual cost of service study completed in 2020. Rates to all wholesale treated water customers are adjusted annually in accordance with the terms of a rate agreement originally reached in August 1979 and revised in May 2010 between the City and customer cities (see "Water Service Customers", above).

TABLE 9 – WHOLESALE CUSTOMER CHARGES (AS OF OCTOBER 1, 2020)

Wholesale rates are as follows, for each type of wholesale service:

Treated Water Service:

Customers with rate-of-flow controllers: \$0.3959 per thousand gallons of water used, plus \$291,422 annually per million gallons of daily capacity reserved.

Customers without rate-of-flow controllers (or if a flat rate is provided by contract): \$2.2107 per thousand gallons of water used.

Untreated Water Service:

Customers inside or outside the City: \$0.8915 per thousand gallons of water used (\$0.3894 for interruptible service).

Wastewater Service:

\$3.0679 per thousand gallons of wastewater discharged. A surcharge is applied for wastewater of excessive strength.

CAPITAL IMPROVEMENT PROGRAM . . . The need for and specific nature of capital improvements are dependent upon the characteristics and growth of future customer demand, and upon standards of service quality established primarily by State and federal authorities.

Capital improvements to the System have been financed principally through the issuance of “Commercial Paper Notes” and “Revenue Bonds”, through application to construction of customer revenues not required for operating expenses and debt service, and through receipt of contributions in aid of construction from customers, developers, and from State and federal grants. A major portion of the capital improvements has been financed on an interim basis through the issuance of commercial paper notes. (See “DEBT INFORMATION – Commercial Paper Notes Payable”). Capital improvements do not include the Integrated Pipeline Project, the costs of which are treated as an operating expense.

New water facilities are so designed that as additional water sources become available, water purification and distribution through the new facilities can be accomplished with a minimum of additional future construction. New wastewater system facilities are also designed to meet additional service requirements at minimal cost.

During the three fiscal year periods commencing October 1, 2020 and ending September 30, 2023, the City anticipates capital improvements of approximately \$1,016,842,500, including improvements to the water system of approximately \$659,217,500 and the wastewater system of approximately \$357,625,000. Current budgeted projections for this three fiscal year period indicate \$858,000,000 will be funded from borrowing and \$158,842,500 will come from current revenues. The projected water utilities capital improvements would require the City Council to implement annual rate increases, with an outlook toward estimated annual increases of 0 to 5 percent. Estimated rate increases are based upon the costs of the capital improvement program and projected increases in operating expenses, which include the costs associated with the Integrated Pipeline Project (see “THE WATER AND WASTEWATER SYSTEM — Water Supply — Lake Palestine”). No assurances can be given that such rate increases will be implemented or that the projected capital improvements will commence in the manner described above.

Further information regarding the System, including the financial statements for the Water Utility Fund, can be obtained from the filings the City has made with respect to the Previously Issued Parity Bonds pursuant to Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission (the “Rule”), with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system at <http://emma.msrb.org>. The City has not agreed to undertake a more frequent updating of such information than its annual filing obligations under the ordinances authorizing the Previously Issued Parity Bonds adopted after July 3, 1995, except with respect to making specified “events” filings promptly after the occurrence of certain events required pursuant to an undertaking adopted pursuant to the Rule.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

DEBT INFORMATION

TABLE 10 - WATERWORKS AND SEWER SYSTEM REVENUE BOND REQUIREMENTS ⁽¹⁾

FYE	Outstanding Debt ⁽²⁾			Series 2021C Bonds			Total Debt Service			% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
9/30										
2021	\$ 119,175,000	\$ 87,288,695	\$ 206,463,695	\$ -	\$ -	\$ -	\$ 119,175,000	\$ 87,288,695	\$ 206,463,695	
2022	125,635,000	83,413,031	209,048,031	-	2,377,338	2,377,338	125,635,000	85,790,370	211,425,370	
2023	122,250,000	79,542,658	201,792,658	2,260,000	4,495,850	6,755,850	124,510,000	84,038,508	208,548,508	
2024	111,635,000	75,687,899	187,322,899	2,375,000	4,379,975	6,754,975	114,010,000	80,067,874	194,077,874	
2025	103,295,000	71,794,647	175,089,647	2,500,000	4,258,100	6,758,100	105,795,000	76,052,747	181,847,747	22.5%
2026	92,855,000	68,095,464	160,950,464	2,625,000	4,129,975	6,754,975	95,480,000	72,225,439	167,705,439	
2027	96,645,000	64,539,427	161,184,427	2,760,000	3,995,350	6,755,350	99,405,000	68,534,777	167,939,777	
2028	100,225,000	60,941,809	161,166,809	2,905,000	3,853,725	6,758,725	103,130,000	64,795,534	167,925,534	
2029	103,650,000	57,511,292	161,161,292	3,050,000	3,704,850	6,754,850	106,700,000	61,216,142	167,916,142	
2030	99,700,000	53,852,085	153,552,085	3,210,000	3,548,350	6,758,350	102,910,000	57,400,435	160,310,435	41.8%
2031	88,815,000	50,104,014	138,919,014	3,375,000	3,383,725	6,758,725	92,190,000	53,487,739	145,677,739	
2032	92,330,000	46,595,682	138,925,682	3,545,000	3,210,725	6,755,725	95,875,000	49,806,407	145,681,407	
2033	96,560,000	42,898,306	139,458,306	3,725,000	3,028,975	6,753,975	100,285,000	45,927,281	146,212,281	
2034	100,330,000	39,117,894	139,447,894	3,900,000	2,857,850	6,757,850	104,230,000	41,975,744	146,205,744	
2035	104,160,000	35,304,745	139,464,745	4,060,000	2,698,650	6,758,650	108,220,000	38,003,395	146,223,395	60.9%
2036	108,020,000	31,433,991	139,453,991	4,225,000	2,532,950	6,757,950	112,245,000	33,966,941	146,211,941	
2037	96,955,000	27,755,618	124,710,618	4,375,000	2,382,825	6,757,825	101,330,000	30,138,443	131,468,443	
2038	88,240,000	24,475,540	112,715,540	4,505,000	2,249,625	6,754,625	92,745,000	26,725,165	119,470,165	
2039	81,865,000	21,506,380	103,371,380	4,645,000	2,112,375	6,757,375	86,510,000	23,618,755	110,128,755	
2040	84,745,000	18,629,172	103,374,172	4,785,000	1,970,925	6,755,925	89,530,000	20,600,097	110,130,097	79.3%
2041	74,850,000	15,992,354	90,842,354	4,930,000	1,825,200	6,755,200	79,780,000	17,817,554	97,597,554	
2042	68,180,000	13,496,594	81,676,594	5,080,000	1,675,050	6,755,050	73,260,000	15,171,644	88,431,644	
2043	61,295,000	11,042,919	72,337,919	5,235,000	1,520,325	6,755,325	66,530,000	12,563,244	79,093,244	
2044	57,100,000	8,728,942	65,828,942	5,395,000	1,360,875	6,755,875	62,495,000	10,089,817	72,584,817	
2045	59,430,000	6,400,021	65,830,021	5,560,000	1,196,550	6,756,550	64,990,000	7,596,571	72,586,571	92.6%
2046	49,725,000	4,264,556	53,989,556	5,730,000	1,027,200	6,757,200	55,455,000	5,291,756	60,746,756	
2047	39,835,000	2,624,524	42,459,524	5,905,000	852,675	6,757,675	45,740,000	3,477,199	49,217,199	
2048	30,185,000	1,479,137	31,664,137	6,085,000	672,825	6,757,825	36,270,000	2,151,962	38,421,962	
2049	19,065,000	769,850	19,834,850	6,270,000	487,500	6,757,500	25,335,000	1,257,350	26,592,350	
2050	16,955,000	256,457	17,211,457	6,460,000	296,550	6,756,550	23,415,000	553,007	23,968,007	99.7%
2051	2,290,000	1,452	2,291,452	6,655,000	99,825	6,754,825	8,945,000	101,277	9,046,277	100.0%
	\$ 2,495,995,000	\$ 1,105,545,156	\$ 3,601,540,156	\$ 126,130,000	\$ 72,186,713	\$ 198,316,713	\$ 2,622,125,000	\$ 1,177,731,870	\$ 3,799,856,870	

(1) Numbers may not sum due to rounding.

(2) All Debt Service for Fiscal Year 2021 has been paid.

OUTSTANDING REVENUE BONDS . . . All of the City's Waterworks and Sewer System Revenue Bonds ("Revenue Bonds") currently outstanding and payable from Pledged Revenues of the System result from Revenue Bond issues commencing with the City's Waterworks and Sewer System Revenue Refunding Bonds, Series 1981 (the "Series 1981 Bonds"). The City thereafter has issued various series of Revenue Bonds (the Previously Issued Parity Bonds) on a parity with the Series 1981 Bonds, in accordance with the terms of the ordinance that authorized the issuance of the Series 1981 Bonds (the "Underlying Ordinance"). See Appendix B – "Selected Provisions of the Ordinance – Definitions – Previously Issued Parity Bonds" for a general description of the Revenue Bonds currently outstanding that were issued on a parity under the terms of the Underlying Ordinance.

REVENUE BOND COVERAGE . . . Authorizing City ordinances under which all Revenue Bonds are issued require, as a condition for the issuance of Additional Bonds, a level of Net Revenues for the preceding fiscal year ended September 30, or for a consecutive 12-month period ending within 90 days before the date of the Additional Bonds to be issued, equal to at least 1.25 times average annual principal and interest requirements of outstanding Revenue Bonds and proposed Additional Bonds ("revenue bond coverage").

The "Summary of Net Revenues for Revenue Bond Coverage – Cash Basis" (Table 15 herein) presents Net Revenues for coverage using cash receipts and operating cash disbursements. In determining revenue bond coverage, Net Revenues do not include non-operating disbursements, e.g., additions to the utility plant.

In addition to the revenue bond coverage requirement described above, which is a condition necessary for the issuance of Additional Bonds, the authorizing ordinances stipulate that revenue bond coverage must be maintained each year. The latter requirement is effective whether or not Additional Bonds are issued. The level of Net Revenues necessary in each year is 1.25 times the principal and interest requirements of outstanding Revenue Bonds, during the year in which such requirements are scheduled to be the greatest.

TABLE 11 – HISTORICAL COVERAGE RATIOS ⁽¹⁾

The table below presents revenue bond coverage ratios for ten previous years. The figures shown are revenue bond coverage of average annual principal and interest requirements and of maximum annual principal and interest requirements, for all Revenue Bonds outstanding at September 30 of each year. Net Revenues used to compute the coverage levels for each year presented below are for the fiscal year ended September 30.

<u>Year</u>	<u>Average</u>	<u>Maximum</u>	<u>Year</u>	<u>Average</u>	<u>Maximum</u>
2020	2.90x ⁽¹⁾	1.68x ⁽¹⁾	2015	2.67x	1.54x
2019	2.96x	1.74x	2014	2.99x	1.81x
2018	3.18x	1.96x	2013	3.10x	1.85x
2017	3.10x	1.85x	2012	2.99x	1.73x
2016	2.80x	1.74x	2011	2.86x	1.58x

⁽¹⁾ Preliminary unaudited financial information provided by City staff with information available at time of presentation.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE 12 – OPERATIONS AND MAINTENANCE FOR WATER SUPPLY AND WASTEWATER TREATMENT (AMOUNTS IN THOUSANDS)

The City has obtained most of its water supply through contractual agreements with surface reservoir operating entities. Also, a small portion of the City's wastewater is treated by the TRA and the City of Garland. In addition, as discussed in this Official Statement in “THE WATER AND WASTEWATER SYSTEM – Water Supply – Lake Palestine,” the City’s financial obligation to TRWD for the Integrated Pipeline Project is treated as an operating expense. The following table summarizes the monetary effect, as of September 30, 2020, of major agreements for raw water supply and wastewater treatment, and the Integrated Pipeline Project:

		Operation and Maintenance Expenses 2020 (Amounts in Thousands)
<u>Raw Water Supply</u>	<u>Contract With</u>	
Lake Ray Roberts	United States	\$ 383
Lake Fork	Sabine River Authority	12,308
Lake Palestine	Upper Neches River Municipal Water Authority	401
Lake Tawakoni	Sabine River Authority	5,986
Lakes Lewisville and Grapevine	United States	991
<u>Wastewater Treatment</u>		
Wastewater Treatment	Trinity River Authority	7,489
Wastewater Treatment	City of Garland	1,087
<u>Integrated Pipeline Project</u>		
Water Transmission	Tarrant Regional Water District	26,582
		<u>\$ 55,227</u>

OTHER CONTRACTS . . . For each agreement listed in Table 12 above, operation and maintenance expenses continue after final payment of capital obligations. Each agreement provides in effect that the City may enjoy its benefits for the useful lives of relevant facilities. Previously existing capital obligations for water supply in Lakes Ray Roberts, Fork, Palestine, Tawakoni, Lewisville, and Grapevine have been fully paid.

All payments of operation and maintenance expenses under the contracts listed in Table 12 above are considered as such in computation of revenue bond coverage. Applicable statutory laws and contracts determine the coverage effect of the expenditure requirements of certain contracts. As a result, principal and interest payments to TRA, to the Authority under the Lake Fork contract, and to TRWD relating to the Integrated Pipeline Project, are treated as “operating expenses”. The City is authorized under state law to execute additional water supply and wastewater treatment contracts with public entities which may provide for payments thereunder as operation and maintenance expenses of the System for revenue bond coverage purposes.

INTEREST AND SINKING AND RESERVE FUNDS . . . In accordance with the City Charter, all receipts and revenues of the City's Water Utilities Department are devoted only to purposes relating to the System and its indebtedness and to payment of amounts equal to ad valorem taxes and other charges that would be due the City if the Water Utilities Department were not a city-owned public utility. The City’s Revenue Bond Ordinances for the System state, in effect, that all System revenues are pledged, in order of priority, to (1) necessary expenses of operation and maintenance, (2) current payments of Revenue Bond principal and interest, (3) accumulation of a debt service Reserve Fund, and (4) any other lawful purpose not inconsistent with the City Charter. Under the terms of the ordinances authorizing the Previously Issued Parity Bonds, depreciation and any PILOT payments and any other similar payments are not considered expenses of operation and maintenance of the System.

For each series of outstanding Revenue Bonds, equal amounts are set aside monthly for the next payment of interest and of principal. In addition to funds required and restricted for current debt service, the authorizing City ordinance for each series of Revenue Bonds requires a monthly deposit of an amount equal to 1/60 of the difference between the balance in the Reserve Fund immediately after an issue of Revenue Bonds, and the average annual principal and interest requirements of all outstanding Revenue Bonds. Amounts so deposited are required to be held and restricted as a Reserve Fund for Revenue Bond debt service. Such deposits must continue until the reserve amount equals the average annual principal and interest requirements of all outstanding Revenue Bonds. In addition, if so determined by the City, proceeds from the sale of Revenue Bonds also may be used to satisfy funding requirements for the Reserve Fund. The Reserve Fund is also available for current debt service if the Interest and Sinking Fund is insufficient for this purpose. As of September 30, 2020, deposits to the Reserve Fund equaled \$111,435,818. See “TABLE 14 – Projected Coverage and Fund Balances”.

COMMERCIAL PAPER NOTES PAYABLE ... Since 1987, the City has utilized commercial paper as a means to finance, on an interim basis, capital improvements to the System. Currently, the City utilizes two series of commercial paper notes for improvements to the System, the City of Dallas, Texas, Waterworks and Sewer System Commercial Paper Notes, Series F (the “Series F Commercial Paper Notes”) and the City of Dallas, Texas, Waterworks and Sewer System Commercial Paper Notes, Series G (the “Series G Commercial Paper Notes”, and, together with the Series F Commercial Paper Notes, the “Commercial Paper Notes”).

The City utilizes a tax-exempt commercial paper program, Series F (the “Series F Commercial Paper Program”), through which the Series F Commercial Paper Notes are issued, for improvements to the System, limited at any one time and from time to time to \$300,000,000 in principal amount of Series F Commercial Paper Notes outstanding. Under the terms of the ordinance establishing the Series F Commercial Paper Program, the authority to issue Series F Commercial Paper Notes expires September 30, 2041. In addition, the City utilizes a tax-exempt commercial paper program, Series G (the “Series G Commercial Paper Program”), through which the Series G Commercial Paper Notes are issued, for improvements to the System, limited at any one time and from time to time to \$300,000,000 in the principal amount of Series G Commercial Paper Notes outstanding. Under the terms of the ordinance establishing the Series G Commercial Paper Program, the authority to issue Series G Commercial Paper Notes expires September 30, 2041.

The City has three different liquidity agreements with three banks. The Series F Commercial Paper Notes consist of two sub-series, Sub-series F-1 and Sub-Series F-2, and are supported by two revolving credit agreements, the Sub-Series F-1 Credit Agreement with JPMorgan Chase Bank, National Association (the “Sub-Series F-1 Credit Agreement”), and the Sub-Series F-2 Credit Agreement with Bank of America, N.A. (the “Sub-Series F-2 Credit Agreement”). The Sub-Series F-1 Credit Agreement supporting Sub-Series F-1 of the Series F Commercial Paper Notes, which expires on July 8, 2024, unless the term thereof is extended beyond its scheduled expiration date or earlier terminated, is in an aggregate amount not exceeding \$241,643,836 (of which amount \$16,643,836 is intended to cover interest for 270 days at 10%). The Sub-Series F-2 Credit Agreement supporting Sub-Series F-2 of the Series F Commercial Paper Notes, which expires on July 8, 2024, unless the term thereof is extended beyond its scheduled expiration date or earlier terminated, is in an aggregate amount not exceeding \$80,547,946 (of which amount \$5,547,946 is intended to cover interest for 270 days at 10%). The Series G Commercial Paper Program is supported by a liquidity facility delivered by State Street Bank and Trust Company (“State Street”). The revolving credit agreement supporting the Series G Commercial Paper Notes (the “Series G Credit Agreement”), which expires on July 8, 2024, unless the term thereof is extended beyond its scheduled expiration date or earlier terminated, is in an aggregate amount not exceeding \$322,191,781 (of which amount \$22,191,781 is intended to cover interest for 270 days at 10%).

The obligation of the City under the Sub-Series F-1 Credit Agreement, the Sub-Series F-2 Credit Agreement and the Series G Credit Agreement (collectively, the “Liquidity Agreements”) to repay advances made by a provider is subordinate to the obligation to pay debt service on the outstanding Prior Lien Bonds, the Series 2021C Bonds and any Additional Bonds. Any advances under the Liquidity Agreements are secured by a lien on Pledged Revenues subordinate to the lien securing the outstanding Prior Lien Bonds, the Series 2021C Bonds, and any Additional Bonds.

On August 23, 2021, Commercial Paper Notes in the aggregate principal amount of \$144,900,000 were outstanding, maturing on September 23, 2021 at an interest rate of 0.07%. Of the outstanding aggregate amount, \$78,400,000 was issued in Series F Commercial Paper Notes and \$66,500,000 was issued in Series G Commercial Paper Notes. All of the Commercial Paper Notes outstanding on September 23, 2021 will be refunded with proceeds of the Series 2021C Bonds.

FUTURE BOND ISSUANCE

The City currently plans to issue Revenue Bonds to the Texas Water Development Board in Fiscal Year 2021-2022 in the estimated aggregate principal amount of \$66 million to fund its small diameter pipeline replacement program.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

FINANCIAL INFORMATION

TABLE 13 – SUMMARY OF OPERATIONS (AMOUNTS IN THOUSANDS)

	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
Operating Revenues					
Water	\$ 392,387	\$ 371,729	\$ 414,485	\$ 383,869	\$ 367,892
Wastewater	243,553	245,781	254,139	248,600	239,437
	<u>\$ 635,940</u>	<u>\$ 617,510</u>	<u>\$ 668,624</u>	<u>\$ 632,469</u>	<u>\$ 607,329</u>
Operating Expenses					
Operation and Maintenance	\$ 349,568	\$ 366,410	\$ 323,341	\$ 325,231	\$ 405,973
Depreciation and Amortization	133,860	128,545	123,315	116,375	113,022
	<u>\$ 483,428</u>	<u>\$ 494,955</u>	<u>\$ 446,656</u>	<u>\$ 441,606</u>	<u>\$ 518,995</u>
Operating Income	\$ 152,512	\$ 122,555	\$ 221,968	\$ 190,863	\$ 88,334
Net Interest Expense ⁽¹⁾	(96,110)	(90,957)	(98,290)	(60,183)	(62,897)
Capital Contribution Received	18,910	19,584	32,805	11,815	15,869
Net Transfers	(28,862)	(29,104)	(27,337)	(23,465)	(22,024)
Gain/(Loss) From Property Disposal	(180)	(1,092)	(318)	(19,223)	(61)
Other Income	-	-	-	23,204	-
Change in Net Position	<u>\$ 46,270</u>	<u>\$ 20,986</u>	<u>\$ 128,828</u>	<u>\$ 123,011</u>	<u>\$ 19,221</u>
Water Customer Accounts	303,000	300,000	296,000	296,000	295,000
Wastewater Customer Accounts	287,000	285,000	280,000	280,000	279,000
Water Connections	336,000	335,000	334,000	333,000	331,000

⁽¹⁾ Interest earnings and capitalized interest are included above as a reduction of Net Interest Expense.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE 14 – PROJECTED COVERAGE AND FUND BALANCES ⁽¹⁾

Average Annual Principal and Interest Requirements, Fiscal Years 2021-2051	\$ 122,576,028.05
Coverage of Average Requirements by Fiscal Year Ended 9/30/20 Net Revenues	\$ 2.86 x
Maximum Principal and Interest Requirements, Fiscal Year 2022	\$ 211,425,369.72
Coverage of Maximum Requirements by Fiscal Year Ended 9/30/20 Net Revenues	1.66 x
Waterworks and Sewer System Revenue Bonds to be Outstanding (as of 09/23/2021)	\$ 2,622,125,000.00
Interest and Sinking Fund (as of 09/30/20)	\$ 98,184,955.78
Reserve Fund (as of 09/30/20)	\$ 117,171,020.71

⁽¹⁾ Includes the Series 2021C Bonds.

TABLE 15 – SUMMARY OF NET REVENUES FOR REVENUE BOND COVERAGE - CASH BASIS (AMOUNTS IN THOUSANDS) ⁽¹⁾

	Fiscal Year Ended September 30,				
Gross Revenues	2020	2019	2018	2017	2016
Customer Charges	\$ 645,228	\$ 606,836	\$ 667,954	\$ 627,100	\$ 615,424
Interest Received	12,030	19,345	7,984	3,442	4,465
	<u>\$ 657,258</u>	<u>\$ 626,181</u>	<u>\$ 675,938</u>	<u>\$ 630,542</u>	<u>\$ 619,889</u>
Operating Expenditures					
Personnel Services	\$ 95,604	\$ 80,829	\$ 92,389	\$ 91,019	\$ 96,760
Supplies and Materials	68,961	95,031	82,564	75,103	105,434
Contractual and Other Services ⁽²⁾	142,087	102,789	114,517	117,547	105,879
	<u>\$ 306,652</u>	<u>\$ 278,649</u>	<u>\$ 289,470</u>	<u>\$ 283,669</u>	<u>\$ 308,073</u>
Net Revenues Available for Debt Service	<u>\$ 350,606</u>	<u>\$ 347,532</u>	<u>\$ 386,468</u>	<u>\$ 346,873</u>	<u>\$ 311,816</u>

⁽¹⁾ The figures shown in this table are presented on a cash basis and were developed in accordance with the provisions contained in the City's Waterworks and Sewer System Revenue Bond Ordinances. Gross Revenues include cash receipts derived from operation and ownership of the System. Operating Expenditures are operating cash disbursements and payments required by certain reservoir and other contracts, included for this purpose under provisions of State law. Operating Expenditures exclude payments for capital purposes and for related debt, and will exclude any future PILOT payments to the City, if made, as permitted by a May 1993 amendment to the City Charter (see "THE WATER AND WASTEWATER SYSTEM - Background" and "THE WATER AND WASTEWATER SYSTEM - Water and Wastewater Services Rates").

⁽²⁾ Cash payments for contractual services includes payments for the TRWD Financing Agreement in the amount of \$26,308 (amount in thousands). Under Texas Government Code, Section 1502.056(c), "a contract between a municipality and an issuer, as defined by Section 1201.002, Texas Government Code, under which the municipality obtains from the issuer or the issuer provides part or all of the facilities or services of a utility system to the municipality may provide that payments made by the municipality from the revenue of the utility system are an operating expense of the municipality's utility system."

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

UTILITY PROPERTY AND SYSTEM EQUITY . . . The City's water system consists generally of water supply resources, including water reservoirs and water rights, major water transmission and conveyance facilities, water treatment plants and treated water distribution facilities, and related miscellaneous assets designed to serve the City and other wholesale and retail customers located in the North Texas area. The City's wastewater system consists generally of residential, commercial and industrial wastewater collection systems and wastewater treatment and disposal facilities for the City and other wholesale and retail customers located in the North Texas area.

At September 30, 2020, property, plant and equipment of Dallas Water Utilities, stated at cost, less accumulated depreciation and amortization, together with the cost of construction in progress, was \$5,365,559,000. At said date, the total net position of the System was \$2,712,419,000 and consisted of amounts invested in capital assets, net of related debt, amounts restricted for bond requirements and unrestricted amounts. The ratio between debt and equity (net position) is subject to change based upon numerous factors, including, but not limited to, changes in capital improvement program implementation and whether debt or internal funds are used to pay for capital improvements.

TABLE 16 – NET POSITION AND LONG TERM DEBT (AMOUNTS IN THOUSANDS)

Net Position - System Equity ⁽¹⁾	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
Capital assets, net of related debt	\$ 2,673,126	\$ 2,592,605	\$ 2,463,526	\$ 2,346,196	\$ 2,231,619
Restricted	264,515	250,683	249,840	247,723	204,713
Unrestricted	(178,952)	(130,869)	(21,933)	(2,098)	32,929
Total Equity	\$ 2,758,689	\$ 2,712,419	\$ 2,691,433	\$ 2,591,821	\$ 2,469,261
Long-Term Debt Less Current Maturities					
Revenue Bonds Payable ⁽²⁾	\$ 2,517,619	\$ 2,314,573	\$ 2,372,298	\$ 2,262,097	\$ 2,178,079
Pension Obligation Bonds ⁽²⁾	56,791	63,038	65,336	67,635	69,985
	\$ 2,574,410	\$ 2,377,611	\$ 2,437,634	\$ 2,329,732	\$ 2,248,064
Total	\$ 5,333,099	\$ 5,090,030	\$ 5,129,067	\$ 4,921,553	\$ 4,717,325
Percentage Equity	51.7%	53.3%	52.5%	52.7%	52.3%

⁽¹⁾ In accordance with GASB Statement 63. System Equity is now termed Net Position.

⁽²⁾ Due to the implementation of GASB 63 and 65, deferred loss is no longer reported as a component of long term debt.

FINANCIAL POLICIES . . . The original Financial Management Performance Criteria ("FMPC") were adopted by the City Council in March 1978 as standards to guide managerial decisions in operating and capital budgeting, as well as to promote efficient administration of the City's financial policies. In 1981, the City Council adopted a financial criterion for Dallas Water Utilities Cost of Service studies, which requires an annual review of Customer Service rates and the recommendation of rate adjustment when appropriate. Operating Revenues shown in Table 16 above reflect adjustments effective October 1 at the beginning of each fiscal year. The FMPC guide many of the City's financial decisions and enable the City to achieve a long-term positive financial condition. The FMPC are evaluated for compliance each year during the budget preparation/approval process, at fiscal year-end and prior to each debt issuance.

Financial criteria applying specifically to Dallas Water Utilities were updated by the City Council on September 28, 2011 and October 8, 2014, to ensure prudent financial administration consistent with current circumstances and appropriate financial procedures. The City Council last amended the FMPC in December, 2017.

Provisions of Dallas Water Utilities Financial Criteria include (1) adequacy of current revenues, (2) use of debt only for capital improvements with long expected useful lives, (3) maintenance of system equity and revenue bond coverage, (4) application of revenues for construction purposes, (5) annual cost of service reviews and recommendation of rate adjustments, and (6) use of water and wastewater funds solely for water and wastewater purposes.

The criteria are grouped into the following areas:

OPERATING PROGRAMS . . . These criteria pertain to revenues and expenditures, ad valorem tax levy, retirement systems and adequacy of reserves. As an example, certain criteria in this section require the City to maintain the Contingency and Emergency Reserves plus the unassigned fund balance at a specified minimum level in relation to operating expenditures and to review the adequacy of other General Fund Reserve accounts at specified intervals.

CAPITAL AND DEBT MANAGEMENT . . . These criteria pertain to the City's general obligation bonds, debt levels and the use of certificates of obligation and tax increment financing zone/public improvement district financing. The City policy is to not use bond proceeds, grants or other non-recurring revenues for current expenses.

ACCOUNTING, AUDITING AND FINANCIAL PLANNING . . . These criteria pertain to audit and accounting standards and requirements for financial planning.

CASH MANAGEMENT . . . These criteria pertain to the disbursement, collection and deposit of all funds, investment of idle cash and banking services.

GRANTS AND TRUSTS . . . These criteria pertain to grant and trust administration.

WATER UTILITIES . . . These criteria pertain to Dallas Water Utilities System rates, revenues, reserves, and debt financing.

ACCOUNTING POLICIES . . . The City's policy is to adhere to the accounting principles generally accepted in the United States of America ("GAAP"). The City has established internal controls to help ensure the assets of the government are protected from loss, theft or misuse, and to ensure adequate accounting data are compiled to allow for preparation of financial statements in conformity with GAAP. The City Council is required by the City Charter to appoint a City Auditor who is independent of City management and reports directly to the City Council. The City Auditor supports the internal control structure within the City by performing independent evaluations of existing accounting and administrative controls and by ascertaining compliance with existing plans, policies and procedures. Additionally, the City undergoes an annual audit conducted by independent external auditors.

DEBT SERVICE FUND BALANCES . . . The City maintains the Interest and Sinking Fund and the Reserve Fund supporting the Outstanding Previously Issued Parity Bonds in accordance with ordinance authorizing the issuances of the Outstanding Previously Issued Parity Bonds. The City will maintain the Interest and Sinking Fund and the Reserve Fund supporting the Outstanding Previously Issued Parity Bonds (and the Series 2021C Bonds) in accordance with the ordinances authorizing the issuance of the Outstanding Previously Issued Parity Bonds and the Ordinance.

USE OF DEBT PROCEEDS AND GRANTS . . . The City policy is to use debt proceeds and grants for capital expenditures only, not for operations.

BUDGETARY PROCEDURES . . . The City policy is to begin the budgetary procedure at the department level in January of each year. The budget proceeds through department levels until it reaches the City Manager level where it is refined and presented to Council in mid-August. The Council considers, amends and refines the budget until its final adoption in mid-September. The City adopted its 2020-2021 fiscal year budget by ordinance on September 23, 2020. The ordinance provides for budgetary control at the department level. Budgetary compliance is maintained in the automated accounting system and enforced at the department level by reserving appropriations by encumbering purchase orders and contracts. A 1.0% residential retail rate increase was included in the fiscal year 2021 budget. A 1.5% retail rate increase is proposed for next fiscal year's budget. Any proposal for a rate increase is subject to the approval of the City Council.

PENSION PLANS . . . Eligible City Department employees participate in the Employees' Retirement Fund of the City ("ERF"), a description of which is set forth below. City police and firefighters participate in separate retirement plans, the Dallas Police and Fire Pension System pension plans.

In accordance with the Texas Constitution and related statutes, each of the City's pension plans is administered by a board of trustees that are selected in accordance with the terms of the relevant plan document. These separate boards are responsible for administering each plan; hiring a plan administrator; selecting legal counsel; selecting the plan's actuary; and approving sound actuarial assumptions for each plan. The contributions made to each plan by the City and the employees who participate in each plan are determined by the terms of the plan document and relevant City ordinances. The amount of the contributions described in the plan documents are either fixed by statute; determined by a fixed formula described in the plan that is based on annual calculations made by the plan's actuary; or based on an actuarial calculation with specified assumptions and approved by the relevant board. Additionally, each board administers a qualified governmental excess benefit arrangement associated with each plan which is maintained solely for the purpose of providing its members with that part of the members' benefits that would have been provided under its qualified plan but for certain limitations imposed by the Internal Revenue Code. The City is making all of the contributions as statutorily required by the plan documents. The financial information below is based entirely on information provided to the City by each plan administrator on behalf of each plan's board of trustees.

At the date of this Official Statement, the City has received the audited Comprehensive Annual Financial Report from the Employees' Retirement Fund of the City of Dallas for the period ended December 31, 2019. For additional detail about the City's schedule of employer contributions, actuarial methods and assumptions, funded status and funded progress based on the plans' December 31, 2019 actuarial studies, see the City's Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2020, particularly Note 17.

Employees' Retirement Fund of the City... All eligible employees of the City, excluding fire fighters and police officers, participate in the ERF. As of the fiscal year ended September 30, 2020, employees of the Dallas Water Utilities comprised approximately 18% of the total City-covered payroll for the ERF. The pension plan consists of Tier A and Tier B members.

On November 8, 2016, the City voters passed Proposition 1 authorizing certain amendments to Chapter 40A of the City Code affecting the terms of the ERF for employees hired on and after January 1, 2017. The amendments include, but are not limited to, increasing the retirement age from 60 to 65 with five years of credited service, decreasing the percentage multiplier used to calculate benefits from 2.75% to 2.50%, eliminating health benefit supplements and lowering the cap on cost of living adjustment from 5% to 3%. At the time of the change ERF projected that the amendments will reduce pension liabilities of the ERF over the next 30 years by approximately \$2.15 billion over what the liabilities may have been if the changes to be effected through the passage of Proposition 1 had not been approved.

Members hired prior to January 1, 2017 (Tier A) have vested rights to retirement benefits after five years of service or to survivor benefits after two years of service. Benefits are based on credited service and the average monthly earnings for the three highest paid calendar years. Members of the Tier A are entitled to normal retirement pension at age 60; early retirement pension at age 55 if employed prior to May 9, 1972 or age 50 and age plus years of service total 78; service retirement pension at any age after 30 years of credited service and disability retirement pension as determined by the board of trustees. Cost of living adjustments for retirees are made each year on January 1 by adjusting the pension base by the percentage change of the consumer price index, not to exceed 5 percent.

Members hired after December 31, 2016 (Tier B) have vested rights to retirement benefits after five years of service or to survivor benefits after two years of service. Benefits are based on credited service and the average monthly earnings for the five highest paid calendar years. Members of Tier B are entitled to normal retirement pension at age 65; early retirement pension with a reduced benefit prior to age 65 and age plus years of service total 80

and; service retirement pension at any age after 40 years of credited service and disability retirement pension as determined by the board of trustees. Cost of living adjustments for retirees are made each year on January 1 by adjusting the pension base by the percentage change of the consumer price index, not to exceed 3 percent.

Amendments to Chapter 40A of the Dallas City Code, other than provisions required to comply with Federal law, may only be made by a proposal initiated by either the board of trustees of the ERF or the City Council which results in an ordinance approved by the board, adopted by the City Council, and approved by a majority of the voters voting at a general or special election.

Contribution rates for employees and the City are subject to annual adjustments based on actuarial determinations and fixed formulas. Employees pay 37% and the City pays 63% of the total cost of the ERF, including the debt service on the City's outstanding pension obligation bonds, but not exceeding 36% of payroll. This funding approach was added to the ERF plan terms in preparation for the issuance of pension obligation bonds in 2005 to support the City's long-term funding of the plan during future business cycles. On January 19, 2005, the City issued \$399,347,609 par value Taxable General Obligation Pension Bonds, Series 2005. Proceeds totaling \$533,397,000 were contributed to the ERF to partially fund an unfunded actuarial accrued liability of approximately \$646 million, which had been identified in the annual actuarial report of 2003. ERF invested the contributed proceeds consistent with its investment policy.

For the fiscal year ended September 30, 2020, each employee contributed 13.32% and the City contributed 22.68% of pay for a total of 36.00%. For the fiscal year beginning October 1, 2020, the member total contribution rate is 13.32% and the City's portion is 22.68%, in accordance with the plan document that is codified as Chapter 40A of the Dallas City Code ("Chapter 40A"). A portion of the City's contribution is expected to pay \$37,987,077 in debt service on the pension obligation bonds during the fiscal year beginning on October 1, 2020.

As of December 31, 2018, the ERF reported the Net Pension Liability (NPL) was \$2,265,651,000 and the funded ratio based on the NPL was 59.16%. As of December 31, 2019, the ERF reported the Net Pension Liability (NPL) was \$2,000,636,000 and the funded ratio based on the NPL was 64.65%.

For additional detail about the City's schedule of employer contributions, actuarial methods and assumptions, funded status and funded progress, see the City's Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2019, particularly Note 17.

Dallas Police and Fire Pension System... The Dallas Police and Fire Pension System (the "Pension System") is a qualified pension plan with multiple benefit structures reflecting various amendments that were made to the Pension System over the years and which is generally divided between Group A and Group B members. All eligible employees of the Fire Rescue Department and Police Department participate in one of the benefit structures within the plan, with Group B covering more than 98% of the members. Participation in Group B is mandatory for those employed on or after March 1, 1973. All contributing members of the Pension System were hired after that date and are now covered in Group B. More information as to who qualifies for which group can be found in Article 6243a-1 of the Revised Civil Statutes of Texas.

Governance... The legal authority for the Pension System is Article 6243a-1 of the Revised Civil Statutes of Texas. The Pension System is administered by an eleven member board of trustees composed of six trustees appointed by the Mayor, in consultation with the City Council, three non-system participant trustees vetted and nominated by a nomination committee elected by active members and pensioners, one current or retired firefighter elected by active members of the fire rescue department, and one current or retired police officer elected by active police officers.

Recent Legislative Changes to the Pension System... On May 31, 2017, Texas Governor Greg Abbott signed into law House Bill 3158, affecting the Pension System. House Bill 3158 primarily amends 6243a-1, Texas Revised Statutes, including amendments to provisions concerning benefits, contributions, and governance, among other things. The changes in the bill took effect September 1, 2017. House Bill 3158 also prohibited lump-sum distributions from individual Deferred Retirement Option Plan ("DROP") accounts, which was the board's prior policy. Specifically, House Bill 3158 adjusted the benefit multiplier to 2.5% with a normal retirement age of 58, and a maximum income replacement of 90% for all members on a prospective basis. Prior to September 6, 2017, the City made statutorily required contributions of 27.5 percent of total wages and salaries as defined in the Pension System's plan document and Article 6243a-1. After September 5, 2017, the City contributes 34.5 percent of computation pay or a hard-wired amount set forth in the bill based on certain hiring assumptions, with a floor for seven years, plus \$13 million per year until the end of 2024. A member's contribution rate will increase from 4 percent (if participating in DROP) or from 8.5 percent to (if not participating in DROP) 13.5 percent, also calculated on computation pay. For 2017, the City contribution was \$120.4 million. In 2024, an independent actuary will also assess the Pension System and recommend any changes needed to maintain the actuarial soundness of the Pension System.

Description of Benefits... Members are entitled to service retirement, death, and disability benefits as well as participation in DROP. Member benefits differ depending on group membership and hire date. Benefit descriptions can be found in Part 6, "Benefits," of 6243a-1, which also serves as the Pension System's plan document and is posted on the Pension System's website here: <https://www.dfp.org/Resources/5c5a268e-52a4-46d3-a208-a6fb705c5da2/Art.%206243a-1.%20PENSION%20SYSTEM%20FOR%20POLICE%20OFFICERS%20AND%20FIREFIGHTERS%20IN%20CERTAIN%20CITIES.pdf?TrackID=Art.%206243a-1.%20PENSION%20SYSTEM%20FOR%20POLICE%20OFFICERS%20AND%20FIREFIGHTERS%20IN%20CERTAIN%20CITIES.pdf>.

Members who are eligible to retire are allowed to enter DROP. The member's monthly benefit remains in a DROP account which does not accumulate interest. Upon retirement from the City, the member receives annuitized benefits from his or her DROP account; however, under certain hardship circumstances, members may be eligible to withdraw a lump sum amount. The total DROP account balance was \$1.04 billion at December 31, 2019.

Other Post-Employment Benefits... In addition to pension benefits, the City provides certain other post-employment benefits for retired employees ("OPEB"). On October 1, 2017, the City implemented Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension." This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit OPEB, this Statement identifies the methods and

assumptions that are required to be used to project benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. The City ended subsidization of these benefits for employees hired on or after January 1, 2010.

The City received the actuarial valuation report from an outside consultant regarding the OPEB liability for the fiscal years ended September 30, 2019 and 2020. The balance of the City's OPEB liability for the fiscal years ended September 30, 2019 and 2020 was estimated to be \$565 million and \$531 million, respectively.

For more information concerning the City's OPEB for fiscal year ended September 30, 2020, see the City's Comprehensive Annual Financial Report for the year ended September 30, 2020 and Note 20 thereto.

INVESTMENT POLICY . . . The City invests its investable funds in investments authorized by state law and in accordance with its written investment policy approved by the City Council of the City. Both State law and the City's Investment Policy are subject to change. The City Council last approved the Investment Policy on October 13, 2020.

Legal Investments . . . Under State law, the City is authorized to invest in obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (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 City selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City 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 City appoints as its custodian of the banking deposits issued for its 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 SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) 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 (B) a depository institution that has its main office or 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, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC 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 secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the City or cash held by the City to be 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) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 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 United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with Federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (15) for bond proceeds, 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City. State law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act.

A political subdivision such as the City may enter into 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 (12) through (14) above, 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 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.

The PFIA specifically prohibits the City 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 collateral 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. In addition, the City is prohibited from investing any portion of bond proceeds, reserves and funds held for debt service in no-load mutual funds.

Additional Provisions . . . Under state law, the City Council is required to designate one or more investment officers who is responsible for the investment of the City's funds, under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. 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 state law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report: (1) that describes in detail the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) that contains a summary statement, which includes the beginning market value, the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) that states the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) that states the maturity date of each separately invested asset, (6) that states the account or fund or pooled fund group for which each individual investment was acquired, and (7) that states the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. The investment officers responsible for the investment of City Funds must be designated by the City Council, and no person may invest City funds without express written authority from City Council.

Under state law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) 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; (4) require a qualified representative of firms seeking to sell securities to the City to (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented in an effort to preclude unauthorized investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in non-money market mutual funds to no more than 15 percent of its 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 disclosure, rating, net asset value, yield calculation, and advisory board requirements of the PFIA; 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. As used herein, "business organization" means a public funds investment pool or an investment management firm under contract with the City's investment portfolio that has accepted authority granted by the City under control to exercise investment discretion in regard to the City's funds.

Under state law, the City may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

City Investment Policy . . . City policy requires investments in accordance with applicable state law, specifically the PFIA. The City's Investment Policy does not permit the investment of City funds in all eligible investments permitted by Texas law. Of those eligible investments described above under "Legal Investments", bankers' acceptances, commercial paper, certain collateralized mortgage obligations, reverse repurchase agreements, no-load mutual funds, State of Israel bonds and guaranteed investment contracts are not authorized for investment purposes under the City's Investment Policy. The City generally invests in obligations of the United States or its agencies and instrumentalities and in "Aaa"-rated no-load money market mutual funds and public funds investment pools. In addition to such limitations, the City's Investment Policy permits the investment of bond funds (including debt service and reserve funds) in the manner permitted by the respective ordinances authorizing the issuance of bonds.

Neither the PFIA nor the City's Investment Policy govern the investment of pension and other deferred compensation funds, and those funds are not included in the investment totals below.

Current Investments . . . As of December 31, 2020, the following percentages by investment type applied to the City's investable funds, which had an unaudited aggregate market value of \$2,384,063,977.

TABLE 17 - CURRENT INVESTMENTS

Type of Investment	Market Value	% of Total
U.S. Agencies Bonds	\$ 891,053,868	37.38%
U.S. Treasury Bonds	241,647,640	10.14%
Public Funds Interest Checking Account	100,168,727	4.20%
Money Market Mutual Funds and Pools	1,151,193,742	48.29%
Total / Average	<u>\$ 2,384,063,977</u>	<u>100.00%</u>

TAX MATTERS

OPINION . . . On the date of initial delivery of the Series 2021C Bonds, Co-Bond Counsel to the City will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Series 2021C Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Series 2021C Bonds 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, Co-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 Series 2021C Bonds. See Appendix D - "Form of Co-Bond Counsel's Opinion".

In rendering their opinion, Co-Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Series 2021C Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Series 2021C Bonds to become includable in gross income retroactively to the date of issuance of the Series 2021C Bonds.

Co-Bond Counsel's opinion represents their legal judgment based upon their review of Existing Law and the reliance on the aforementioned information, representations and covenants. Co-Bond Counsel's opinion is not a guarantee of a result. 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 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 Series 2021C Bonds.

A ruling was not sought from the Internal Revenue Service (the "IRS") by the City with respect to the Series 2021C Bonds or the facilities financed or refinanced with the proceeds of the Series 2021C Bonds. Co-Bond Counsel's opinion represents their 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 the IRS will commence an audit of the Series 2021C Bonds, or as to whether the IRS would agree with the opinion of Co-Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the City as the taxpayer and the Bondholders 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 Series 2021C Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2021C Bonds 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 Series 2021C Bonds 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 Series 2021C Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (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 Series 2021C Bonds. This discussion is based on Existing Law, which is 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, owners of interests in a FASIT, 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 RECENTLY ENACTED LEGISLATION OR FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2021C BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Series 2021C Bonds, 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 Series 2021C Bonds, 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 Series 2021C 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.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2021C Bonds will be sent to each registered holder and the IRS. 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 holders who are not United States citizens or entities created or organized under the laws of the United States of America, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Series 2021C Bonds 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.

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 on the Series 2021C Bonds under federal or state law, and could affect the market price or marketability of the Series 2021C Bonds. Any of the foregoing could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any of the foregoing becoming effective cannot be predicted. Prospective purchasers of the Series 2021C Bonds should consult with their own tax advisors regarding the foregoing matters.

OTHER INFORMATION

RATINGS

S&P Global Ratings, a division of S&P Global Inc. ("S&P"), and Fitch Inc. ("Fitch", and together with S&P, the "Rating Agencies") have assigned ratings of "AAA" and "AA+", respectively, to the Series 2021C Bonds. An explanation of the significance of such ratings may be obtained from the Rating Agencies. The ratings reflect only the respective views of each Rating Agency 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 the Rating Agencies, if in the judgment of either or both Rating Agencies, 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 and marketability of the Series 2021C Bonds.

LITIGATION

The City is a party to various lawsuits in the normal course of business. It is the opinion of the City Attorney and City Management that, except as described herein below, there is no pending litigation against the City that if decided adversely to the City, would have a material adverse financial impact upon the City or its operations.

CITY LAWSUITS

On February 13, 2014, Trinity East Energy, LLC (“Trinity East”) filed a lawsuit against the City for alleged damages suffered by Trinity East as a result of the City’s denial of Trinity East’s application for specific use permits to drill for gas on certain City park land. The case was assigned to the 192nd District Court in Dallas County. A jury trial on Trinity East’s claims commenced on January 27, 2020.

On February 6, 2020, the jury rendered a verdict in favor of Trinity East on its statutory fraud and negligent misrepresentation causes of action and determined the damages resulting from those claims were \$23,414,148.80. The jury also returned a verdict in connection with Trinity East’s regulatory taking (inverse condemnation) cause of action, determining the difference in the fair market value of Trinity East’s property immediately before and immediately after the specific use permit denials on August 28, 2013 to be \$33,639,000.00. The jury also returned a verdict finding the City did not fail to comply with its lease with Trinity East. The court then concluded as a matter of law that the City had engaged in a regulatory taking of Trinity East’s property by failing to approve one or more of the specific use permit applications. Because the damages available to Trinity East on its regulatory taking claim were greater than the damages available on its other claims, the court entered judgment for Trinity East on that claim. Thus, the final judgment awarded Trinity East as a result of the jury trial is: (a) damages in the amount of \$33,639,000.00; (b) prejudgment interest in the amount of \$10,944,195.21; (c) post-judgment interest at the rate of 5% per annum from the date of judgment until paid; and (d) costs of court. The final judgment was entered on February 27, 2020. The City filed a motion for new trial on March 20, 2020 which was denied on April 13, 2020. The City filed a notice of appeal with the Dallas Court of Appeals before the May 27, 2020 deadline. The Dallas Court of Appeals has issued a briefing schedule, and the briefing is almost complete. Trinity East’s reply brief is the only brief remaining to be filed with the Court of Appeals. After briefing is complete, the parties will await a date for oral argument.

In October 2014, the City Attorney publicly reported to the City Council that Dallas Fire-Rescue had misplaced approximately 14 laptops that may contain certain patient health information subject to privacy restrictions under the Health Insurance Portability and Accountability Act (“HIPAA”). Preliminary information has been conveyed to the U.S. Department of Health and Human Services (HHS) Office for Civil Rights (“OCR”), the agency that enforces HIPAA. By letter dated April 21, 2015, OCR notified the Dallas Fire-Rescue Department that it is investigating whether Dallas Fire-Rescue is in compliance with the applicable federal standards for Privacy of Individually Identifiable Health Information and the Security Standards for the Protection of Electronic Protected Health Information and the Breach Notification Rule. OCR directed Dallas Fire-Rescue to respond to 13 requests for information to determine its compliance status. Dallas Fire-Rescue responded on May 27, 2015. Since the City entered into several contracts with third party vendors as part of its plan to comply with the regulations, the City is investigating whether it may have claims against those third party vendors and, if so, the amount of damages that may be recoverable to the City. If the City is fined by HHS, it is undetermined: (1) when the HHS determination as to the imposition of a fine against the City will be made; (2) whether the City would appeal the HHS determination; and (3) if, or when, the City would pay the fine amount. Based on the limited facts known to the City at this stage of the investigation, the City does not believe the amount of any fine would have a material adverse financial impact on the City or its operations.

Certain former and current employees of the Code Compliance Services Department of the City (the “Code Department”) brought a collective action lawsuit (Terrance Bass, Barry Boyd, Elizabeth Lopez, and Joseph Scott v. City of Dallas, Civil Action No. 3:17-cv-03330-C) for violations under the Fair Labor Standards Act (“FLSA”). The plaintiffs are asserting that they were paid at their regular rate of pay when they worked more than 40 hours in a work week, and were not paid overtime for answering calls and emails during lunch and after hours. A federal judge conditionally certified a collection action with respect to certain Code Department employees. The final class contains 81 plaintiffs. City Council approved a settlement of \$2,450,000 on February 28, 2021. The parties are finalizing the settlement agreement and will seek court approval of the settlement. Upon approval by the court, the parties will work to finalize the settlement payments to the members of the collective.

In May 2020, the Dallas Police Department (“DPD”) and other law enforcement agencies partnered to provide police support for several organized protests regarding police brutality scheduled in Dallas following the death of George Floyd by officers of the Minneapolis Police Department. Some of the protests became unruly and many protesters became aggressive toward law enforcement officers. When attempts to disperse the crowd proved to be ineffective, DPD and other law enforcement officers deployed “less-lethal” weapons, including tear gas, pepper balls, and foam tipped projectiles against individuals in the crowd to restore order. Two protesters allege that they were struck by a projectile and suffered serious injuries.

On June 1, 2020, DPD provided police support to an organized demonstration that was initially planned to march near the Frank Crowley Courthouse. After a few hours, the protesters marched toward the Margaret Hunt Hill Bridge. DPD officers attempted without success to disperse the crowd. Some of the protestors began throwing objects at law enforcement officers, at which time DPD used pepper ball launchers on the ground and deployed tear gas to restore order. Several protesters contend that they were struck by a “less lethal” sponge bullet and suffered injuries.

The protesters are alleging claims against the DPD officers for excessive force, unlawful seizure, and retaliation in violation of their rights under the First and Fourth Amendments and claims against the City and Chief Hall for unconstitutional policies or customs in the use of non-lethal force during peaceful protests, and failure to train, supervise and discipline. The plaintiffs/claimants are seeking compensatory damages, punitive damages, attorney’s fees, and costs. A damage award could exceed \$2,000,000.

CYBER SECURITY

Computer networks and data transmission and collection are vital to the operations of the City. Information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach

could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture.

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 Series 2021C Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series 2021C Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. This information will be available free of charge from the MSRB via the EMMA system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 17, and in Appendix C. The City will update and provide this information within six months after the end of each fiscal year. The City will provide the updated information to the MSRB through the EMMA information system in accordance with Rule 15c2-12 promulgated by the SEC (the "Rule").

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. The City will additionally provide audited annual financial statements of the City, when and if available, and in any event, within twelve (12) months after the end of each Fiscal Year ending in or after 2021. If audited financial statements are not available by the end of the twelve (12) month period, then the City shall provide notice that the audited financial statements are not available, shall provide unaudited financial statements by the required time, and will provide audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information in the tables described above by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

The City shall notify the MSRB, in a timely manner, if the City fails to provide the required annual financial information and operating data by the required time, as described under the heading "Annual Reports".

DISCLOSURE EVENT NOTICES . . . The City shall notify the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, of any of the following events with respect to the Series 2021C Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2021C Bonds, or other material events affecting the tax status of the Series 2021C Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Series 2021C Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2021C Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor trustee or change in the name of the trustee, if material; (15) incurrence of a debt obligation or 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. (Neither the Series 2021C Bonds nor the Ordinance make any provision for credit or liquidity enhancement.) As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. 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 jurisdiction has been assumed by leaving the City Council and official or officers of the City 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. The City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Obligations" as (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2021C Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Series 2021C Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Series 2021C Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Series 2021C Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Series 2021C Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City has complied, in all material respects, during the last 5 years with its undertakings under the Rule; provided however, that certain of the City’s filings, when made, were not immediately linked to the CUSIPs for all of the bonds to which such filings relate. The City has taken steps to remedy any instances of which it is aware where its annual filings and/or material event filings were not properly linked to all of its outstanding obligations on EMMA. In addition, on July 7, 2020, the City defeased a portion of its Waterworks and Sewer System Revenue Refunding Bonds, Series 2011, Waterworks and Sewer System Revenue Refunding Bonds, Series 2012A, and Waterworks and Sewer System Revenue Refunding Bonds, Series 2013. Due to a miscommunication with the paying agents for the defeased bonds, notices of these defeasances were not filed until September 24, 2020 (with respect to the Series 2011 bonds and Series 2012A bonds) and October 19, 2020 (with respect to the Series 2013 bonds).

REGISTRATION AND QUALIFICATION OF SERIES 2021C BONDS FOR SALE

The sale of the Series 2021C Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Series 2021C Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2021C Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Series 2021C Bonds under the securities laws of any jurisdiction in which the Series 2021C Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Series 2021C Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Series 2021C Bonds are negotiable instruments 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. With respect to investment in the Series 2021C Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA, requires that the Series 2021C Bonds 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” above. In addition, various provisions of the Texas Finance Code provide that subject to a prudent investor standard, the Series 2021C Bonds are legal investments for state banks, savings bank, trust companies with capital of one million dollars or more, and savings and loan associations. The Series 2021C Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Series 2021C Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish to the Initial Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Series 2021C Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Series 2021C Bonds and to the effect that the Series 2021C Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Co-Bond Counsel, to like effect and to the effect that the interest on the Series 2021C Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS”, including the alternative minimum tax on corporations. Co-Bond Counsel’s opinion will be delivered on the Date of Delivery of the Series 2021C Bonds. See Appendix D – “Form of Co-Bond Counsel’s Opinion.” Co-Bond Counsel from time to time represents the Co-Financial Advisors and the members of the underwriting syndicate in matters not related to the Series 2021C Bonds. Co-Bond Counsel were not requested to participate, and did not take part, in the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in capacity as Co-Bond Counsel, such firms have reviewed the information describing the Series 2021C Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Series 2021C Bonds are contingent on the sale and delivery of the Series 2021C Bonds. In connection with the transaction described in this Official Statement, Co-Bond Counsel represents only the City. The legal opinion will accompany the Series 2021C Bonds deposited with DTC or will be printed on the Series 2021C Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon by the City by Norton Rose Fulbright LLP and Kintop Smith, PC, Co-Disclosure Counsel.

The legal opinions to be delivered concurrently with the delivery of the Series 2021C Bonds 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.

CO-FINANCIAL ADVISORS

Hilltop Securities Inc. and Estrada Hinojosa & Company, Inc. are employed as Co-Financial Advisors to the City in connection with the issuance of the Series 2021C Bonds. The Co-Financial Advisors' fees for services rendered with respect to the sale of the Series 2021C Bonds is contingent upon the issuance and delivery of the Series 2021C Bonds. Hilltop Securities Inc. and Estrada Hinojosa & Company, Inc., in their capacity as Co-Financial Advisors, have relied on the opinion of Co-Bond Counsel and have not verified and do 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 Series 2021C Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Co-Financial Advisors may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

The Co-Financial Advisors to the City have provided the following sentence for inclusion in this Official Statement. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their 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 Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER

After requesting competitive bids for the Series 2021C Bonds, the City accepted the bid of BofA Securities, Inc. (the "Initial Purchaser") to purchase the Series 2021C Bonds at the interest rates shown on page ii of the Official Statement at a price of par plus a net cash premium of \$18,775,156.13. The Initial Purchaser of the Series 2021C Bonds can give no assurance that any trading market will be developed for the Series 2021C Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Series 2021C Bonds are subsequently sold and the initial yield at which the Series 2021C Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS

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. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements 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 would prove to be accurate.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for the delivery of the Series 2021C Bonds, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Series 2021C Bonds and the acceptance of the best bid therefore, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance approves the form and content of this Official Statement, and any addenda, supplement or amendment hereto, authorizes designated officials of the City to complete this Official Statement, and authorizes its further use in the reoffering of the Series 2021C Bonds by the Initial Purchaser.

/s/ T.C. BROADNAX

City Manager
City of Dallas, Texas

/s/ M. ELIZABETH REICH

Chief Financial Officer
City of Dallas, Texas

ATTEST:

/s/ BILLIERAE JOHNSON

City Secretary

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOCATION AND POPULATION . . . The City of Dallas (the “City”) is located in north central Texas approximately 300 miles north of the Gulf of Mexico. It is among the three largest cities in Texas and among the ninth largest cities in the United States. Dallas is the county seat of Dallas County.

Dallas County encompasses an area of 880 square miles while the City of Dallas contains approximately 378 square miles. The City’s corporate land extends into Collin, Denton, Kaufman and Rockwall Counties.

POPULATION TOTALS ARE:

	2021	2020	2019	2018	2017	2016	2015
	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
City	1,320,170	1,314,610	1,301,970	1,286,380	1,270,170	1,257,730	1,244,270
Dallas County	2,619,040	2,593,570	2,554,770	2,529,150	2,502,270	2,478,970	2,454,880
MSA ⁽¹⁾	7,874,950	7,716,410	7,548,400	7,267,430	7,124,670	7,001,940	6,822,730

(1) Metropolitan Statistical Area (MSA) is a thirteen-county area which includes Collin, Dallas, Denton, Ellis, Hood, Hunt, Johnson, Kaufman, Parker, Rockwall, Somervell, Tarrant, and Wise Counties.

Sources: North Central Texas Council of Governments. <https://popestimates.nctcog.org>. Accessed: 6/22/21.

ESTIMATED PER CAPITA INCOME

	2018	2017	2016	2015	2014	2013	2012
	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Dallas MD ⁽¹⁾	58,545	55,924	53,880	52,700	51,356	48,859	48,355
Dallas County	58,993	55,947	53,531	52,388	51,830	48,945	48,501
Texas	50,355	47,929	45,616	46,577	46,289	43,781	43,397
U.S.	54,446	51,885	49,870	48,978	47,058	44,851	44,599

(1) Metropolitan Division (MD) is a seven-county area which includes Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall Counties.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis. Accessed: 9/16/2020.

GOVERNMENT ORGANIZATION . . . The City operates under a Council-Manager form of government. There are fourteen single-district council members and a mayor elected at large. The Mayor and Council appoint the City Manager, City Attorney, City Auditor, City Secretary, City Treasurer and the Municipal Court Judges. The City Manager appoints all other department directors except two appointed by the Civil Service Board and the Park and Recreation Board. The Mayor is elected to a four-year term and is limited to two consecutive four-year terms. Council members are elected for two-year terms and can serve up to four consecutive two-year terms.

The Mayor and City Council set the public agenda, adopt policy and laws and appoint the City Manager, who acts as chief executive, responsible for implementing Council policy. The City Manager oversees City operations with an executive team of assistant city managers, each of whom has responsibility for various departments.

The Mayor and City Council set the public agenda, adopt policy and laws and appoint the City Manager, who acts as chief executive, responsible for implementing Council policy. The City Manager overseas City operations with an executive team of assistant city managers, each of whom has responsibility for various departments.

The City organization has approximately 12,500 full-time employees.

CITY SERVICES AND FACILITIES . . . The City provides the full range of municipal services contemplated by statute or charter. This includes public safety (police and fire), streets, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition to general government activities, the Dallas Water Utilities, Municipal Airports (Dallas Love Field and Dallas Executive Airport), Convention Center, Municipal Radio and several other enterprise and internal service fund activities are a part of the City’s legal entity.

EMPLOYMENT DATA . . . A diverse economy and highly-skilled work force contribute to the strengths of the City. Dallas is a center for high technology, retail and wholesale trade, finance, major medical facilities, culture and recreation and a convention and visitor destination. The following tables show the City’s civilian employment over the last several years, the employment by sector and the major employers within the Dallas area.

EMPLOYMENT STATISTICS

	May 2021	May 2020	May 2019	May 2018	May 2017
Civilian Labor Force (City of Dallas)	696,613	665,559	673,328	673,243	671,289
Civilian Labor Force (Dallas MD*)	4,029,456	3,844,575	3,927,280	3,880,935	3,793,577
Total Employed (City of Dallas)	655,475	583,675	652,074	649,287	645,094
Total Employed (Dallas MD*)	3,650,289	3,348,563	3,819,533	3,742,474	3,650,120
Total Unemployed (City of Dallas)	41,138	81,884	21,254	23,956	26,195
Total Unemployed (Dallas MD*)	213,210	484,769	126,541	138,461	143,457
% Unemployed (City of Dallas)	5.9	12.3	3.2	3.6	3.9
% Unemployed (Dallas MD*)	5.3	12.6	3.2	3.6	3.8
% Unemployed (Dallas County)	5.8	12.2	3.2	3.6	3.9
% Unemployed (Texas)	6.5	11.6	3.4	3.9	4.4
% Unemployed (U.S.)	5.8	13.3	3.7	3.8	4.4

* Metropolitan Division (MD) is a seven-county area which includes Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall Counties

Source: Texas Labor Market Information. <https://texaslmi.com/lmibyCategory/LAUS>. Accessed: 6/22/2021. Adjusted numbers used where available.

AVERAGE ANNUAL UNEMPLOYMENT RATES

	2020	2019	2018	2017	2016
City of Dallas	7.9	3.5	3.8	3.9	4.0
Dallas Metropolitan Division*	7.1	3.3	3.6	3.7	3.9
State of Texas	7.6	3.5	3.9	4.3	4.6
United States	8.1	3.7	3.9	4.4	4.9

* Metropolitan Division (MD) is a seven-county area which includes Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall Counties

Source: Texas Labor Market Information. <https://texaslmi.com/LMIbyCategory/LAUS> Accessed: 6/22/2021.

MAJOR DALLAS AREA EMPLOYERS

Company	Product/Service	Number of Local Employees
Texas Instruments Inc.	Semiconductors	11,527
Baylor University Medical Center	Hospital & Health Care	9,671
AT&T Inc.	Telephone/Utilities	8,100
Southwest Airlines Co.	Airline	7,859
Texas Health Presbyterian Hospital Dallas	Healthcare	6,501
TXU	Utilities	5,500
Match Group	Services	4,800
ClubCorp USA Inc.	Services	4,634
Children's Medical Center of Dallas	Healthcare	4,487
Walmart Store	Retail/Department Stores	4,200

Source: City of Dallas Office of Economic Development.

DALLAS – PLANO - IRVING METROPOLITAN DIVISION ⁽¹⁾---NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT BY SECTOR

<u>Industry</u>	2020 Average Annual		2019 Average Annual	
	Employment	Percentage	Employment	Percentage
Mining, Logging and Construction	146,700	5.61	149,500	5.54
Manufacturing	181,000	6.93	186,600	6.92
Trade, Transportation, and Utilities	528,400	20.22	530,800	19.67
Information	69,200	2.65	71,400	2.65
Financial Activities	256,800	9.83	250,600	9.29
Professional and Business Services	509,300	19.49	518,800	19.23
Education and Health Services	310,600	11.88	321,600	11.92
Leisure and Hospitality	225,200	8.62	271,700	10.07
Other Services	75,900	2.90	86,600	3.21
Government	310,400	11.88	310,700	11.49
Non-Farm Total ⁽²⁾	2,613,500	100.00%	2,698,300	100.00%

(1) Dallas-Plano-Irving Metropolitan Division (MD) is a seven-county area which includes Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall Counties.

(2) Numbers may not add due to rounding.

Sources: Texas Labor Market Information. <https://texaslmi.com/LMIbyCategory/CES>. Accessed: 9/16/2020.

OFFICE AND INDUSTRIAL SPACE OCCUPANCY RATES. . . The Dallas/Fort Worth area office market consists of 396.164 million square feet of space. Average rents continue to rise reaching \$27.25 per square foot. As of the second quarter of 2020, over 9.074 million square feet of new office space is under construction or renovation in the DFW metro area. The vacancy rate in the Dallas/Fort Worth market area is 15.6 percent.

The City is committed to the long-term health of the Central Business District (CBD). A number of public/private projects completed within the CBD in FY 2019-2020 include renovations, key tenant leasing and new construction. The National at 1401 Elm Street delivered 350,000 square feet of Class A space in the CBD in the first quarter of 2020. Equinix delivered 144,560 square feet of data center space at the Infomart building located between Uptown and Design District area. The current CBD office vacancy rate is 23.10 percent. The market consists of 33.835 million square feet. As of the second quarter of 2020, average rents are \$26.84 per square foot.

Industrial/distribution market in the Dallas/Fort Worth area consists of 965.986 million square feet with 6.7 percent vacant as of second quarter of 2020.

Source: CoStar (as of Mid-Year 2020).

CONSTRUCTION VALUATION/BUILDING PERMIT ACTIVITY**

Valuation (\$000)	2019	2018	2017	2016	2015	2014
Residential	\$ 2,444,907	\$ 2,376,145	\$ 1,905,676	\$ 2,228,062	\$ 2,140,069	\$ 1,574,178
Commercial	2,387,569	1,923,923	2,359,053	2,203,075	2,136,044	1,792,730
Total	\$ 4,832,476	\$ 4,300,068	\$ 4,264,729	\$ 4,431,137	\$ 4,276,113	\$ 3,366,908

Source: City of Dallas Building Inspection Division. Residential defined as single-family plus multi-family.

Other is reflected in Commercial.

These valuations are based on all building permit activity inclusive of single trade permits, new residential and new non-residential construction, residential and non-residential rehabilitation with additions considered as new construction. Excluded are sign permits, barricades, excavations, demolitions, moving permits and tents.

** Permit data is fluid and may fluctuate for the following reasons after the initial data is reported:

- 1) Permit cancellations.
- 2) Permit addendums; reductions or augmentations to the original plans submitted that change the valuation of the project.
- 3) Periodic audits that correct data entry errors after the reporting period has closed.

TRANSPORTATION. . .Dallas' success as a leader in transportation is a result of its excellent airports, rail routes, and interstate highway systems. Positioned centrally to both the east and west coasts, Dallas is easily accessible to all areas of the United States, Mexico and Canada. Direct flight time to any North American city takes less than four hours. In addition, Dallas is the center point between North America's five largest business centers - New York, Los Angeles, Chicago, Mexico City and Toronto.

Dallas/Fort Worth International Airport is a major contributor to the City's diversified economy. It is among the world's busiest airports in terms of total operation ranked fourth in the world. Approximately 73.3 million passengers traveled through the airport during the fiscal year ended September 30, 2019.

Dallas Love Field, located seven miles north of the Central Business District ("CBD"), is also extremely valuable to the Dallas economy. More than 8 million passengers were carried at Love Field during the fiscal year ended September 30, 2019. It acts as a catalyst for business by providing valuable scheduled air carrier and general aviation transportation services, and attracting and serving major companies that assemble, overhaul and maintain aircraft. Love Field began major renovation to the facility starting in 2010, and issued revenue supported bonds to finance these renovations in 2015 and 2017. The Love Field Modernization Program (LFMP) will increase efficiency for travelers while maintaining the convenience that Love Field currently offers passengers.

In the new modernization design, the terminal decreased in size approximately 25 percent by replacing a large amount of unused and outdated space with modern and efficient facilities. The three original concourses were demolished and consolidated into one convenient, centrally located concourse for all airlines.

Dallas Executive Airport, formerly known as Redbird Airport, is a public airport located six miles (10 km) southwest of the central business district (CBD). The airport is used entirely for general aviation purposes and serves as a reliever airport for Dallas Love Field. It has two runways, the longest being 6,451 feet long by 150 feet wide. Facilities at the airport include a restaurant, a conference center, Fixed Based Operators and aircraft hangar and tie-down areas. The airport is home to approximately 126 individual, enclosed T-hangars.

The Dallas Vertiport is a facility located at the Dallas Convention Center at the CBD and built to accommodate helicopters and tiltrotor type aircraft. It has two landing areas with independent approaches and facilities for flight planning and meetings and 5 tie-down areas.

Dallas has a well-developed highway system. There are five interstate highways which run north/south and east/west including a loop freeway encompassing the City. Dallas has 19 other major U.S. and state highways. Dallas is a principal trucking and freight distribution center with approximately 120 trucking companies. Overnight pickup and delivery services are available to most cities.

Dallas is a major hub for hundreds of rail routes. Major railroads that serve the Dallas area include Burlington Northern Santa Fe Railway, Kansas City Southern Railway and Union Pacific. Amtrak provides passenger train service at Union Station in downtown Dallas with three lines: Chicago, Los Angeles, and San Antonio.

The City is part of an integrated regional mass transit system – Dallas Area Rapid Transit (DART). DART consists of the City of Dallas and 13 cities and is funded by a 1.0% local sales tax assessed in the cities within the service area as well as fare revenues and federal funds for certain capital projects. The DART Service Area is approximately 700 square miles. The DART Transit System Plan is designed to provide a balanced combination of transit services and facilities to meet the region's mobility needs. DART's mission is made both difficult and necessary by the size and sprawl of the metroplex. Unlike some cities that funnel transportation into the central

business district, the metroplex has multiple “cores” that have developed in suburban communities and along existing transportation routes. These mini-hubs complicate transportation service requirements and necessitate a range of mobility programs.

DART provides fixed-route bus service with a total 651 vehicle fleet from three DART-owned facilities. DART currently operates over 93 miles of light rail. A 34-mile commuter rail service between downtown Dallas and Fort Worth is operated jointly by DART and the Fort Worth Transportation Authority. Additionally, DART operates and maintains 75 freeway miles of high-occupancy vehicle (HOV) lanes and provided over 800,000 paratransit passenger trips.

Sources: Greater Dallas Chamber; The Dallas Facts; Dallas Area Rapid Transit (DART); the City of Dallas, Dallas/Fort Worth International Airport.

EDUCATION. . . The City of Dallas is served by nine independent school districts. The largest, the Dallas Independent School District (DISD), had approximately 144,851 students enrolled for the 2020-21 school year. DISD has 230 schools, including 147 elementary schools, 35 middle schools, 38 high schools and 10 magnet high schools. In May 2008, a \$1.35 billion bond program was approved to build fifteen new schools, 177 new classrooms in existing schools and additional renovations. In November 2015, a \$1.60 billion bond program was approved for school buildings and technology. In November 2018, a \$150 million bond program was approved for buses and refunding purposes. In November 2020, a \$3.47 billion bond program was approved to fund repairs and upgrades to more than 200 of the district’s 230 campuses and cover the cost of purchasing and making updates to district technology. As of August 1, 2021, DISD had \$3,586,600,000 of authorized but unissued bonds.

There are 48 college and university campuses in the Dallas metroplex area, enrolling over 220,000 students. Twenty-six campuses offer 4-year undergraduate degree programs, 19 offer 2-year associate degree programs and 22 offer advanced degrees.

Sources: Dallas Independent School District; Texas Higher Education Board, City of Dallas Office of Economic Development.

MEDICAL . . The Dallas metropolitan area is a major medical center providing "state-of-the-art" equipment and facilities. There are 24 general hospitals in Dallas County which are licensed for nearly 8,000 beds. In addition, there are two pediatric, two psychiatric and several long-term/rehabilitation hospitals.

As a complement to its excellent medical treatment facilities, Dallas is becoming a leading force in biomedical research. The University of Texas Southwestern Medical Center at Dallas has five Nobel Prize winners on the faculty and staff. Nationally recognized medical and dental schools in Dallas include University of Texas Southwestern Medical Center, Texas A&M University System - Baylor College of Dentistry, Texas Women’s University T. Boone Pickens Institute of Health Sciences and Baylor University School of Nursing.

Sources: The University of Texas Southwestern Medical Center at Dallas; The Texas State Board of Medical Examiners.

TOURISM . . According to VisitDallas, Dallas ranks among the top convention cities in the nation. On April 24, 2013 City Council renamed the Dallas Convention Center the Kay Bailey Hutchison Convention Center, which is the largest convention center of its kind in Texas with approximately 1.0 million square feet of total space. There are 96 meeting rooms and over one million square feet of exhibit space. The convention center also boasts the world’s largest column-free exhibit hall and a fully equipped theater along with catering capabilities and a cafeteria. The Center has both open and covered parking and the facilities include a Heliport/Vertiport.

Dallas is recognized as one of the top ten convention destinations in the nation and part of the number one visitor destination region in the state of Texas. Annually, approximately 27.7 million people visit metropolitan Dallas. The Dallas area annually receives \$5.2 billion in direct spending from visitors, generating a total impact of \$8.8 billion on the metropolitan economy. There are more than 80,000 hotel rooms in Dallas.

On September 15, 2009, City broke ground on the 23-story Omni Dallas Convention Center Hotel. The 1,000 room hotel opened November 11, 2011. The Dallas Convention & Visitors Bureau has received commitments for meetings totaling 400,000 definite room nights for groups committed to Dallas for future years using the Omni Dallas Convention Center hotel.

Source: Dallas Convention Center; VisitDallas.

RECREATION . . Dallas offers numerous recreational, cultural and entertainment opportunities. Within the City are 397 public parks and open spaces covering 23,464 acres plus 4,658 surface acres of water. There are over 60 lakes and reservoirs within 100 miles of Dallas covering more than 550,000 acres and four state parks within an hour of Dallas. There are 39 private and 34 municipal golf courses in the area, including six owned by the City of Dallas.

The Dallas metropolitan area hosts numerous national annual sporting events and has several large amusement parks. Major golf tournaments include the AT&T Byron Nelson Classic and the Charles Schwab Challenge PGA Tour events. Dallas is one of few metropolitan areas with four professional sports teams, including the Dallas Cowboys football team, the Dallas Mavericks basketball team, the Texas Rangers baseball team and the Dallas Stars hockey team.

Key attractions include the Dallas Museum of Art, Nasher Sculpture Center, Crow Collection of Asian Art, Dallas Black Dance Theater Center, and Morton H Meyerson Symphony Center, home of the Dallas Symphony Orchestra. In October 2009, with the opening of the AT&T Performing Arts Center, three new cultural facilities were added to the Arts District: Winspear Opera House, Wyle Theater, and Sammons Performance Park. The Dallas area has a number of museums, galleries, theaters, orchestras and dance groups.

Sources: City of Dallas, Park and Recreation Department; City of Dallas, Office of Cultural Affairs.

APPENDIX B

SELECTED PROVISIONS OF THE ORDINANCE

[THIS PAGE INTENTIONALLY LEFT BLANK]

SELECTED PROVISIONS OF THE ORDINANCE

The City will adopt an ordinance authorizing the issuance of the Series 2021C Bonds, which will be in substantially the same form as the ordinances authorizing the outstanding Previously Issued Parity Bonds. Selected provisions of the Ordinance are shown below. The excerpts presented herein do not purport to be complete statements of the Ordinance, and reference is made to the Ordinance for further information in all respects..

Section 7. **DEFINITIONS.** That the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds which the City reserves the right to issue in the future, as provided in this Ordinance.

The term "Amortization Installment", with respect to any Term Bonds of any Previously Issued Parity Bonds, any of the Bonds designated in this Ordinance as Term Bonds, or any series of Additional Bonds, shall mean the amount of money which is required to be deposited into the Mandatory Redemption Account referred to in Section 10(b) of this Ordinance for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any), provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

The term "Authorized Denomination" shall mean \$5,000 or any integral multiple thereof.

The term "Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2021C, authorized to be issued by the Ordinance.

The term "Business Day" shall mean a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions are authorized by law or executive order to close in the City or the city where the Designated Trust Office of the Paying Agent/Registrar is located.

The term "Chapter 9" shall mean Chapter 9, Texas Business & Commerce Code, as amended.

The term "Chapter 1206" shall mean Chapter 1206, Texas Government Code, as amended.

The term "Chapter 1207" shall mean Chapter 1207, Texas Government Code, as amended.

The term "Chapter 1208" shall mean Chapter 1208, Texas Government Code, as amended.

The term "Chapter 2256" shall mean Chapter 2256, Texas Government Code.

The terms "City" and "Issuer" shall mean the City of Dallas, Texas.

The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

The term "Commercial Paper Notes" shall mean the City's Waterworks and Sewer System Commercial Paper Notes, Series F and Series G, authorized to be outstanding from time to time and at any one time in the aggregate principal amount of \$600,000,000.

The term "Designated Trust Office" shall mean the designated corporate trust office of the Paying Agent/Registrar.

The term "DTC" shall mean The Depository Trust Company, New York, New York.

The term "DTC Participant" shall mean the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

The terms "Gross Revenues of the City's Combined Waterworks and Sewer System" and "Gross Revenues" shall mean all revenues, income, and receipts of every nature derived or received by the City from the operation and ownership of the System, including the interest income from the investment or deposit of money in any Fund created by this Ordinance, or maintained by the City in connection with the System.

The term "Interest and Sinking Fund" shall have the meaning as set forth in Section 10(a) of this Ordinance.

The term "MAC" shall mean the Municipal Advisory Council of Texas.

The term "MSRB" shall mean the Municipal Securities Rulemaking Board.

The terms "Net Revenues of the City's Combined Waterworks and Sewer System" and "Net Revenues" shall mean all Gross Revenues after deducting and paying the current expenses of operation and maintenance of the System, as required by Section 1502.056, Texas Government Code, including all salaries, labor, materials, interest, repairs, and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised by the adoption of the appropriate resolution, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Previously Issued Parity Bonds, the Bonds or Additional Bonds, shall be deducted in determining "Net Revenues". Payments made by the City for water supply or treatment of sewage which constitute under the law operation and maintenance expense shall be considered herein as expenses incurred in the operation and maintenance of the System. Depreciation and any payments to the City in lieu of ad valorem taxes and any other similar payments shall never be considered as an expense of operation and maintenance.

The term "Ordinance" shall mean the ordinance authorizing the issuance of the Bonds.

The term "Paying Agent/Registrar" shall mean UMB Bank, N.A., or any successor thereto named in accordance with this Ordinance.

The term "Pledged Revenues" shall mean

- (1) the Net Revenues, plus
- (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Previously Issued Parity Bonds, Bonds or Additional Bonds.

The term "Previously Issued Parity Bonds" shall mean the Series 2011 Bonds, the Series 2012A Bonds, the Series 2012B Bonds, the Series 2013 Bonds, the Series 2015A Bonds, the Series 2015B Bonds, the Series 2016A Bonds, the Series 2016B Bonds, the Series 2017 Bonds, the Series 2018A Bonds, the Series 2018B Bonds, the Series 2018C Bonds, the Series 2019A Bonds, the Series 2019B Bonds, the Series 2020A Bonds, the Series 2020B Bonds, the Series 2020C Bonds, the Series 2020D Bonds, the Series 2021A Bonds and the Series 2021B Bonds.

The term "Registration Books" shall mean the books or records of the registration and transfer of the Bonds.

The term "Reserve Fund" shall have the meaning as set forth in Section 11 of this Ordinance.

The term "Revenue Fund" shall have the meaning as set forth in Section 9 of this Ordinance.

The term "Rule" shall mean SEC Rule 15c2-12, as amended from time to time.

The term "SEC" shall mean the United States Securities and Exchange Commission.

The term "Series 1981 Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 1981, dated April 1, 1981, and authorized by ordinance of the City passed April 1, 1981; the term "Series 2011 Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2011, dated July 26, 2011, and authorized by ordinance of the City passed June 23, 2011; the term "Series 2012A Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2012A, dated September 19, 2012, and authorized by ordinance of the City passed August 8, 2012; the term "Series 2012B Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Taxable Series 2012B, dated September 19, 2012, and authorized by ordinance of the City passed August 8, 2012; the term "Series 2013 Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2013, dated September 17, 2013, and authorized by ordinance of the City passed August 14, 2013; the term "Series 2015A Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2015A, dated March 25, 2015, and authorized by ordinance of the City passed February 25, 2015; the term "Series 2015B Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Taxable Series 2015B, dated March 25, 2015, and authorized by ordinance of the City passed February 25, 2015; the term "Series 2016A Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2016A, dated July 7, 2016, and authorized by ordinance of the City passed June 15, 2016; the term "Series 2016B Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Taxable Series 2016B, dated July 7, 2016, and authorized by ordinance of the City passed June 15, 2016; the term "Series 2017 Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2017, dated August 17, 2017, and authorized by ordinance of the City passed June 14, 2017; the term "Series 2018A Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Bonds, Series 2018A, dated April 1, 2018, and authorized by ordinance of the City passed April 11, 2018; the term "Series 2018B Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Bonds, Series 2018B, dated April 1, 2018, and authorized by ordinance of the City passed April 11, 2018; the term "Series 2018C Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2018C, dated September 26, 2018, and authorized by ordinance of the City passed August 8, 2018; the term "Series 2019A Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue

Bonds, Series 2019A, dated April 1, 2019, and authorized by ordinance of the City passed April 10, 2019; the term "Series 2019B Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Bonds, Series 2019B, dated April 1, 2019, and authorized by ordinance of the City passed April 10, 2019; the term "Series 2020B Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Bonds, Series 2020B, dated April 1, 2020, and authorized by ordinance of the City passed April 8, 2020; the term "Series 2020B Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Bonds, Series 2020B, dated April 1, 2020, and authorized by ordinance of the City passed April 8, 2020; the term "Series 2020C Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2020C, dated July 7, 2020, and authorized by ordinance of the City passed May 27, 2020; the term "Series 2020D Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Taxable Series 2020D, dated July 7, 2020, and authorized by ordinance of the City passed May 27, 2020; the term "Series 2021A Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Bonds, Series 2021A, dated May 19, 2021, and authorized by ordinance of the City passed April 14, 2021; and the term "Series 2021B Bonds" shall mean the City of Dallas, Texas Waterworks and Sewer System Revenue Bonds, Series 2021B, dated May 19, 2021, and authorized by ordinance of the City passed April 14, 2021.

The term "System" shall mean and include the City's combined existing waterworks and sewer system, together with all future extensions, improvements, enlargements, and additions thereto, and all replacements thereof; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not include any waterworks or sewer facilities which are declared not to be a part of the System and which are acquired or constructed by the City with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being special revenue obligations of the City which are not secured by or payable from the Pledged Revenues as defined herein, but which are secured by and payable solely from special contract revenues or payments received from any other legal entity in connection with such facilities; and such revenues or payments shall not be considered as or constitute Gross Revenues of the System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Facilities Bonds".

The term "Term Bonds" means those Bonds (if any) so designated in this Ordinance, and those Previously Issued Parity Bonds or Additional Bonds so designated in the ordinances authorizing such bonds, which shall be subject to retirement by operation of the Mandatory Redemption Account referred to in Section 10(b) of this Ordinance.

The term "Year" shall mean the regular fiscal year used by the City in connection with the operation of the System, which may be any twelve consecutive months period established by the City.

Section 8. **PLEDGE.** (a) That the Previously Issued Parity Bonds, the Bonds and any Additional Bonds, and any interest payable thereon, are and shall be secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues; and the Pledged Revenues are further pledged irrevocably to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund as hereinafter provided. The Previously Issued Parity Bonds, the Bonds and any Additional Bonds are and will be secured by and payable only from the Pledged Revenues, and are not secured by or payable from a mortgage or deed of trust on any real, personal or mixed properties constituting the System.

(b) That Chapter 1208 applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the City under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the City is to be subject to the filing requirements of Chapter 9, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9 and enable a filing to perfect the security interest in said pledge to occur.

Section 9. **REVENUE FUND.** That there has been created and established on the books of the City, and accounted for separate and apart from all other funds of the City, a special fund entitled the "City of Dallas, Texas, Waterworks and Sewer System Revenue Fund" (the "Revenue Fund"). All Gross Revenues are and shall be credited to the Revenue Fund immediately upon receipt. All current expenses of operation and maintenance of the System are and shall be paid from such Gross Revenues as a first charge against same.

Section 10. **INTEREST AND SINKING FUND.** (a) That for the sole purpose of paying the principal of and interest on the Previously Issued Parity Bonds, the Bonds and any Additional Bonds, as the same come due, there has been created and established on the books of the City a separate fund entitled the "City of Dallas, Texas, Waterworks and Sewer System Revenue Bonds Interest and Sinking Fund" (the "Interest and Sinking Fund"). Monies in the Interest and Sinking Fund are and shall be maintained at an official depository bank of the City.

(b) That within the Interest and Sinking Fund there has been established the Mandatory Redemption Account, into which account shall be credited the Amortization Installments which shall be used for the payment of the principal of Term Bonds as the same shall come due, whether by maturity thereof or by redemption, through the operation of the Mandatory Redemption Account.

Section 11. **RESERVE FUND.** That there has been created and established on the books of the City a separate fund entitled the "City of Dallas, Texas, Waterworks and Sewer System Revenue Bonds Reserve Fund" (the "Reserve Fund"). Monies in the Reserve Fund shall be used solely for the purpose of retiring the last of any Previously Issued Parity Bonds, Bonds or Additional Bonds as they become due or paying principal of and interest on any Previously Issued Parity Bonds, Bonds or

Additional Bonds when and to the extent the amounts in the Interest and Sinking Fund are insufficient for such purpose. Monies in the Reserve Fund shall be maintained at an official depository bank of the City.

Section 12. **DEPOSITS OF PLEDGED REVENUES; INVESTMENTS.** (a) **Deposits.** That the Pledged Revenues shall be deposited in the Interest and Sinking Fund and the Reserve Fund when and as required by ordinances authorizing Previously Issued Parity Bonds and by this Ordinance.

(b) **Investments.** That money in any Fund established by this Ordinance or by ordinances authorizing Previously Issued Parity Bonds may, at the option of the City, be invested in Authorized Investments; provided, however, that all such deposits and investments shall have a par value (or market value when less than par) exclusive of accrued interest at all times at least equal to the amount of money credited to such Funds, and shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Money in the Reserve Fund shall not be invested in securities maturing later than the final maturity of the Previously Issued Parity Bonds, the Bonds, and Additional Bonds. Such investments shall be valued in terms of current market value as of the last day of each Year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at their par or face principal amount. Such investments shall be sold promptly when necessary to prevent any default in connection with the Previously Issued Parity Bonds, the Bonds or Additional Bonds. As used in this Section, the term "Authorized Investments" shall mean those investments in which the City is now or hereafter authorized by law, including, but not limited to, Chapter 2256, and consistent with the City's investment policy adopted and approved from time to time by the City Council pursuant to the provisions of Chapter 2256, to purchase, sell and invest its funds and funds under its control.

Section 13. **FUNDS SECURED.** That money in all Funds created by this Ordinance, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the City.

Section 14. **DEBT SERVICE REQUIREMENTS.** (a) **Deposit of Any Accrued Interest.** That promptly after the delivery of the Bonds the City shall cause to be deposited to the credit of the Interest and Sinking Fund any accrued interest received from the sale and delivery of the Bonds, and any such deposit shall be used to pay part of the interest next coming due on the Bonds.

(b) **Transfers to Interest and Sinking Fund.** That in addition to all amounts heretofore required to be transferred from the Pledged Revenues and deposited to the credit of the Interest and Sinking Fund by the ordinances authorizing the issuance of the Previously Issued Parity Bonds, the City shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter, commencing with the month during which the Bonds are delivered, or the month thereafter if delivery is made after the 25th day thereof, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and

(2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter, commencing with the month during which the Bonds are delivered, or the month thereafter if delivery is made after the 25th day thereof, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds on the next succeeding principal payment date.

Section 15. **RESERVE REQUIREMENTS.** That the Reserve Fund shall be maintained in an amount equal to the average annual principal and interest requirements (including Amortization Installments) of the Previously Issued Parity Bonds, the Bonds and Additional Bonds (the "Required Amount"). When and so long as the money and investments in the Reserve Fund are not less than the Required Amount, no deposits need be made to the credit of the Reserve Fund. When and if the Reserve Fund contains less than the Required Amount due to the issuance of the Bonds or Additional Bonds, beginning on the 25th day of the month following the delivery of the Bonds or Additional Bonds to the purchasers thereof, and continuing for sixty months, the City shall transfer from the Pledged Revenues and deposit to the credit of the Reserve Fund an amount equal to 1/60th of the difference determined as of such delivery date between the amount in the Reserve Fund and the Required Amount. When and if the Reserve Fund at any time contains less than the Required Amount due to any cause or condition other than the issuance of Additional Bonds, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose. The City may, at its option, withdraw and use for any lawful purpose not inconsistent with the City's Charter, all surplus in the Reserve Fund over the Required Amount.

Section 16. **DEFICIENCIES; EXCESS PLEDGED REVENUES.** (a) **Deficiencies.** That if on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

(b) **Excess Pledged Revenues.** That, subject to making the required deposits to the credit of the Interest and Sinking Fund and the Reserve Fund when and as required by this Ordinance, or any ordinance authorizing the issuance of Previously Issued

Parity Bonds or Additional Bonds, the excess Pledged Revenues may be used by the City for any lawful purpose not inconsistent with the City's Charter.

Section 17. **PAYMENT OF THE BONDS AND ADDITIONAL BONDS.** That on or before October 1, 2021, and semiannually on or before each April 1 and October 1 thereafter while any of the Previously Issued Parity Bonds, the Bonds or Additional Bonds are outstanding and unpaid, the City shall make available to the paying agents therefor (including the Paying Agent/Registrar), out of the Interest and Sinking Fund and the Reserve Fund (if necessary), money sufficient to pay such interest on and such principal of the Previously Issued Parity Bonds, the Bonds and Additional Bonds as shall become due on such dates, respectively, at maturity or by redemption prior to maturity. The aforesaid paying agents (including the Paying Agent/Registrar) shall destroy all paid Previously Issued Parity Bonds, Bonds and Additional Bonds, and furnish the City with an appropriate certificate of cancellation or destruction.

Section 18. **FINAL DEPOSITS; DEFEASANCE SECURITIES.** (a) **Defeasance.** That any Previously Issued Parity Bond, Bond or Additional Bond shall be deemed to be paid, retired and no longer outstanding within the meaning of this Ordinance when payment of the principal of, redemption premium, if any, on such bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for by irrevocably depositing with, or making available to, a paying agent (or escrow agent) therefor, in trust and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Defeasance Securities, as hereinafter defined in this Section, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of such paying agent pertaining to the bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of such paying agent. At such time as a Previously Issued Parity Bond, Bond or Additional Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of this Ordinance or such other ordinance securing such bond or a lien on and pledge of the Pledged Revenues, and shall be entitled to payment solely from such money or Defeasance Securities.

(b) **Investment in Defeasance Securities.** That any moneys so deposited with a paying agent may, at the direction of the City, also be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from all Defeasance Securities in the hands of the paying agent pursuant to this Section which is not required for the payment of the Previously Issued Parity Bonds, Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, shall be remitted to the City.

(c) **Not Arbitrage Bonds.** That the City covenants that no deposit will be made or accepted under clause (a)(ii) of this Section and no use will be made of any such deposit which would cause the Previously Issued Parity Bonds, Bonds or any Additional Bonds to be treated as "arbitrage bonds" within the meaning of section 148 of the Code.

(d) **Defeasance Securities Defined.** That for the purpose of this Section, the term "Defeasance Securities" shall mean (i) direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the City provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the City provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than "AAA" or its equivalent, or (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

(e) **Payment of Defeased Bonds.** That notwithstanding any other provisions of this Ordinance, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of Previously Issued Parity Bonds, Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, shall be applied to and used for the payment of such Previously Issued Parity Bonds, Bonds and Additional Bonds, the redemption premium, if any, and interest thereon.

(f) **Redemption Rights Reserved.** That in accordance with the provisions of Section 1207.033, Texas Government Code, the City may call for redemption, at a date earlier than their scheduled maturities, those Bonds which have been defeased to their maturity date. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Bonds defeased under the terms of this Ordinance that is made in conjunction with the payment arrangements specified in clauses (i) or (ii) of subsection (a) above shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the City expressly reserves the right to call Bonds so defeased for redemption; (2) the City gives notice of the reservation of that right to the owners of the Bonds so defeased immediately following the making of the payment arrangements; and (3) the City directs that notice of the reservation be included in any redemption notices that it authorizes.

Section 19. **ADDITIONAL BONDS.** (a) **Issuance.** That the City shall have the right and power at any time and from time to time to authorize, issue and deliver additional parity revenue bonds (herein called "Additional Bonds") in one or more series or issues, in accordance with law, in any amounts, for purposes of extending, improving or repairing the System or for the purpose of refunding of any Previously Issued Parity Bonds, Bonds, Additional Bonds or other obligations of the City incurred in connection with the ownership or operation of the System. Such Additional Bonds, if and when authorized, issued and delivered in accordance with this Ordinance, shall be secured by and made payable equally and ratably on a parity with the Previously Issued Parity Bonds, the Bonds, and all other outstanding Additional Bonds, from an irrevocable first lien on and pledge of the Pledged Revenues.

(b) **Funds Secure Additional Bonds.** That the Interest and Sinking Fund and the Reserve Fund established by the ordinance authorizing the Series 1981 Bonds shall secure and be used to pay all Additional Bonds as well as the Previously Issued Parity Bonds and the Bonds. However, each ordinance under which Additional Bonds are issued shall provide and require that, in addition to the amounts required to be deposited to the credit of the Interest and Sinking Fund by the provisions of this Ordinance and the provisions of any other ordinance or ordinances authorizing Additional Bonds, the City shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements (including Amortization Installments) of all Previously Issued Parity Bonds, Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the City, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the delivery of the then proposed Additional Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above).

(c) **Calculations.** That all calculations of average annual principal and interest requirements (including Amortization Installments) made pursuant to this Section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

(d) **Payment Dates.** That the principal of all Additional Bonds must be scheduled to be paid or mature on April 1 or October 1 (or both) of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on April 1 and October 1.

Section 20. **FURTHER REQUIREMENTS FOR ADDITIONAL BONDS.** That Additional Bonds shall be issued only in accordance with this Ordinance, but notwithstanding any provisions of this Ordinance to the contrary, no installment, Series or issue of Additional Bonds shall be issued or delivered unless:

(a) **No Default.** The Mayor and the City Secretary of the City sign a written certificate to the effect that the City is not in default as to any covenant, condition or obligation in connection with all outstanding Previously Issued Parity Bonds, the Bonds and Additional Bonds, and the ordinances authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein.

(b) **Coverage Certificate.** The Chief Financial Officer of the City signs a written certificate to the effect that, during either the next preceding Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Bonds, the Net Revenues were, in her or his opinion, at least equal to 1.25 times the average annual principal and interest requirements (computed on a fiscal year basis) including Amortization Installments, of all Previously Issued Parity Bonds, the Bonds and Additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds.

Section 21. **GENERAL COVENANTS.** That the City further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) **Performance.** It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance, and each ordinance authorizing the issuance of Previously Issued Parity Bonds and Additional Bonds, and in each and every Previously Issued Parity Bond, Bond and Additional Bond; it will promptly pay or cause to be paid the principal of and interest on every Previously Issued Parity Bond, Bond and Additional Bond, on the dates and in the places and manner prescribed in such ordinances and Previously Issued Parity Bonds, Bonds or Additional Bonds; and it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any holder of the Previously Issued Parity Bonds, Bonds or Additional Bonds may require the City, its officials and employees to carry out, respect or enforce the covenants and obligations of this Ordinance, or any ordinance authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the City, its officials and employees.

(b) **City's Legal Authority.** It is a duly created and existing home rule city of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Bonds; that all action on its part for the creation and issuance

of the Bonds has been duly and effectively taken; and that the Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

(c) **Title.** It has or will obtain lawful title to the lands, buildings, structures and facilities constituting the System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the holders and owners of the Previously Issued Parity Bonds, Bonds and Additional Bonds, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Previously Issued Parity Bonds, Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) **Liens.** It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the System; it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein; and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(e) **Operation of System; No Free Service.** It will, while the Previously Issued Parity Bonds, Bonds or any Additional Bonds are outstanding and unpaid, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the City out of funds from sources other than the revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 16(b) of this Ordinance.

(f) **Further Encumbrance.** It, while the Previously Issued Parity Bonds, Bonds or any Additional Bonds are outstanding and unpaid, will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Ordinance in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Ordinance; but the right of the City to issue revenue bonds payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) **Sale or Disposal of Property.** It, while the Previously Issued Parity Bonds, the Bonds or any Additional Bonds are outstanding and unpaid, will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the System, or any significant or substantial part thereof; provided, however, that whenever the City deems it necessary to dispose of any property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the System or to purchase or redeem Previously Issued Parity Bonds, Bonds and Additional Bonds.

(h) **Insurance.** (1) It shall cause to be insured such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which, and to the extent, insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney of the City gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the bondholders and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(i) for the redemption prior to maturity of the Previously Issued Parity Bonds, the Bonds and Additional Bonds, ratably in the proportion that the outstanding principal of each series of Previously Issued Parity Bonds, Bonds or Additional Bonds bears to the total outstanding principal of all Previously Issued Parity Bonds, Bonds and Additional Bonds, provided that, if on any such occasion the principal of any such series is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

(ii) if none of the outstanding Previously Issued Parity Bonds, Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said Previously Issued Parity Bonds, Bonds and Additional Bonds in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; provided, however, that the purchase price for any Previously Issued Parity Bond, Bond or Additional Bond shall not exceed the

redemption price of such Previously Issued Parity Bond, Bond or Additional Bond on the first date upon which it becomes subject to redemption; or

(iii) to the extent that the foregoing clauses (i) and (ii) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the City, to be designated the "City of Dallas, Texas Waterworks and Sewer System Revenue Bonds Insurance Account" (the "Insurance Account"). The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(2) The foregoing provisions of (1) above notwithstanding, the City shall have authority to enter into coinsurance or similar plans where risk of loss is shared in whole or in part by the City.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the City has complied with the requirements of this Section with respect to the maintenance of insurance, and listing all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(i) **Rate Covenant.** The City Council of the City will fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Gross Revenues sufficient, (1) to pay all current operation and maintenance expenses of the System, (2) to produce Net Revenues for each Year at least equal to 1.25 times the principal and interest requirements (including Amortization Installments) of all then outstanding Previously Issued Parity Bonds, Bonds and Additional Bonds for the Year during which such requirements are scheduled to be the greatest, and (3) to pay all other obligations of the System.

(j) **Records.** It will keep proper books of record and account in which full, true and correct entries will be made of all dealings, activities and transactions relating to the System, the Pledged Revenues and the Funds created pursuant to this Ordinance, and all books, documents and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholders.

(k) **Audits.** After the close of each Year while any of the Previously Issued Parity Bonds, Bonds or any Additional Bonds are outstanding, an audit will be made of the books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants. As soon as practicable after the close of each such Year, and when said audit has been completed and made available to the City, a copy of such audit for the preceding Year shall be mailed to the MAC and to any holder of 5% or more in aggregate principal amount of then outstanding Previously Issued Parity Bonds, Bonds and Additional Bonds who shall so request in writing. Such annual audit reports shall be open to the inspection of the bondholders and their agents and representatives at all reasonable times.

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

(m) **No Competition.** It will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities, and, to the extent that it legally may, the City will prohibit any such competing facilities.

Section 22. **AMENDMENT OF ORDINANCE.** (a) **Approval.** That the holders of the Previously Issued Parity Bonds, Bonds and Additional Bonds aggregating in principal amount 51% of the aggregate principal amount of then outstanding Previously Issued Parity Bonds, Bonds and Additional Bonds shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City; provided, however, that without the consent of the holders of all of the Previously Issued Parity Bonds, Bonds and Additional Bonds at the time outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Previously Issued Parity Bonds, Bonds or Additional Bonds so as to:

- (1) Make any change in the maturity of the outstanding Previously Issued Parity Bonds, Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Previously Issued Parity Bonds, Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Previously Issued Parity Bonds, Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Previously Issued Parity Bonds, Bonds or Additional Bonds or impose any conditions with respect to such payment;

- (5) Affect the rights of the holders of less than all of the Previously Issued Parity Bonds, Bonds and Additional Bonds then outstanding; or
- (6) Change the minimum percentage of the principal amount of Previously Issued Parity Bonds, Bonds and Additional Bonds necessary for consent to such amendment.

(b) **Notice.** That if at any time the City shall desire to amend the Ordinance under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all holders of Previously Issued Parity Bonds, Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Previously Issued Parity Bonds, Bonds and Additional Bonds.

(c) **Consent.** That whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the City shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all Previously Issued Parity Bonds, Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the City Council may pass the amendatory ordinance in substantially the same form.

(d) **Effective Date.** That upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations under the Ordinance of the City and all the holders of then outstanding Previously Issued Parity Bonds, Bonds and Additional Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(e) **Consent Irrevocable.** That any consent given by the holder of a Previously Issued Parity Bond, Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication of the notice or other service of written notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Previously Issued Parity Bond, Bond or Additional Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice or other service of written notice by the holder who gave such consent, or by a successor in title, by filing notice thereof with the paying agent/registrar therefor and the City, but such revocation shall not be effective if the holders, identified in accordance with subsection (f) of this Section, of 51% in aggregate principal amount of the then outstanding Previously Issued Parity Bonds, Bonds and Additional Bonds have, prior to the attempted revocation, consented to and approve the amendment.

(f) **Ownership.** That for the purpose of this Section, the fact of the holding of Previously Issued Parity Bonds, Bonds, or Additional Bonds issued in registered form without coupons and the amounts and numbers of such Previously Issued Parity Bonds, Bonds or Additional Bonds and the date of their holding same shall be proved by the bond registration books of the paying agent/registrar therefor. For purposes of this Section, the holder of a Previously Issued Parity Bond, Bond or Additional Bond in such registered form shall be the owner thereof as shown on such registration books. The City may conclusively assume that such ownership continues until written notice to the contrary is served upon the City.

(g) **Certain Amendments.** The foregoing provisions of this Section notwithstanding, the City by action of the City Council may amend this Ordinance for any one or more of the following purposes:

- (1) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to bondholders or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City;
- (2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, including, without limitation, those matters described in clause (vi) of this Ordinance as described under CONTINUING DISCLOSURE UNDERTAKING – Limitations, Disclaimers, and Amendments, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the holders of the Previously Issued Parity Bonds, Bonds or Additional Bonds;
- (3) To modify any of the provisions of this Ordinance in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Previously Issued Parity Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding, and (ii) such modification shall be specifically referred to in the text of all Additional Bonds issued after the date of the adoption of such modification.

Section 26. **CONTINUING DISCLOSURE UNDERTAKING.** (a) **Annual Reports.** (i) That the City shall provide annually to the MSRB, within six months after the end of each Year ending in or after 2021, financial information and operating data with respect to the City of the general type included in the final official statement for the Bonds authorized by this Ordinance, being the information described in Exhibit B thereto (as such information may be amended or supplemented by the City Manager or the Chief Financial Officer of the City to conform Exhibit B to the final official statement prepared in connection with the sale

of the Bonds). The City will additionally provide audited annual financial statements of the City, when and if available, and in any event, within twelve (12) months after the end of each Year ending in or after 2021. If audited financial statements are not available by the end of the twelve (12) month period, then the City shall provide notice that the audited financial statements are not available, shall provide unaudited financial information of the type described in the numbered tables referenced in Exhibit B hereto by the required time, and will provide audited financial statements for the applicable Year to the MSRB, when and if the audit report on such statements become available. Such information shall be transmitted electronically to the MSRB, in such format as prescribed by the MSRB.

(ii) If the Year is changed by the City, the City will notify the MSRB of such change (and of the date of the new end of the Year) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

(b) **Disclosure Event Notices.** That the City shall notify the MSRB of any of the following events with respect to the Bonds, in a timely manner not in excess of ten Business Days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or other similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material;
15. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar event under the terms of a Financial Obligation of the Obligated Person, and which reflect financial difficulties.

As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. 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 of the City, or if jurisdiction has been assumed by leaving the City Council and officials or officers of the City 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. The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection.

As used in clauses 15 and 16 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii); however, the term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time; and the term "Obligated Person" means the City.

(c) **Limitations, Disclaimers, and Amendments.** (i) That the City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with this Ordinance or applicable law that causes Bonds no longer to be outstanding.

(ii) The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(iv) No default by the City in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

(v) Should the Rule be amended to obligate the City to make filings with or provide notices to entities other than the MSRB, the City agrees to undertake such obligation in accordance with the Rule as amended.

(vi) The provisions of this Section may be amended by the City 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, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (A) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (B) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 28. DEFAULT AND REMEDIES. (a) **Events of Default.** That each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the City, the failure to perform which materially, adversely affects the rights of the registered owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any registered owner to the City.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any registered owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City, or any official, officer or employee of the City in their official capacity, for the purpose of protecting and enforcing the rights of the registered owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the registered owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all registered owners of Bonds then outstanding.

(c) Remedies Not Exclusive.

(i) That no remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Bond authorized under this Ordinance, such registered owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or members of the City or the City Council.

(iv) None of the members of the City Council, nor any other official or officer, agent, or employee of the City, shall be charged personally by the registered owners with any liability, or be held personally liable to the registered owners under any term or provision of this Ordinance, or because of any Event of Default or alleged Event of Default under this Ordinance.

Exhibit B to Ordinance

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified below (and included in the Appendix or under the headings of the Official Statement referred to):

Tables 1 through 9 under the Official Statement Section entitled "THE WATER AND WASTEWATER SYSTEM".

Tables 10 through 12 under the Official Statement Section entitled "DEBT INFORMATION".

Tables 13 through 17 under the Official Statement Section entitled "FINANCIAL INFORMATION".

"Excerpts from the Consolidated Annual Financial Report", as set forth in Appendix C to the Official Statement.

Accounting Principles

The accounting principles referred to in such Section are described in the notes to the financial statements referred to in Appendix C described above.

APPENDIX C

EXCERPTS FROM THE FY 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2020

The information contained in this Appendix consists of the City of Dallas, Texas Financial Statements for the Year Ended September 30, 2020, and is not intended to be a complete statement of the financial condition of the City of Dallas.

The information contained in this Appendix is provided as of the respective dates and for the periods specified herein and is subject to change without notice, and the filing of this Appendix does not, under any circumstances, imply that there has been no change in the affairs of the City since the specified date as of which such information is provided. In particular, the dates as of and periods for which some of such information is provided occurred before the impact of the worldwide COVID-19 pandemic and the economic impact of measures instituted to slow it could be fully realized. Accordingly, the historical information set forth in the Appendix is not necessarily indicative of future results or performance due to these and other factors, including those discussed in the Official Statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Basic Financial Statements and Report of Independent Certified Public Accountants

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

September 30, 2020

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

FINANCIAL STATEMENTS

For Fiscal Year Ended September 30, 2020

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1
Management's Discussion and Analysis (Unaudited)	3
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Fund Net Position	14
Statement of Cash Flows	15
Notes to Basic Financial Statements	17
Required Supplementary Information (Unaudited)	52

Independent Auditor's Report

The Honorable Mayor and Members of City Council
City of Dallas, Texas

Report on the Financial Statements

We have audited the accompanying statement of net position of the Dallas Water Utilities Fund (the Fund), an Enterprise Fund of the City of Dallas, Texas (the City), as of September 30, 2020, and the related statements of revenues, expenses and changes in fund net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Dallas Water Utilities Fund of the City of Dallas, Texas, as of September 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Honorable Mayor and Members of City Council
City of Dallas, Texas

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Dallas Water Utilities Fund and do not purport to, and do not, present fairly the financial position of the City of Dallas, Texas, as of September 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions to Pension Plan, Notes to the Schedule of City Contributions to Pension Plan, and the Schedule of Changes in the City's Total OPEB Liability and Related Ratios - Other Postemployment Benefits on pages 52 through 57 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 31, 2021

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020**

As management of the Dallas Water Utilities ("DWU"), an enterprise fund of the City of Dallas, Texas ("the City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the DWU for the fiscal year ended September 30, 2020. The DWU's management's discussion and analysis is designed to: (1) assist the reader in focusing on significant issues; (2) provide an overview of the DWU financial activity; (3) identify changes in the DWU's financial position (its ability to address the next and subsequent year's challenges); and (4) identify issues or concerns. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements. All dollar amounts, unless otherwise indicated, are expressed in thousands.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the DWU exceeded the liabilities and deferred inflows of resources at the close of fiscal year 2020 by \$2.8 billion and in the 2019 fiscal year by \$2.7 billion. The unrestricted net position deficit balance increased by \$48.1 million from \$130.9 million in 2019 to \$179 million in 2020.
- The DWU total net position increased by \$46.3 million in fiscal year 2020 and increased by \$21 million in fiscal year 2019. This represents an increase of \$25.3 million in the net increase in net position from 2019 to 2020. Operating revenues increased \$18.4 million from increased consumption combined with a 2.9 percent increase in wholesale rates, offset by a 4.1 percent retail rate decrease. Additionally, Investment income decreased \$5.8 million, because the average rate of return decreased approximately 42.5 percent from 2.116 percent in fiscal year 2019 to 1.216 percent in fiscal year 2020. Capital contributions from developers also decreased \$674 thousand. Operating expenses decreased \$11.5 million from 2019 to 2020.
- The total balance of the revenue obligation bonds outstanding was \$2.6 billion, including the premium of \$206.8 million, at September 30, 2020. In May 2020, DWU issued Waterworks and Sewer System Revenue Refunding Bonds Series 2020A and Series 2020B in the amount of \$66 million. In July 2020, DWU issued Waterworks and Sewer System Revenue Refunding Bonds Series 2020C and Series 2020D in the amount of \$645.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The DWU basic financial statements are comprised of three components: 1) management's discussion and analysis, 2) financial statements, and 3) notes to the basic financial statements.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Financial Statements

The financial statements are designed to provide readers with a broad overview of the DWU's finances, in a manner similar to a private-sector business and are made up of the statement of net position, statement of revenues, expenses, and changes in fund net position and statement of cash flows.

These statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the DWU assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these reported as net position. The DWU follows the utility method for reporting statement of net position information. Under this method, capital assets appear first, followed by current assets, other noncurrent assets and deferred outflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the DWU is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the DWU customer base and the condition of the DWU infrastructure (i.e., water and wastewater lines, mains, etc.), to assess the overall health or financial condition of the DWU.

The statement of revenues, expenses and changes in fund net position presents information showing how the DWU net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., revenues earned but unbilled and earned but unused compensated absences).

The statement of cash flows reflects changes to the beginning cash and cash equivalents balance. Cash flows are categorized into operating, non-capital financing, capital and related financing, and investing activities.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following the financial statements.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020

FINANCIAL ANALYSIS

Current assets decreased by \$3.8 million from \$551 million to \$547.2 million, mainly due to a decrease in accounts receivable, net of allowance for uncollectible accounts and offset by an increase in cash equivalents held for future debt service. As a result of the COVID-19 pandemic, on March 16, 2020, Dallas Water Utilities suspended water disconnects and late fees until further notice. At September 30, 2020 Accounts receivable have been reduced by an allowance of \$ 12.2 million.

Non-current assets increased by \$15 million, due to an increase in cash and cash equivalents held by escrow agent for construction projects. The increase in in cash and cash equivalents held by escrow agent for construction projects was mostly due to the proceeds from the refunding bonds, and offset by an increase cash outflow on acquisition and construction of capital assets.

Capital assets, net of depreciation, increased \$130.4 million, mainly due to net additions to construction in progress, purchases of equipment, and additions to utility property offset by depreciation expense for the year.

Revenue bonds and pension obligation bonds increased \$214.5 million, mostly due to the issuance of refunding bonds, offset by principal payments and amortizations. In May 2020, DWU issued \$66 million in Waterworks and Sewer System Revenue Refunding Bonds Series 2020A and Series 2020B. In July 2020, DWU issued \$645.5 million in Waterworks and Sewer System Revenue Refunding Bonds Series 2020C and Series 2020D including a premium of \$71.6 million; refunded \$424.2 million of Waterworks and Sewer System Revenue Refunding Bonds including a premium of \$18.6 million. Commercial paper decreased \$111.6 million due to by the issuance of \$147.5 million of new commercial paper and offset by \$259.1 million of commercial paper refunded by Waterworks and Sewer System Revenue Refunding Bonds Series 2020C and Series 2020D.

The remainder of this page intentionally left blank.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020

FINANCIAL ANALYSIS – Continued

**Table 1
Condensed Statements of Net Position
(in thousands)**

	2020	2019
Current and other noncurrent assets	\$930,004	\$918,873
Capital assets, net	5,495,934	5,365,559
Deferred outflows of resources	168,974	289,187
Total assets and deferred outflows of resources	<u>6,594,912</u>	<u>6,573,619</u>
Current liabilities	253,198	258,533
Long-term debt	3,062,598	2,988,145
Other long-term liabilities	480,276	531,057
Deferred inflows of resources	40,151	83,465
Total liabilities and deferred inflows of resources	<u>3,836,223</u>	<u>3,861,200</u>
Net position:		
Net investment in capital assets	2,673,126	2,592,605
Restricted	264,515	250,683
Unrestricted	(178,952)	(130,869)
Net position	<u><u>\$2,758,689</u></u>	<u><u>\$2,712,419</u></u>

The largest portion of the DWU net position reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding and escrow contribution based on the terms of the settlement agreement to the water authority. DWU uses these capital assets to provide service to customers; consequently, these assets are not available for future spending. Although DWU investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The balance of the net investment in capital assets was \$2.7 billion at September 30, 2020.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020**

FINANCIAL ANALYSIS - Continued

The balance of the restricted net position was \$264.5 million at September 30, 2020. The restricted net position represents resources that are subject to external restrictions such as sinking fund balances which include accrued amounts of principal and interest for debt service purposes, the reserve fund to be used for any future debt service payments in case the sinking fund is not appropriately funded and the prepaid escrow for the water authority settlement. The unrestricted net position deficit balance increased by \$48.1 million from \$130.9 million to \$178.9 million, primarily due to a decrease in personnel service cost from the previous year, offset by an increase in total operating revenues from the previous year.

Analysis of DWU Operations

Net position increased \$46.3 million in 2020, which represents an increase of \$25.3 million from the increase in net position for 2019. The increase in net position was mainly due to an increase in operating revenue, a decrease in operating expenses, and a decrease in contributions from developers. The total operating revenues for fiscal year 2020 were \$635.9 million, which was made up of the sale of water of \$392.4 million and treatment of wastewater of \$243.5 million. Total revenues increased \$12.6 million in 2020 over 2019, compared to a decrease from 2018 to 2019 of \$41.1 million. Operating revenues increased \$18.4 million from mainly due to increased consumption combined with a 2.9 percent increase in wholesale rates, offset by a 4.1 percent retail rate decrease. In addition, Investment income decreased \$5.8 million, due mainly to decreases in interest rates during fiscal year 2020. Total operating expenses decreased \$11.5 million in 2020. Loss on property disposal decreased \$912 thousand and interest expense on bonds and notes decreased \$648 thousand. Personnel expenses decreased \$40 million, mainly due to a \$39.7 million decrease in pension expense, and a decrease in other postemployment benefits expense of \$1.1 million, offset by an increase in worker compensation expense. Contractual services expense increased by \$25.8 million, mostly due to an increase in bad debt expense, an increase in professional service expense and an increase in repair and maintenance service equipment expense. Supplies and materials expense decreased by \$2.6 million, primarily due to a decrease in light and power expenses.

The remainder of this page intentionally left blank.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020

FINANCIAL ANALYSIS – Continued

**Table 2
Changes in Fund Net Position
(in thousands)**

	2020	2019
Revenues:		
Operating revenues	\$635,940	\$617,510
Investment income	11,974	17,775
Total revenues	<u>647,914</u>	<u>635,285</u>
Expenses:		
Personnel services	126,139	166,162
Supplies and materials	80,988	83,559
Other operation and maintenance	142,441	116,689
Depreciation and amortization	133,860	128,545
Interest expense	108,084	108,732
Loss on property disposal	180	1,092
Total expenses	<u>591,692</u>	<u>604,779</u>
Increase in net position before capital contributions and transfers	56,222	30,506
Capital contributions	18,910	19,584
Transfers in from other city funds	-	310
Transfers out to other city funds	<u>(28,862)</u>	<u>(29,414)</u>
Change in net position	46,270	20,986
Net position, beginning of year	<u>2,712,419</u>	<u>2,691,433</u>
Net position, end of year	<u><u>\$2,758,689</u></u>	<u><u>\$2,712,419</u></u>

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the current fiscal year, DWU had \$5.5 billion invested in a broad range of capital assets net of accumulated depreciation, including water and sewer lines, mains, pump stations, buildings and vehicles. This amount represents a net increase (including additions, deductions and depreciation) of \$130.4 million, or 2.4 percent, over the prior fiscal year. The current fiscal year included project awards related to water and wastewater treatment plant expansion and improvement.

Some of the major projects attributable to this increase include:

- \$39 million Walcrest Pump Station Construction;
- \$27 million Plano Road and Abrams Tank Rehabilitation;
- \$19 million Elm Fork 72-inch Water Line to Bachman Plant;
- \$15 million Southside Wastewater Treatment Plant Major Maintenance and Rehabilitation; and
- \$15 million Southside Peak Flow Basin Expansion and Rehabilitation.

During 2012, the City entered into the Water Transmission Facilities Agreement with the Tarrant Regional Water District (TRWD) to jointly participate in the design, construction, financing and operation of water transmission facilities capable of delivering additional raw water supply to the Dallas Fort/Worth Metroplex. This will also help to ensure the continued availability of a reliable water supply for their respective customers at the least cost. The TRWD issued bonds to construct the project, \$474 million of which are being used to fund the DWU portion of the project. At September 30, 2020, DWU has recorded an intangible asset in progress of \$459.6 million, including capitalized interest. The remaining \$66.1 million in unspent proceeds held by TRWD were recorded in other noncurrent assets.

Water supply is now available to the City from six surface water impoundments and from water in the Elm Fork of the Trinity River. The City has obtained most of its water supply through contractual agreements with surface reservoir operating entities. DWU provides treated water to its customers within the City on a "retail" basis. Treated and untreated water is provided on a "wholesale" basis to other cities and governmental entities outside of Dallas. A small portion of the City's wastewater is treated by the Trinity River Authority.

Debt

At year-end, DWU had \$2.6 billion in revenue bonds (including premiums of \$206.8 million) outstanding. This represents a 9 percent increase from fiscal year 2019. The DWU share of pension obligation bonds was \$62.4 million (including premium of \$18.9 million) plus \$30.6 million of accreted interest.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

In May 2020, Dallas Water Utilities issued Waterworks and Sewer System Revenue Bonds Series 2020A and Series 2020B of \$66 million and interest rates ranging from 0.03 percent to 0.63 percent. Final maturity will occur on October 1, 2049. The bonds were issued to fund capital construction projects.

In July 2020, Dallas Water Utilities issued Waterworks and Sewer System Revenue Bonds Series 2020C and Series 2020D of \$645.5 million and interest rates ranging from 4.0 percent to 5.0 percent. Final maturity will occur on October 1, 2049. The bonds were issued to refund previously issued waterworks and sewer system bonds and to refund outstanding commercial paper used by Dallas Water Utilities to fund capital construction projects.

The DWU Waterworks and Sewer System Revenue Refunding and Improvement Bonds' underlying ratings are Aa1 by Moody's Investors Service, AAA by Standard & Poor's, and AA+ with Fitch. See Note 5 for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2020-21 budget and FY 2021-22 planned budget will continue to operate and maintain three water purification plants, pump stations, storage tanks, and 5,000 miles of distribution system pipelines to provide 138 billion gallons of drinking water and fire protection to more than 2.5 million people, and two wastewater treatment plants and more than 4,050 miles of wastewater mains in the sanitary sewer system that treat 68 billion gallons of domestic and industrial wastewater, process and dispose of biosolids, and provide reuse effluent water to local area golf courses as a service for the residents of Dallas.

The budgets will manage capital improvement projects totaling approximately \$300 million annually from inception through startup. This includes capital planning, professional services, construction administration, and inspection of the required improvements, and provide for water meter reading, billing, collection, and customer service activities for more than 300,000 accounts monthly.

The proposed retail rate increase for FY 2020-21 is one percent, which will cover increased costs associated with the Integrated Pipeline Project, as well as increases in reservoir operations and maintenance costs. Retail rate increases will average approximately two percent from FY 2021-22 through FY 2024-25. These increases will cover higher personnel costs, additional payments to connect Lake Palestine to the Dallas water supply system, and additional capital program funding necessary to maintain DWU infrastructure. Major expenditure categories include operating and maintenance costs, debt service payments, and transfers to capital. Increases in the forecast period reflect inflation.

To meet the future water needs of our customers, DWU has partnered with the Tarrant Regional Water District on the Integrated Pipeline Project (IPL), which will connect several reservoirs, including Lake Palestine. Construction has begun on the DWU-only portion of the pipeline, which is approximately 42 miles in length at a projected cost of \$506 million (the overall estimated cost of the project is \$1 billion). The project will have the capacity to provide 150 million gallons of water to Dallas per day by around 2027.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020

CONTACTING THE DALLAS WATER UTILITIES FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the DWU finances and to demonstrate accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Controller's Office, at City of Dallas, 1500 Marilla, Room 2BS, Dallas, Texas 75201.

The remainder of this page intentionally left blank.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

Statement of Net Position
September 30, 2020
(in thousands)

Assets and Deferred Outflows of Resources

Capital assets

Completed utility property	\$ 6,735,787
Less accumulated depreciation and amortization	<u>(2,523,683)</u>
Total completed utility plant, net	4,212,104
Land	125,672
Construction in progress	<u>1,158,158</u>
Total capital assets	<u>5,495,934</u>

Current assets

Cash and cash equivalents	212,799
Accounts receivable, less allowance for uncollectible accounts (\$12,226)	76,084
Interest receivable	1,029
Inventories, at cost	15,025
Due from other governments	123
Due from other city funds	268
Prepaid assets	8,384
Restricted assets	
Customer assessment receivable	634
Debt service	
Cash and cash equivalents	163,328
Held for construction purposes	
Pooled cash and cash equivalents	49,739
Customer deposits	
Pooled cash and cash equivalents	<u>19,748</u>
Total current assets	<u>547,161</u>

Other noncurrent assets

Future pipeline reserve capacity rights	66,079
Notes receivable from other city funds	5,659
Prepaid escrow	24,657
Restricted assets	
Cash and cash equivalents held by escrow agent for future debt service	170,627
Cash and cash equivalents for future debt service	25,821
Investments for future debt service	<u>90,000</u>
Total other noncurrent assets	<u>382,843</u>
Total assets	<u>6,425,938</u>

Deferred outflows of resources

Deferred loss on refunding	53,654
Deferred outflows of resources related to pensions	109,686
Deferred outflows of resources related to other postemployment benefits	<u>5,634</u>
Total deferred outflows of resources	<u>168,974</u>
Total assets and deferred outflows of resources	<u>\$ 6,594,912</u>

See accompanying notes to basic financial statements.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

Statement of Net Position (Continued)
September 30, 2020

Liabilities, Deferred Inflows of Resources, and Net Position

Liabilities

Long-term debt, less current maturities	
Revenue bonds payable	\$ 2,517,619
Commercial paper notes payable	52,900
Water transmission facilities financing agreement, payable from restricted assets	404,715
Pension obligation bonds payable	56,791
Accreted interest on pension obligation bonds	30,573
Total long-term debt	<u>3,062,598</u>
Current liabilities payable from restricted assets	
Water transmission facilities financing agreement, payable from restricted assets	10,042
Construction accounts payable	58,456
Revenue bonds payable	119,175
Accrued interest payable	39,291
Total current liabilities (payable from restricted assets)	<u>226,964</u>
Current liabilities payable from current assets	
Accrued payroll payable	2,207
Accounts payable	13,546
Compensated absences payable	4,690
Pension obligation bonds payable	5,559
Accrued interest on pension obligation bonds	232
Total current liabilities (payable from current assets)	<u>26,234</u>
Other long-term liabilities	
Customer deposits, payable from restricted assets	19,748
Compensated absences payable	6,323
Net pension liability	389,659
Other postemployment benefits	60,983
Customer and developer construction advances	3,563
Total other long-term liabilities	<u>480,276</u>
Total liabilities	<u>3,796,072</u>

Deferred inflows of resources

Deferred inflows of resources related to pensions	32,255
Deferred inflows of resources related to other postemployment benefits	7,896
Total deferred inflows of resources	<u>40,151</u>
Total liabilities and deferred inflows of resources	3,836,223

Net position

Net investment in capital assets	2,673,126
Restricted:	
Revenue bond requirements	239,858
Prepaid escrow	24,657
Unrestricted	<u>(178,952)</u>
Total net position	<u>\$ 2,758,689</u>

See accompanying notes to basic financial statements.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2020
(in thousands)

Operating revenues	
Water	\$ 392,387
Wastewater	243,553
Total operating revenues	<u>635,940</u>
Operating expenses	
Personnel services	126,139
Supplies and materials	80,988
Other operation and maintenance	142,441
Depreciation and amortization	133,860
Total operating expenses	<u>483,428</u>
Operating income	152,512
Non-operating income (expense)	
Investment income	11,974
Interest expense on bonds and commercial paper	(108,084)
Loss on property disposal	(180)
Total non-operating income (expenses)	<u>(96,290)</u>
Income before capital contributions and transfers	56,222
Capital contributions	18,910
Transfers out to other city funds	<u>(28,862)</u>
Change in net position	<u>46,270</u>
Net position, beginning of year	<u>2,712,419</u>
Net position, end of year	<u><u>\$ 2,758,689</u></u>

See accompanying notes to basic financial statements.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

Statement of Cash Flows
For the Year Ended September 30, 2020
(in thousands)

Cash flows from operating activities	
Cash received from customers	\$ 645,228
Cash payments to suppliers for goods and services	(68,961)
Cash payments to employees for services	(95,604)
Cash payments for contractual services	<u>(142,450)</u>
Net cash provided by operating activities	338,213
 Cash flows from non-capital financing activities	
Principal paid on pension obligation bonds	(1,610)
Interest paid on pension obligation bonds	(5,321)
Transfers to other city funds	<u>(28,862)</u>
Net cash used in non-capital financing activities	(35,793)
 Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(259,808)
Proceeds from obligation for revenue bonds	783,087
Payment to refunded bond escrow agent	(456,260)
Principal paid on revenue bonds	(105,560)
Interest paid on bonds, notes, and other obligations	(118,802)
Bond issuance costs	(1,722)
Proceeds from sale of commercial paper notes	147,500
Retirement of commercial paper notes	<u>(259,100)</u>
Net cash used in capital and related financing activities	(270,665)
 Cash flows from investing activities	
Investment income	<u>12,030</u>
Net cash provided by investing activities	<u>12,030</u>
 Net increase in cash and cash equivalents	43,785
 Cash and cash equivalents, beginning of year	<u>598,277</u>
Cash and cash equivalents, end of year	<u><u>\$ 642,062</u></u>

See accompanying notes to basic financial statements.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

Statement of Cash Flows (Continued)
For the Year Ended September 30, 2019
(in thousands)

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 152,512
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	133,860
Changes in assets and liabilities	
Decrease in accounts and other receivables	1,256
Increase in customer assessments receivable	(8)
Decrease in inventories	833
Decrease in other assets	7,992
Decrease in due from other governments	526
Decrease in deferred outflows related to other postemployment benefits	1,928
Decrease in deferred outflows related to pensions	123,889
Increase in accounts payable	3,202
Increase in accrued payroll	599
Decrease in compensated absences	(284)
Increase in allowance for doubtful accounts	6,665
Increase in customer deposits	849
Decrease in other post employment benefits	(3,569)
Decrease in customer construction and developer advances	(9)
Decrease in net pension liability	(48,714)
Increase in deferred inflows related to other postemployment benefits	2,496
Decrease in deferred inflows related to pensions	(45,810)
Total adjustments	<u>185,701</u>
Net cash provided by operating activities	<u>\$ 338,213</u>

Current assets

Pooled cash and cash equivalents	212,799
Pooled cash and cash equivalents for current debt service	163,328
Pooled cash and cash equivalents held for construction purposes	49,739
Pooled cash and cash equivalents held customer deposits	19,748
Cash and cash equivalents held by escrow agent for future debt service	170,627
Pooled cash and cash equivalents held for future debt service	<u>25,821</u>
Total cash and cash equivalents at end of year	<u>\$ 642,062</u>

Noncash investing, capital and financing activities

Capital contributions	\$ 18,910
Prepaid escrow	(7,992)
Change in fair value of non-pooled investments	100
Premium/discount amortization	(17,397)
Accretion on capital appreciation bonds	209
Amortization of deferred gain/loss on refunding	(7,876)

See accompanying notes to basic financial statements.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 1. Financial Statement Presentation and Significant Accounting Policies

The accompanying financial statements include only Dallas Water Utilities (DWU), an enterprise fund of the City of Dallas, Texas (the City). The DWU financial statements are not intended to present the financial position or results of operations of the City. The City also administers other departments, whose operations are reflected in the Comprehensive Annual Financial Report of the City. However, certain disclosures are for the City as a whole, since such information is not available for the fund on a separate Fund basis (see Notes 2, 8, 11, 12, 13 and 14).

DWU provides water and wastewater services to customers within the city and to other nearby cities and governmental entities. Chapter XI, Section 14 of the Dallas City Charter requires all costs of service to be paid from revenues arising from customer service rates. This City Charter section also establishes that all customer receipts and revenues shall be used only to provide water and wastewater services, and to provide for any charges made by the City in lieu of ad valorem taxes or that would be due the City if the Water Utilities Department were not a city-owned public utility.

Basis of Accounting

The accounting policies of DWU, as reflected in the accompanying accrual-basis financial statements, conform to accounting principles generally accepted in the United States of America (GAAP) for local government enterprises as prescribed by the Governmental Accounting Standards Board (GASB). The DWU is accounted for using the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flow.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Cash, Deposits and Investments

In accordance with City policies, DWU participates in the City's pooled cash and investment program which is administered by the City Controller's Office. A significant portion of cash and investments held by the City is pooled. The pooled cash and investment program of the City is operated under the provisions of City ordinance and a specific City investment policy. The policy states that the City shall invest cash balances over the anticipated amount needed to meet operating requirements. Investments are stated at fair value. The balance reported as "Cash and Cash Equivalents" represents the equity of the Fund in the pooled cash and investments of the City. The Fund's share of the interest earnings of the pooled investments is determined by allocating interest to each of the participating funds based on average daily balances.

Long-term pooled investments are reported as investments on the statement of net position. Investments in U.S. government obligations and other investments are recorded at fair value based on quoted market prices (Note 2).

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 1. Financial Statement Presentation and Significant Accounting Policies (continued)

Capital Assets

Capital assets include property, plant, equipment and improvements/infrastructure assets. Generally, equipment with an individual cost of at least \$5 thousand, infrastructure with a cost of at least \$25 thousand and buildings with a cost of at least \$50 thousand and an estimated useful life of more than one year, are capitalized. Purchased or constructed capital assets are stated at cost or at estimated historical cost if original cost is not available. Assets acquired by donation are recorded at acquisition value on the date received.

Depreciation and amortization are provided using the straight-line method over estimated useful lives as shown below, stated in the number of years by property.

Infrastructure and rights to water supply	50 to 100
Reservoirs and water rights	100
Buildings	10 to 50
Improvements other than buildings	10 to 100
Equipment	3 to 25
Utility property	33 to 75

For constructed property, capitalized costs include amounts applicable to construction for payroll, payroll related costs, and general and administrative overhead. Maintenance and repairs are charged to operations as incurred. Improvements which extend the useful lives of capital assets are capitalized.

Transactions with Other City Departments

Operating revenues include billings and charges to other City departments for water and wastewater services, for which other departments made payments of \$5.4 million during fiscal year 2020. Operating expenses include payments to other City departments of \$114.5 million in 2020, including health benefit payments for employees, office supplies, vehicle fuel and maintenance, communications and data services, programming and batch processing, street rental, and other miscellaneous City services. DWU also reimburses other City departments for other construction-related costs paid by those departments for DWU. Current assets and other non-current assets at September 30, 2020 include advances of \$5.7 million due from other City funds bearing original interest at rates of 4.25 percent to 5.20 percent, subject to change based on interest received on City investments. All other nonreciprocal transactions between funds which are not reimbursements and where the funds do not receive equivalent goods and services for the transactions are classified as transfers (i.e. payments in lieu of taxes).

Compensated Absences

The City's employees earn vacation, sick, and attendance incentive leave which may be used or accumulated up to certain amounts. Unused vacation and attendance incentive leave is paid upon death, retirement, or termination. Unused sick leave is reduced to a specified limit when paid upon retirement, certain terminations, or death.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 1. Financial Statement Presentation and Significant Accounting Policies (continued)

In accordance with the criteria established in the Codification of Governmental Accounting Standards, Section C60, "Compensated Absences," a liability is recorded for vacation leave earned by employees attributable to past service and sick leave earned by employees attributable to past service only to the extent it is probable that such leave will result in termination pay. In addition, a liability has been recorded for certain salary related payments associated with the payment of accrued vacation and sick leave.

Risk Management

The City is self-funded for workers' compensation, employee health insurance, most property damage and the majority of tort liability exposures. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. Indemnity and insurance protection are also required for all City contractors, vendors, lessees, and permit holders. Claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The recorded estimated liability for claims and judgments includes a provision for Incurred but Not Reported (IBNR) liabilities for workers' compensation, tort cases, and employee health insurance.

Accounts Receivable

Accounts receivable includes billed and unbilled customer receivables at September 30, 2020. Unbilled receivables include estimated revenues for water and wastewater services provided but not yet billed at September 30.

Inventory

Inventory consists of construction and operating materials, which are valued at average cost and is recorded as an expense when consumed.

Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond September 30, 2020. Prepaid items are recorded using the consumption method.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of DWU are derived from treatment and supply of water, and treatment and collection of wastewater. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 1. Financial Statement Presentation and Significant Accounting Policies (continued)

Restricted vs. Unrestricted

Restricted assets include debt service, investments for future debt service, cash held for construction purposes, cash held by escrow agent for future debt service, and customer deposits. Unrestricted assets can be used for any allowable purpose. When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first and then unrestricted resources as they are needed.

Deferred Outflows/Inflows of Resources

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – The pension contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year.
- Net difference in projected and actual earnings on pension assets and difference between estimated and actual experience related to pensions – These are amortized as a component of pension expense over a closed period of five years.
- Difference between estimated and actual experience related to pensions and other postemployment benefits (OPEB) - These are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period.
- Changes in assumptions related to pensions and OPEB – These are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period.

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

- Net difference in projected and actual earnings on pension assets and difference between estimated and actual experience related to pensions – These are amortized as a component of pension expense over a closed period of five years.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 1. Financial Statement Presentation and Significant Accounting Policies (continued)

- Difference between estimated and actual experience related to pensions and other postemployment benefits (OPEB) - These are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period.
- Changes in assumptions related to pensions and OPEB – These are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period.

Bond Premiums, Discounts, and Issuance Costs

In the Fund's financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs, except any portion related to prepaid insurance costs (if applicable), are recognized as an expense in the period incurred.

Net Position

In the Fund's financial statements, the net position is reported in three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. Net investment in capital assets represents the Fund's total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Fund considers pooled cash and cash equivalents and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

New Accounting Pronouncements

The City was not required to implement any Governmental Accounting Standards Board (GASB) Statements during fiscal year 2020.

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 84, "Fiduciary Activities," will be implemented as required by GASB during the fiscal year ending September 30, 2021. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. DWU is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 1. Financial Statement Presentation and Significant Accounting Policies (continued)

GASB Statement No. 87, "Leases," will be implemented as required by GASB during the fiscal year ending September 30, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. DWU is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

GASB Statement No. 90, "Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61," will be implemented as required by GASB during the fiscal year ending September 30, 2021. The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engage only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. DWU is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

GASB Statement No. 91, "Conduit Debt Obligations," will be implemented as required by GASB during the fiscal year ending September 30, 2022. The primary objectives of the Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with: (1) commitments extended by issuers; (2) arrangements associated with conduit debt obligations; and (3) related not disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving require note disclosures. DWU is currently evaluating potential changes to the financial statements as a result of implementation of this Statement

GASB Statement No. 92, "Omnibus 2020," will be implemented as required by GASB during fiscal years ending September 30, 2021, except for the requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The objectives of the Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. DWU is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 1. Financial Statement Presentation and Significant Accounting Policies (continued)

GASB Statement No. 93, "Replacement of Interbank Offered Rates," will be implemented as required by GASB during fiscal years ending September 30, 2021 and September 30, 2022. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of interbank offered rates with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. DWU is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," will be implemented as required by GASB during fiscal year ending September 30, 2023. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. DWU is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance," will be implemented immediately as required by GASB. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations;
- Statement No. 84, Fiduciary Activities;
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements;
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period;
- Statement No. 90, Majority Equity Interests;
- Statement No. 91, Conduit Debt Obligations;
- Statement No. 92, Omnibus 2020;
- Statement No. 93, Replacement of Interbank Offered Rates;
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting);
- Implementation Guide No. 2018-1, Implementation Guidance Update-2018;
- Implementation Guide 2019-1, Implementation Guidance Update-2019; and
- Implementation Guide No. 2019-2, Fiduciary Activities.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 1. Financial Statement Presentation and Significant Accounting Policies (continued)

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements," will be implemented as required by GASB during fiscal year ending September 30, 2023. The objective of the Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements of subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered in to SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The City is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32," will be implemented as required by GASB. The requirements in (1) paragraph 4 of this Statement as it applies to defined contributions pension plans, defined contribution OPEB Plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6 – 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of paragraphs 4 and 5 of this statement did not result in any changes to the financial statements, and DWU is currently evaluating potential changes to the financial statements as a result of implementation of the remaining paragraphs of this Statement.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 2. Cash, Deposits, and Investments

A summary of the carrying amount of cash on hand, deposits, and investments at September 30, 2020 is as follows:

	Cash and Pooled Investments with City Treasury
Deposits	\$ 50,594
Investments-cash and cash equivalents	162,205
Investments-restricted cash and cash equivalents	519,263
Total	<u>\$ 732,062</u>

DWU categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The remainder of this page intentionally left blank.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 2. Cash, Deposits, and Investments (continued)

DWU has the following recurring fair value measurements as of September 30, 2020:

	Fair Value Measurement Using Quoted Prices		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Investments by Fair Value Level</u>			
Federal Agricultural Mortgage Corporation Notes	\$ 49,869	\$ -	\$ 49,869
Federal Farm Credit Bank Notes	47,863	-	47,863
Federal Home Loan Bank Notes	19,474	-	19,474
Federal Home Loan Mortgage Corporation Notes	17,535	-	17,535
Treasury Bond	47,256	47,256	-
Total Investments by Fair Value Level	<u>\$ 181,997</u>	<u>\$ 47,256</u>	<u>\$ 134,741</u>
<u>Investments Measured at Fair Value</u>			
Local Government Investment Pools	<u>71,253</u>		
<u>Investments Measured at Net Asset Value (NAV)</u>			
Money Market Mutual Funds	<u>217,988</u>		
<u>Investments Measured at Amortized Cost</u>			
Local Government Investment Pools	<u>210,230</u>		
Total Investments	<u>\$ 681,468</u>		

The City invests in LOGIC, TexSTAR, Texas CLASS, TexPool, and TexasTERM, which are Local Government Investment Pools (LGIPs) created under the Interlocal Cooperation Act, Texas Government Code Chapter 791, and the Public Funds Investment Act, Texas Government Code Chapter 2256. These two acts provide for the creation of LGIP's and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools. The LGIPs follow all requirements of the Public Funds Investment Act, including being rated by a nationally recognized rating agency, using amortized cost valuation, and, to the extent reasonably possible, stabilize at a \$1 net asset value.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 2. Cash, Deposits, and Investments (continued)

J.P. Morgan Investment Management Inc. and First Southwest Company (a division of Hilltop Securities) serve as co-administrators for the TexSTAR & LOGIC programs under agreements with each pool's respective board of directors. The TexSTAR governing board is a five-member Board consisting of three representatives of employees, officers or elected officials of participating government entities, and one member designated by each of the co-administrators. In addition, TexSTAR has an Advisory Board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool. The governing body of LOGIC is a five-member board of directors comprised of employees, officers or elected officials of participating government entities, or individuals who do not have a business relationship with LOGIC and are qualified to advise the pool. A maximum of two Advisory Board members represent the co-administrators of LOGIC

Public Trust Advisors, LLC provides investment advisory services and administration and marketing services to Texas CLASS. Texas CLASS Board of Trustees oversees Texas CLASS. The Board is comprised of active members of the pool and elected by the Participants, guided by the Advisory Board. The Board is responsible for selecting the Administrator and Investment Advisors.

The Comptroller of Public Accounts for the State of Texas is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool and TexPool Prime. Pursuant to the TexPool Participation Agreement, administrative and investment services to the TexPool Portfolios are provided by Federated Investors, Inc., under an agreement with the State Comptroller, acting on behalf of the Trust Company. In addition, TexPool has an Advisory Board composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios

PFM Asset Management LLC serves as Investment Advisor and Administrator of TexasTERM. An Advisory Board is responsible for the overall management of the pool, including formation and implementation of its investment and operating policies. The members of the Advisory Board are local government officials elected by Texas TERM's investors

Deposit and Investment Risk Disclosures of Funds with the City Treasurer

GASB Statement No. 40, "Deposit and Investment Risk Disclosures," requires disclosure information related to common risks inherent in deposit and investment transactions. Investments are subject to certain types of risks, including custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Exposure of deposited funds and investment risk are disclosed in the following sections of this note

Custodial Credit Risk

Custodial credit is the risk that, in event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. As of September 30, 2020, \$50,594 was fully collateralized and insured by U.S. Federal Agency securities and the Federal Deposit Insurance Corporation. The collateral pledged to the City is held in the City's name at the Bank of New York Mellon. The FDIC insures demand accounts up to \$250 thousand in the aggregate. At September 30, 2020, all deposits were either insured or collateralized.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 2. Cash, Deposits, and Investments (continued)

Safekeeping of investment securities is provided by the City's depository and trust institutions. Securities are held in street name with the bank as nominee. As of September 30, 2020, the City's investments held by the counterparty, and not insured, are as follows:

Security Type	Fair Value
U.S. Agency Securities	\$ 181,997

Texas statutes and City policy authorize operating, capital projects, bond reserve and trust monies to be deposited in demand deposits, time deposits, or certificates of deposits. Texas statutes and City policy require all uninsured collected deposits to be fully collateralized.

Concentration of Credit Risk

The Fund's concentration of credit risk for investments is shown below. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded.

Agencies and Securities by Issuer	Fair Value	Percent of Total Portfolio
Federal Agricultural Mortgage Corporation Notes	\$ 49,869	27.40%
Federal Farm Credit Bank Notes	47,863	26.30%
Federal Home Loan Bank Notes	19,474	10.70%
Federal Home Loan Mortgage Corporation Notes	17,535	9.63%
Treasury Bond	47,256	25.97%
Total	<u>\$ 181,997</u>	<u>100.00%</u>

Credit Risk

The Public Funds Investment Act requires that investments shall be made in accordance with written policies approved at least annually by the governing body. Investment policies must address safety of principal, liquidity and yield, with primary emphasis on safety of principal. In accordance with this Policy, the City may invest in direct or guaranteed obligations of the U.S. Treasury, certain U.S. agencies and instrumentalities, and direct obligations of states and local governments with a credit rating no less than Aa3 or its equivalent; fully collateralized certificates of deposit and repurchase agreements; no-load money market mutual funds and local government investment pools with credit ratings no less than Aaa or its equivalent.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Money market mutual funds and local government investment pools in the City's portfolio are rated AAA by Standard & Poor's and/or Aaa by Moody's. U.S. Treasury Notes and Bills are obligations of the U.S. government and are not considered to have credit risk and thus are not rated (NR). Long-term bond ratings are used for the U.S. Government Agencies except for Federal Agricultural Mortgage Corporation (FAMC) Notes. U.S. Government Agencies are direct obligations of the United States agencies, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States agencies. Ratings for the City's portfolio are listed on the following table.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 2. Cash, Deposits, and Investments (continued)

Security Type	Fair Value	Percent of Total Portfolio	S&P/Moody's Ratings
Money market mutual funds and investment pools	\$ 499,471	73.29%	AAAm/Aaa
Federal Agricultural Mortgage Corporation Notes	49,869	7.32%	Not Rated
U.S. Agency securities	132,128	19.39%	AA+/Aaa
Total	<u>\$ 681,468</u>	<u>100.00%</u>	

Interest Rate Risk

In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years. The weighted average maturity of the securities held in the City's portfolio at September 30, 2020 is as follows:

Security Type	Fair Value	Weighted Average Maturity (days)
Money market mutual funds	\$ 217,988	1
Local Government Investment Pools	281,483	12
U.S. Agency securities	181,997	355
Total	<u>\$ 681,468</u>	<u>142</u>

Note 3. Assets Restricted for Debt Service

Bond documents authorizing issuance of water and wastewater system revenue bonds and the related offering documents prescribe the timing and determination of amounts to be accumulated and maintained for debt service. These ordinances require that amounts be set aside in advance to provide for the next scheduled principal and interest payments. Such amounts are reflected in the accompanying statement of net position as current maturities of revenue bonds and accrued revenue bond interest. The ordinances also require that a "revenue bond reserve fund" be accumulated and maintained. If the reserve fund contains less than the future average annual principal and interest requirements of all outstanding revenue bonds, determined after each bond issue, the ordinances require equal monthly additions to the reserve fund in amounts which, after 60 months, will result in a reserve fund balance which is equal to the future average annual principal and interest requirements. At September 30, 2020, the reserve fund was in compliance with the ordinance requirements.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2020 is as follows:

	Balance, September 30, 2019	Additions	Deletions	Balance, September 30, 2020
Capital assets, not being depreciated				
Land	\$ 122,907	\$ 2,765	\$ -	\$ 125,672
Construction in progress	1,160,320	241,055	(243,217)	1,158,158
Total capital assets, not being depreciated	<u>1,283,227</u>	<u>243,820</u>	<u>(243,217)</u>	<u>1,283,830</u>
Capital assets, being depreciated				
Water rights	353,910	-	-	353,910
Buildings	524,565	199	(18)	524,746
Improvements other than buildings	81,851	-	-	81,851
Infrastructure	581,220	306	-	581,526
Equipment	636,780	37,881	(14,196)	660,465
Utility property	4,308,334	225,426	(471)	4,533,289
Total capital assets, being depreciated	<u>6,486,660</u>	<u>263,812</u>	<u>(14,685)</u>	<u>6,735,787</u>
Less accumulated depreciation for				
Water rights	(127,530)	(3,542)	-	(131,072)
Buildings	(248,758)	(10,165)	-	(258,923)
Improvements other than buildings	(32,851)	(2,078)	-	(34,929)
Infrastructure	(264,868)	(10,065)	5	(274,928)
Equipment	(430,739)	(19,250)	14,082	(435,907)
Utility property	(1,299,582)	(88,760)	418	(1,387,924)
Total accumulated depreciation	<u>(2,404,328)</u>	<u>(133,860)</u>	<u>14,505</u>	<u>(2,523,683)</u>
Total capital assets being depreciated, net	<u>4,082,332</u>	<u>129,952</u>	<u>(180)</u>	<u>4,212,104</u>
Total capital assets, net	<u>\$ 5,365,559</u>	<u>\$ 373,772</u>	<u>\$ (243,397)</u>	<u>\$ 5,495,934</u>

Note 5. Long-Term Debt

Water and wastewater system revenue bonds constitute obligations of the DWU, secured solely by a pledge of all revenues of the City's water and wastewater system (operated as "Dallas Water Utilities"), after deduction of reasonable operation and maintenance expenses. All DWU revenue bonds may be redeemed at the City's option, at par value, on or after the tenth annual serial maturity date.

DWU is also obligated to pay a proportionate share of the Pension Obligation Bonds issued by the City of Dallas.

Revenue bonds payable at September 30, 2020 include the following issues. Future long-term liabilities and interest rates shown on the following pages are for bonds outstanding on September 30, 2020.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 5. Long-Term Debt (continued)

	Balance, September 30, 2019	Additions	Deletions	Balance, September 30, 2020	Due Within One Year
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds					
Series 2010	\$ 104,700	\$ -	\$ 96,175	\$ 8,525	\$ 8,525
Series 2011	134,265	-	99,640	34,625	13,820
Series 2012	270,465	-	109,640	160,825	19,495
Series 2013	142,550	-	110,790	31,760	3,310
Series 2015	591,670	-	16,070	575,600	45,460
Series 2016	486,615	-	31,560	455,055	4,860
Series 2017	168,750	-	2,930	165,820	3,080
Series 2018C	152,965	-	2,580	150,385	2,710
Series 2020C	-	281,825	-	281,825	5,615
Series 2020D	-	363,665	-	363,665	2,340
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds (Direct Placements)					
Series 2009B	5,505	-	5,005	500	500
Series 2009C	58,733	-	53,353	5,380	5,380
Series 2018A	22,000	-	675	21,325	675
Series 2018B	44,000	-	1,295	42,705	1,300
Series 2019A	22,000	-	-	22,000	720
Series 2019B	44,000	-	-	44,000	1,385
Series 2020A	-	22,000	-	22,000	-
Series 2020B	-	44,000	-	44,000	-
Total Revenue Bonds Payable	2,248,218	711,490	529,713	2,429,995	119,175
Add: Unamortized Premium	171,915	71,598	36,714	206,799	
Total Revenue Bonds	2,420,133	783,088	566,427	2,636,794	119,175
Pension Obligation Bonds	45,088	-	1,610	43,478	5,559
Add: Net Premium/Discount	19,560	-	688	18,872	-
Add: Accretion	30,364	3,802	3,593	30,573	-
Total Pension Obligation Bonds	95,012	3,802	5,891	92,923	5,559
Total Bonds Payable	2,515,145	786,890	572,318	2,729,717	124,734
Direct Borrowings					
Commercial paper notes	164,500	147,500	259,100	52,900	
Water transmission facilities financing agreement	425,442	-	10,685	414,757	10,042
Total direct borrowings	589,942	147,500	269,785	467,657	10,042
Other liabilities					
Compensated absences payable	11,297	4,259	4,543	11,013	4,690
Other postemployment benefits	64,552	3,350	6,919	60,983	-
Net pension liability	438,373	84,108	132,822	389,659	-
Arbitrage rebate	188	-	188	-	-
Total other liabilities	514,410	91,717	144,472	461,655	4,690
Total long-term debt	\$ 3,619,497	\$1,026,107	\$ 986,575	\$ 3,659,029	\$ 139,466

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 5. Long-Term Debt (continued)

Water Works and Sewer System Revenue Bonds

In July 2020, Dallas Water Utilities issued Waterworks and Sewer System Revenue Bonds Series 2020C and Series 2020D of \$645.5 million and interest rates ranging from 4.0 percent to 5.0 percent. Final maturity will occur on October 1, 2049. The bonds were issued to refund previously issued waterworks and sewer system bonds and to refund outstanding commercial paper used by Dallas Water Utilities to fund capital construction projects. Proceeds of \$456.3 million were deposited with an escrow agent to be used to pay the outstanding amount of the refunded bonds. As a result, \$424.2 million of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. The refunding resulted in a difference of \$13.5 million between the net carrying amount of the old debt and the reacquisition price. This difference, reported in the accompanying financial statement as a deferred outflow of resources, is being amortized to interest expense over the life of the old bonds. Total debt service payments decreased by \$118.5 million as a result of the refunding. The City also incurred an economic gain (difference between the present value of the old debt and new debt service payments) of \$92.6 million.

Water Works and Sewer System Revenue Bonds and Pension Obligation Bonds (Direct Placements)

In fiscal year 2020, and prior years Dallas Water Utilities issued Waterworks and Sewer System Revenue Refunding and Improvement Bonds to fund capital construction projects. These were direct placements facilitated by the Texas Water Development Board. These bonds are special obligations of the City, payable solely from and secured by a first lien on and pledge of the pledged revenues of the system, which include the net revenues of the system remaining after deduction of current expenses of operation and maintenance. Events of default include nonpayment events and covenant noncompliance. In the event of default, registered owners may seek a writ of mandamus to compel officials of the City to carry out their legally imposed duties with respect to the bonds.

In May 2020, Dallas Water Utilities issued Waterworks and Sewer System Revenue Bonds Series 2020A and Series 2020B of \$66 million and interest rates ranging from 0.03 percent to 0.63 percent. Final maturity will occur on October 1, 2049. The bonds were issued to fund capital construction projects.

At September 30, 2020, and during the year then ended, the City believes it was in compliance with the financial covenants of all authorizing ordinances for outstanding water and wastewater system revenue debt.

The pension obligation bonds are allocated between the City's governmental and enterprise funds. The numbers presented below include the Fund's portion of the total issue. Of the total issue, 18.78 percent is allocated to DWU. The City-issued pension obligation bonds are to be paid through increased contributions to the pension debt service account.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 5. Long-Term Debt (continued)

DWU's pension obligation bonds outstanding as of September 30, 2020 are as follows:

	<u>Maturity</u>	<u>Rates</u>	<u>Amount</u>
Series 600	2035	3.24% to 5.19%	\$ 20,726
Series 601	2035	4.10% to 5.48%	8,512
Series 632	2024	0.295% to 4.66%	14,240
Total			<u>\$ 43,478</u>

Pension Obligation Bonds are paid through increased contributions to the City's Debt Service fund. Operating revenues from DWU operations and interest earned on the cash balance in the City's Debt Service fund are pledged for repayment of the debt. Revenues are transferred from DWU to the City's Debt Service fund to meet annual principal and interest obligations.

The future principal and interest requirements of revenue bonds and pension obligation bonds attributed to DWU are shown on the table below:

Fiscal Year	Dallas Water Utilities					
	Revenue Bonds			Revenue Bonds-Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 109,215	\$ 80,479	\$ 189,694	\$ 9,960	\$ 1,487	\$ 11,447
2022	119,295	81,961	201,256	6,340	1,438	7,778
2023	113,625	78,101	191,726	6,350	1,425	7,775
2024	102,995	74,263	177,258	6,365	1,409	7,774
2025	94,635	70,388	165,023	6,385	1,390	7,775
2026-2030	449,390	298,284	747,674	32,310	6,576	38,886
2031-2035	437,605	208,276	645,881	33,215	5,664	38,879
2036-2040	413,910	119,408	533,318	34,550	4,315	38,865
2041-2045	273,175	53,018	326,193	36,320	2,564	38,884
2046-2049	114,240	8,746	122,986	30,115	604	30,719
Total	<u>\$ 2,228,085</u>	<u>\$ 1,072,924</u>	<u>\$ 3,301,009</u>	<u>\$ 201,910</u>	<u>\$ 26,872</u>	<u>\$ 228,782</u>

Fiscal Year	Pension Obligation Bonds		
	Principal	Interest	Total
2021	\$ 5,559	\$ 1,575	\$ 7,134
2022	6,081	1,281	7,362
2023	6,685	976	7,661
2024	7,248	657	7,905
2025	1,513	6,909	8,422
2026-2030	7,548	38,607	46,155
2031-2035	8,844	44,782	53,626
Total	<u>\$ 43,478</u>	<u>\$ 94,787</u>	<u>\$ 138,265</u>

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 5. Long-Term Debt (continued)

Dallas Water Obligation for Water Transmission Facilities Financing Agreement (Direct Borrowing)

Tarrant Regional Water District (TRWD), a water control and improvement district and political subdivision of the State of Texas, issued Water Facilities Contract Revenue Bonds in February 2012 in the amount of \$131.9 million, in January 2014 in the amount of \$202.1 million, and in December 2015 in the amount of \$140 million. The bonds were issued to finance the DWU share of costs for designing, acquiring, constructing, improving, repairing, rehabilitating, and/or replacing water transmission facilities capable of delivering additional raw water supply to the respective customers of the DWU and TRWD (the Project). The Project is tentatively scheduled to be completed in 2025. The City's share of the total cost of the Project is estimated to be \$1 billion. Upon completion of the Project, DWU will have reserved capacity rights in the amount of 150 million gallons per day. Depending on the timing of construction, additional bonds are expected to be issued throughout the construction period.

In order to ensure adequate funding from DWU for the payment of principal and interest, the City entered into a separate funding agreement with TRWD, a Water Transmission Facilities Financing Agreement (the Agreement). Under this Agreement, the City is obligated to make payments to TRWD for the principal and interest amounts associated with the bonds. The Agreement establishes through State statutes that those payments will be treated as operating and maintenance expenses. This interpretation of the treatment of payments to TRWD as operating and maintenance expenses is only being applied to the schedule of revenue bond coverage for the DWU and for purposes of establishing rates.

The Agreement establishes that TRWD shall own and operate the Project, subject to Dallas' reserved capacity rights in the Project. The bonds are a special obligation of TRWD. Principal and interest are secured by and payable solely from payments to be received by TRWD from the City to the extent required and provided in the Agreement. The bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements. At September 30, 2020, the TRWD Water Facilities Contract Revenue Bonds outstanding were \$416 million.

The City has determined the obligation under the Agreement to be a liability to the extent that such obligations are for the payment of bonds issued to fund the DWU share of costs for the Project. The City has capitalized the development of an intangible asset, Pipeline Reserve Capacity Rights, in Construction in Progress for the actual Project costs incurred by TRWD. The unspent proceeds held by TRWD for future construction costs have been recorded in Other Noncurrent Assets – Future Pipeline Reserve Capacity Rights. The interest rates for the obligation range from 0.45 percent to 6.00 percent. The obligation will be amortized over a period of 30 years. The balance of the obligation for the Agreement was \$415 million at September 30, 2020.

The revenues and income received by the Dallas Water Utilities from the ownership and operation of the system are pledged as security for repayment of the obligation. Events of default include nonpayment events and covenant noncompliance. In the event of default, TRWD may apply the Texas post judgement interest rate to all amounts not paid when due, assess other interest and legal fees, enforce the rights of the holders of the underlying bonds, and/or suspend the use of by Dallas of its reserved capacity rights in the project.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 5. Long-Term Debt (continued)

The schedule of principal and interest payments required for the obligation is provided below:

Fiscal Year	Principal	Interest	Total
2021	\$ 10,042	\$ 16,653	\$ 26,695
2022	11,285	16,204	27,489
2023	11,640	15,732	27,372
2024	12,105	15,235	27,340
2025	12,520	14,781	27,301
2026-2030	70,285	66,877	137,162
2031-2035	85,960	52,686	138,646
2036-2040	106,665	33,247	139,912
2041-2045	94,255	9,728	103,983
Total	<u>\$ 414,757</u>	<u>\$ 241,143</u>	<u>\$ 655,900</u>

Commercial Paper Notes (Direct Borrowing)

The commercial paper program constitutes an obligation subordinate to the Waterworks and Sewer System revenue bonds. Any advances made by credit providers for payments of commercial paper under the line of credit are secured by water and wastewater pledged revenues.

The commercial paper notes Series D are supported by two liquidity agreements through two banks. The liquidity agreements supporting the Sub-Series D-1 and Sub-Series D-2 notes are through State Street Bank and Trust Company and Bank of America N.A., respectively, and extend to December 30, 2020. The Sub-Series D-1 notes have an aggregate available principal amount not to exceed \$241.6 million, which includes \$225 million of principal together with approximately \$16.6 million of accrued interest for a maximum maturity date not to exceed 270 days at a rate of 10 percent per annum. The Sub-Series D-2 notes have an aggregate available principal amount not to exceed \$80.5 million, which includes \$75 million of principal together with approximately \$5.5 million of accrued interest for a maximum maturity date not to exceed 270 days at a rate of 10 percent per annum.

The commercial paper notes Series E are supported by a liquidity agreement with JPMorgan Chase Bank, N.A., and extend to March 31, 2021. The Series E notes have an aggregate available principal amount not to exceed \$322.2 million, which includes \$300 million of principal together with approximately \$22.2 million of accrued interest for a maximum maturity date not to exceed 270 days at a rate of 10 percent per annum.

Events of default include nonpayment of fees, incorrect or untrue statement made by the City the agreements, breach of covenant, unsatisfied judgements over \$10 million, acceleration of other debt in an amount greater than \$5 million, filing of bankruptcy, validity of agreement invalidated by any governmental authority, debt moratorium, bond ratings downgraded below Baa3/BBB-, material adverse effects as a result of State law repeal or any event of default as defined in Sub-Series D-1 and Series E credit agreements. The lender may seek a writ of mandamus to compel officials of the City to carry out their legally imposed duties with respect to the notes.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 5. Long-Term Debt (continued)

During fiscal year 2020, \$147.5 million was issued and \$259.1 million was repaid. Upon maturity, the notes will be remarketed by the commercial paper dealers or extinguished with long-term debt. The balance of the commercial paper notes payable was \$52.9 million at September 30, 2020.

Defeasance of Debt

In current and prior years, DWU legally defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of the refunded bonds. Accordingly, the trust accounts and the defeased bonds are not included in DWU's basic financial statements.

As of September 30, 2020, DWU had a total of \$1.1 billion defeased outstanding water and sewer revenue bonds. The following is a schedule of defeased bonds during the fiscal year:

	September 30 2019	Additions	Deletions	September 30, 2020
Water and Sewer Revenue Bonds	\$ 723,380	\$ 424,153	\$ 47,670	\$ 1,099,863

Note 6. Other Long-Term Obligations

Other long-term obligations are as follows as of September 30, 2020:

	September 30 2019	Additions	Deletions	September 30, 2020
Customer deposits, payable from restricted assets	\$ 18,899	\$ 2,212	\$ 1,363	\$ 19,748
Customer and developer construction advances	3,572	2,614	2,623	3,563
Total other long-term obligations	<u>\$ 22,471</u>	<u>\$ 4,826</u>	<u>\$ 3,986</u>	<u>\$ 23,311</u>

Note 7. Commitments

At September 30, 2020, commitments under construction contracts in progress and operating encumbrances were outstanding in the following amounts:

Construction encumbrances	\$ 9,921
Operating encumbrances	452,476
Total	<u>\$ 462,397</u>

For purposes of its water supply system, the City is contractually committed to pay a portion of the net operating and maintenance expenses of several reservoirs operated by other governmental agencies or authorities. The City is also contractually committed to pay a portion of the net operating and maintenance expenses of the Trinity River Authority's Regional Wastewater System (the "Authority"). The contract with the Authority provides in effect that amounts of capital obligation, interest, and operation and maintenance expenses vary with Dallas' proportionate share of total wastewater treated by the Authority's Central Regional Wastewater System.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 8. Contingencies

Pending Lawsuits and Claims

Various claims and lawsuits are pending against the City and its officers and employees acting in their official capacities. Those lawsuits and claims, excluding condemnation proceedings, which are considered “probable” and estimable are accrued as a liability, while those claims and judgments, excluding condemnation proceedings, which are considered “reasonably possible” are disclosed but not accrued.

At September 30, 2020, approximately \$52.4 million has been accrued in the City Risk Fund as a liability for pending material claims and lawsuits, excluding condemnation proceedings, considered to be probable. In the opinion of the City Attorney, this is the total amount of all such pending claims and lawsuits which represent probable loss to the City.

In the opinion of the City Attorney, the potential loss resulting from all material pending lawsuits and claims, excluding condemnations proceedings, which are considered reasonably possible and estimable, is approximately \$19 million as of September 30, 2020.

Note 9. Dallas Water Utilities Prepaid Escrow

On October 1, 1981, the City of Dallas purchased water supply rights for Lake Fork, a water source owned and operated by the Sabine River Authority (Authority), for approximately \$117 million. Lake Fork is located on Lake Fork Creek, a tributary of the Sabine River, in Wood, Hopkins, and Rains Counties, approximately 70 miles east of the City of Dallas. Financial obligations of the City's share of Lake Fork water supply rights were fully paid as of December 2004. The City now has a contract with the Authority for 74 percent of the water available from Lake Fork.

The City was required to pay the Authority for a pro rata share of the operation and maintenance costs associated with Lake Fork, which was approximately \$12.5 million in the fiscal year ended September 30, 2020. The pro rata share of the operation and maintenance costs owed to the Authority for the renewal of the Lake Fork contract was to be mutually negotiated with the Authority pursuant to the terms of the contract. Negotiation attempts with the Authority failed and in October 2014, the Authority unilaterally established a rate which would require the City to pay approximately an additional \$24 million annually for the water to which it is entitled. The City challenged the rate by filing petitions with the Public Utilities Commission of Texas (PUC) and district courts in Travis and Orange counties in Texas. The PUC ordered an administrative law judge to consider setting an interim rate while this dispute was pending.

On April 2, 2015, the administrative law judge ruled that the interim rate must be paid by the City of Dallas until the rate case was resolved. The rate was set by the Authority on a take-or-pay basis, without a cost escalator. This interim rate was retroactive to November 2, 2014. The amounts the City paid in accordance with the interim rate were expensed and deposited into an interest-bearing escrow account, established by the Authority, pending the final outcome of the rate case.

A settlement agreement was approved by City Council on October 11, 2017 and by the Authority Board of Directors on October 12, 2017.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 9. Dallas Water Utilities Prepaid Escrow (continued)

The interest-bearing escrow account balance was \$68.7 million on September 30, 2017. Terms of the settlement agreement required that \$23.4 million be paid immediately from the escrow account as additional compensation to the Authority for the period November 2, 2014 through September 30, 2017. The remaining escrow amount of \$45.3 million at September 30, 2017, plus the accrued September escrow contribution of \$2 million (total \$47.3 million) will be used to offset future payments of additional compensation by the City to the Authority, until the escrow account balance is depleted, and has been recorded as Prepaid Escrow on the statement of net position. The escrow balance was \$24.7 million on September 30, 2020. The remaining balance is estimated to be fully depleted in three to four years.

Note 10. Leases

As Lessee

As lessee, DWU is committed under various leases for building and office space, data processing and communications equipment. These leases are considered for accounting purposes to be operating leases.

Year ending September 30,	Rental Payments
2021	\$ 583
2022	583
2023	340
Minimum future rentals	<u>\$ 1,506</u>

As Lessor

As lessor DWU is also under several lease agreements whereby it receives revenues from leasing land, building and waterfront facilities. These revenue leases are considered for accounting purposes as operating leases.

Year ending September 30,	Rental Receipts
2021	48
2022	41
2023	42
2024	42
2025	42
2026-2030	207
2031-2035	207
Thereafter	2,143
Minimum future rentals	<u>\$ 2,772</u>

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 11. Pension Plan

Plan Description

Employees' Retirement Fund (ERF): All full-time DWU employees participate in the contributory City Employees' Retirement Fund, a defined benefit, single employer pension plan ("the Plan"). The legal authority for this plan is Chapter 40A of the Dallas City Code. The fund is administered by a seven member board of trustees consisting of three persons appointed by the City Council who may be council members, three employees from different departments of the City who are elected by members of the retirement fund and who are members of the retirement fund, and the City Auditor. The ERF issues a stand-alone financial report which is available at: www.dallaserf.org/publications-resources.

Benefits Provided

ERF provides retirement, disability, and death benefits to its members in accordance with Chapter 40A of the Dallas City Code. All employees of the City are members except police officers, firefighters, elected officers, non-salaried appointee members of boards or commissions, part-time employees working less than one-half time, temporary employees, individuals working under contract, and individuals whose salaries are paid in part by another government agency. The plan consists of Tier A and Tier B members.

Members hired prior to January 1, 2017 (Tier A) have vested rights to retirement benefits after five years of service or to survivor benefits after two years of service. Benefits are based on credited service and the average monthly earnings for the three highest paid calendar years. Members of the Tier A are entitled to normal retirement pension at age 60; early retirement pension at age 55 if employed prior to May 9, 1972 or age 50 and age plus years of service total 78; service retirement pension at any age after 30 years of credited service and disability retirement pension as determined by the board of trustees. Cost of living adjustments for retirees are made each year on January 1 by adjusting the pension base by the percentage change of the consumer price index, not to exceed 5 percent.

Members hired after December 31, 2016 (Tier B) have vested rights to retirement benefits after five years of service or to survivor benefits after two years of service. Benefits are based on credited service and the average monthly earnings for the five highest paid calendar years. Members of Tier B are entitled to normal retirement pension at age 65; early retirement pension with a reduced benefit prior to age 65 and age plus years of service total 80 and; service retirement pension at any age after 40 years of credited service and disability retirement pension as determined by the board of trustees. Cost of living adjustments for retirees are made each year on January 1 by adjusting the pension base by the percentage change of the consumer price index, not to exceed 3 percent.

Amendments to Chapter 40A of the Dallas City Code, other than provisions required to comply with federal law, may only be made by a proposal initiated by either the board of trustees of the ERF or the City Council which results in an ordinance approved by the board, adopted by the City Council, and approved by a majority of the voters voting at a general or special election.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 11. Pension Plan (continued)

Employees covered by benefit terms

At December 31, 2019, the following numbers of employees were covered by the benefit terms:

	<u>ERF</u>
Retirees and beneficiaries currently receiving benefits	7,405
Inactive members entitled to benefits but not yet receiving them	1,666
Current members	<u>7,427</u>
Total	<u><u>16,498</u></u>

Contributions

ERF: Chapter 40A of the Dallas City Code establishes contribution requirements. Changes to the contribution formula may only be made by a proposal initiated by either the board of trustees of the ERF or the City Council which results in an ordinance approved by the board, adopted by the City Council, and approved by a majority of the voters voting at a general or special election.

The City contributes 63 percent of the required contribution and the membership contributes 37 percent. The City's contribution rate covers both the debt service tied to the pension obligation bonds and the contributions to the Employees' Retirement Fund. Although the total contribution is actuarially determined each year, it is adjusted based on the following requirements of Chapter 40A: (1) the maximum contribution percentage of covered wages is 36 percent; (2) the maximum increase or decrease from one year to the next is 10 percent; and (3) the contribution rate changes only if the actuarial valuation develops a rate which differs from the prior rate by more than 300 basis points. The adjusted contribution as a result of Chapter 40A is the Current Adjusted Total Obligation Rate (CATOR). Contribution rates are 13.32 percent of covered wages for employees and 22.68 percent for the City for the City's fiscal year ended September 30, 2020. The City's contribution of 22.68 percent is divided into 14.20 percent cash to the Plan and 8.48 percent for debt service payments on the pension obligation bonds. For fiscal year 2020, the City contribution was \$62 million.

The remainder of this page intentionally left blank.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 11. Pension Plan (continued)

Actuarial Assumptions

The total ERF pension liabilities in the December 31, 2019 actuarial valuations were determined using the following actuarial assumptions for the plan, applied to all periods included in the measurement:

	ERF
Inflation	2.50%
Salary Increases	3.0% to 8.25%, including inflation
Investment Rate of Return	7.25%
Mortality	For actives: Pub-2010 Mortality Table for General Employees projected using Scale UMP (Ultimate MP-2019). For healthy retirees: 2019 Texas Municipal Retirees Mortality Table projected using Scale UMP (Ultimate MP-2019). For all disabled lives: 2019 Texas Municipal Retirees Mortality Table, set forward four years for males and three years for females, using Scale UMP (Ultimate MP-2019).
Cost of Living Adjustments	The percentage of change in the price index for October of the current year over October of the previous year, or the percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment. The maximum COLA for Tier A retirees is 5%, and the maximum for Tier B retirees is 3%.
Long-term expected rate of return	Estimated using a building block methodology in which best-estimate ranges of expected future real rates of return 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 return rates by the target asset allocation percentage and by adding expected inflation.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 11. Pension Plan (continued)

The target allocation and best estimates of arithmetic real rates of return (RROR) for the plan, by major asset class, are summarized in the following table:

Asset Class	ERF	
	Target Allocation	Long-term RROR
Domestic equity	12.5%	6.00%
International equity	12.5%	6.75%
Global equity	7.5%	6.45%
Global low volatility equity	12.5%	6.41%
Investment grade fixed income	15.0%	2.70%
High yield	10.0%	4.20%
Credit opportunities	5.0%	5.35%
Global public infrastructure	5.0%	7.23%
REIT	2.5%	4.70%
Private real estate - core	5.0%	5.40%
Private real estate - value add	2.5%	8.00%
Private equity	7.5%	8.05%
Marketable alternatives	2.5%	4.42%
Total	100.0%	

Discount Rate

ERF: The discount rate used to measure the total pension liability was 5.93 percent. This single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and the municipal bond rate of 2.75 percent. The projection of cash flows used to determine the discount rate assumed that that (1) plan member contributions and City contributions will be made at the projected future contribution rates outlined in Chapter 40A of the Dallas City Code, under which employees contribute 37 percent of the CATOR; the City contributes 63 percent of the CATOR, reduced by the amount required to pay current debt service on the 2005 pension obligation bonds; (2) the ERF annually earns 7.25 percent on its market value of assets; and (3) the number of active members remains constant in the future. Based on those assumptions and the ERF's funding policy, the last year in the single discount rate projection period for which projected benefit payments were fully funded was 2058, and the resulting single discount rate is 5.93 percent.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 11. Pension Plan (continued)

Changes in the Net Pension Liability

The following table shows the net pension liability as of December 31, 2019:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Employees' Retirement Fund</u>			
Balances at 12/31/18	\$ 5,547,964	\$ 3,282,313	\$ 2,265,651
Changes for the year:			
Service cost	124,288	-	124,288
Interest	325,766	-	325,766
Changes of assumptions	(43,032)	-	(43,032)
Differences between expected and actual experience	(7,819)	-	(7,819)
Contributions - City	-	62,177	(62,177)
Contributions - Employee	-	58,314	(58,314)
Net investment income	-	550,942	(550,942)
Benefit payments, including refunds of employee contributions	(288,443)	(288,443)	-
Administrative expense	-	(7,513)	7,513
Other changes	-	298	(298)
Net Changes	110,760	375,775	(265,015)
Balances at 12/31/19	\$ 5,658,724	\$ 3,658,088	\$ 2,000,636

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

The following table presents the net pension liability of the City, calculated using the discount rates of 5.93 percent for ERF, as well as what the City's net pension liability would be if were calculated using discount rates that are 1-percentage-point lower (4.93 percent) or 1-percentage-point higher (6.93 percent) than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
ERF	\$ 2,748,259	\$ 2,000,636	\$ 1,382,052

Pension Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the pension plan is available in the separately issued financial reports.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 11. Pension Plan (continued)

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

For the fiscal year ended September 30, 2020, DWU recognized pension expense of \$29,365 for the ERF. At September 30, 2020, the City also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERF	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 2,585	\$ 24,981
Changes of assumptions	550,823	95,583
Net difference between projected and actual earnings on pension plan investments	-	50,586
Contributions subsequent to the measurement date	46,889	-
Total	<u>\$ 600,297</u>	<u>\$ 171,150</u>

Deferred outflows of resources in the amount of \$46,889 related to pension contributions in the ERF made subsequent to the measurement date will be recognized as a reduction of the net pension liability during the fiscal year ended September 30, 2021. Deferred outflows and inflows of resources in the amount of \$382,258 related to the pension will be recognized in pension expense as follows:

Year Ending 9/30	ERF
2021	\$ 132,303
2022	216,828
2023	96,680
2024	(63,553)
Total	<u>\$ 382,258</u>

The amount of deferred outflows of resources related to pensions allocated to DWU was \$109,686. The amount of deferred inflows of resources related to pensions allocated to DWU was \$32,255.

Note 12. Risk Management – Estimated Claims and Judgements Payable

The City is self-insured for all third-party general liability claims. Claims adjusting services are provided by the City's internal staff. Interfund premiums are based primarily upon the insured funds' claims experience and exposure and are reported as cost reimbursement interfund transactions. The liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses, and, if probable and material, salvage, and subrogation.

All known City property, primarily buildings and contents, is insured through commercial insurance policies, subject to a \$750 thousand deductible per loss occurrence. The amount of settlements exceeded the deductible loss per occurrence during the fiscal year ended September 30, 2020, but not in the prior two fiscal years.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 12. Risk Management – Estimated Claims and Judgements Payable (continued)

The City is self-insured for workers' compensation claims that occurred prior to October 1, 1999. Effective October 1, 1999 through January 31, 2013, the City was insured for workers' compensation losses in excess of \$750 thousand per occurrence. Effective February 1, 2013, the City was insured for workers' compensation losses in excess of \$1 million per occurrence. Effective February 1, 2016, the City is insured for workers' compensation losses in excess of \$1.5 million per occurrence. Claims adjusting services are provided by an independent "administrative services" contractor. Workers' compensation premiums are based primarily upon the insured funds' claims experience and exposure, and are reported as cost reimbursement interfund transactions. The amount paid by DWU was \$1.9 million in fiscal year 2020.

All workers' compensation losses are accumulated in a clearing fund which is being reimbursed by the premiums collected. When losses exceed premiums, the deficiencies are prorated and supplemented by the various applicable funds. Accrued workers' compensation liability consists of incurred but not reported as well as unpaid reported claims of which \$41.4 million at September 30, 2020, is recorded in the risk funds. Of this amount, \$7.1 million is estimated to be payable in the next fiscal year.

The City maintains a group health insurance plan for employees and dependents which is self-insured by the City. The City also offers enrollment in one health maintenance organization as an alternative. Premiums are determined based on the annual budget. The City also maintains a group life insurance plan which offers term-life and accidental death and dismemberment for employees and dependents. The City is fully insured for employee term-life. Health claims and claims incurred but not reported that are probable and can be reasonably estimated are accrued in the accompanying basic financial statements at September 30, 2020, in the amount of \$8.4 million in the risk funds.

At September 30, 2020, the City estimates its general liability at \$60.0 million, of which \$4.5 million is estimated to be payable in the next fiscal year. The general liability includes \$7.6 million for automobile and general liability and \$52.4 million for probable claims and lawsuits. Changes in the balances of claims liabilities during the past fiscal year are as follows:

	Workers' Compensation		Health		General Liability	
	2020	2019	2020	2019	2020	2019
Unpaid claims, beginning of year	\$ 41,595	\$ 37,374	\$ 7,683	\$ 8,312	\$ 11,794	\$ 190,003
Incurred claims, including incurred but not reported claims (IBNRs) and changes in estimates	9,524	15,146	93,103	88,028	51,094	3,554
Claim payments	(10,261)	(11,470)	(100,633)	(94,016)	(4,113)	(177,771)
Changes to prior year estimates (IBNR)	502	545	8,222	5,359	1,175	(3,992)
Unpaid claims, end of year	<u>\$ 41,360</u>	<u>\$ 41,595</u>	<u>\$ 8,375</u>	<u>\$ 7,683</u>	<u>\$ 59,950</u>	<u>\$ 11,794</u>

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 13. Other Post-Employment Benefits

Plan Description

In addition to pension benefits, the City provides certain healthcare benefits for retired employees through various Council resolutions. The postemployment benefit plan is a single-employer plan administered by Cigna (pre-65 retirees) and UHC (post-65 retirees utilizing Medicare). Employees who are permanent, full-time employees are eligible to participate in the benefits at retirement. The City eliminated subsidization of the plan for individuals hired on or after January 1, 2010. No assets are accumulated in a trust that meets the criteria in GASB Statement 75.

Benefits Provided

For pre-age 65 retired employees hired before January 1, 2010, the City pays on average \$628 (not in thousands) per month. The plan is closed to employees hired January 1, 2010 and thereafter. For pre-Medicare retirees who qualify and choose the City health plan, the City pays approximately 50 percent of the actuarial cost and the retiree pays the other 50 percent. There were 3,743 retired participants and surviving spouses in the health plan at September 30, 2020, the latest data used for this evaluation. Post-Medicare retirees are offered two Medicare Advantage plans along with a Medicare Part D prescription drug plan. The City subsidizes the Medicare Advantage plans for the retirees. The City provides Part A premiums for retirees that do not contribute to Medicare for enough quarters to qualify for free Part A.

Employees Covered by Benefit Terms

At September 30, 2020, membership was as follows:	
Inactive employees or beneficiaries currently receiving benefit payments	3,743
Active employees	5,433
Total active participants	<u>9,176</u>

Total Other Post Employment Benefit Liability

The City's total OPEB liability of \$530,989 was measured as of September 30, 2020, and was determined by an actuarial valuation as of that date.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 13. Other Post-Employment Benefits (continued)

Actuarial Assumptions

The total OPEB liabilities in the September 30, 2020 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

	<u>Description</u>
Inflation	2.50%
Salary Increases	Police and Fire: 2.5% to 3.25%, including inflation Non-Uniformed: 3.0% to 8.25%, including inflation
Discount Rate	2.41%, based on the 20-year yield for tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
Mortality	Uniform (pre-retirement): Pub-2010 Public Safety Employee Amount-Weighted Table, set forward five years for males and projected generationally using Scale MP-2019. Uniform (post-retirement): Pub-2010 Public Safety Retiree Amount-Weighted Table set back one year for females, projected generationally using Scale MP-2019. Non-Uniformed (pre-retirement): Pub-2010 Mortality Table for General Employees projected using Scale UMP (Ultimate MP-2019). Non-Uniformed (post-retirement): 2019 Texas Municipal Retirees Mortality Table projected using Sale UMP (Ultimate MP-2019).
Healthcare Cost Trend Rates	Pre-65 Trend: 6.8% for fiscal year 2020 and trending down to an ultimate 4.04% using the Getzen model. Pre-65 Trend: 5.40% for fiscal year 2020 and trending down to an ultimate 4.04% using the Getzen model.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 13. Other Post-Employment Benefits (continued)

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an experience study on the healthcare-specific participation assumptions, plus assumption changes included in the September 30, 2020 valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at September 30, 2019	\$ 565,370
Changes for the year:	
Service cost	16,491
Interest	15,775
Difference between estimated and actual experience	(198)
Change of assumptions	(47,877)
Benefit payments	(18,572)
Net changes	(34,381)
Balance at September 30, 2020	<u>\$ 530,989</u>

Changes of assumptions reflect the following changes: a change in the participation rate from 75 percent to 65 percent, changes in salary scales, turnover rates, retirement rates, mortality tables, mortality improvement tables and a decrease in the discount rate from 2.75 percent to 2.41 percent.

The amount of Total OPEB liability allocated to DWU was \$60,983.

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

The following table presents the total OPEB liability of the City and what it would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 620,896	\$ 530,989	\$ 456,648

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the total OPEB liability of the City and what it would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 449,178	\$ 530,989	\$ 628,193

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)

Note 13. Other Post-Employment Benefits (continued)

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

For the fiscal year ended September 30, 2020, DWU recognized OPEB expense of \$854. At September 30, 2020, the City also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 2,668	\$ 25,774
Changes of assumptions	49,597	48,800
Total	<u>\$ 52,265</u>	<u>\$ 74,574</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending 9/30	OPEB Expense
2021	\$ (5,536)
2022	(5,536)
2023	(1,621)
2024	(9,616)
Total	<u>\$ (22,309)</u>

The amount of deferred outflows of resources related to OPEB allocated to DWU was \$5,634, and the amount of deferred inflows of resources related to OPEB allocated to DWU was \$7,896.

Note 14. Deferred Compensation Plans

The City Sponsors three deferred compensation plans. Two of these plans are voluntary for City employees who participate in the City's pension plans. The third plan is mandatory for all employees and council members who are not covered by the City's pension plans. These plans comply with sections 401(k) and 457(b) of the Internal Revenue Code.

Participants in the City's voluntary 457(b) and 401(k) plans have full discretion to choose investments from a list of standard plan options, a linked brokerage account, and a commingled pool managed by Fidelity Management Trust Company. The list of standard plan options includes mutual funds with varying styles and levels of investment risk. All the account balances in the mandatory 457 plan are invested in the same commingled pool. All contributions to these plans are deferred by plan participants from their compensation and all the earnings are allocated to each participant's account. Distributions from all the deferred compensation plans are available after termination of employment. Additionally, participants in the City's voluntary plans may also take out loans and may receive hardship withdrawals in accordance with federal regulations. The assets held in these plans are not included in the City's or the DWU financial statements and cannot be used for purposes other than the exclusive benefit of the participants or their beneficiaries or to pay the reasonable expenses of plan administration.

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2020
(In thousands except where indicated)**

Note 15. Interfund Transfers

During the year, transfers out to other City funds were made in the amount of \$28.9 million for payment in lieu of taxes (PILOT) and other miscellaneous transfers which are recorded as transfers-out, rather than operation and maintenance expenses, due to the nonreciprocal nature of the transactions. Under the terms of the bond ordinance, any PILOT payments and any other similar payments are not considered expenses of operation and maintenance of the fund. Additionally, they are not included in the debt coverage calculation.

Note 16. Subsequent Events

Issuance of Debt

A. Debt Items

From October 1, 2020 through the date of the independent auditors' report, the City issued \$132.6 million of Dallas Water Utilities commercial paper notes, with an average interest rate of .147%.

B. COVID-19 Pandemic

In response to the COVID-19 pandemic, the City continues to closely monitor the impact of the pandemic on its revenue sources and costs, while taking advantage of any federal and state grant opportunities available. The full extent of the operational and financial impact the COVID-19 pandemic may have on the City depends on the duration and spread of the outbreak and related advisories and restrictions that may result, all of which are highly uncertain and unpredictable at this time.

On January 21, 2021, the City received \$40.6 million from the U.S. Department of the Treasury as part of the Consolidated Appropriations Act of 2021 to provide emergency rental assistance services for individuals directly and indirectly impacted by the COVID-19 pandemic.

On March 11, 2021, President Biden signed the American Rescue Plan to provide additional relief during the COVID-19 pandemic. The bill is intended to speed up the United States' recovery from the economic and health effects of the COVID-19 pandemic and ongoing recession and includes a number of funding streams available to state and local governments. The City is estimated to receive approximately \$377 million under this program.

This page has been intentionally left blank.

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios
Last Six Fiscal Years
(Dollar amounts in thousands)

	ERF		
	2020	2019	2018
Total Pension Liability			
Service cost	\$ 124,288	\$ 84,843	\$ 81,178
Interest	325,766	332,011	325,620
Changes of assumptions	(43,032)	1,020,969	-
Differences between expected and actual experience	(7,819)	4,793	(59,066)
Plan changes	-	-	-
Benefit payments, including refunds	(288,445)	(272,496)	(261,690)
Net change	110,758	1,170,120	86,042
Total Pension Liability, Beginning	5,547,967	4,377,847	4,291,805
Total Pension Liability, Ending ^(a)	5,658,725	5,547,967	4,377,847
Plan Fiduciary Net Position			
Contributions - City	62,177	60,924	58,966
Contributions - Employee	58,314	56,772	55,175
Net investment income	550,942	(167,783)	413,511
Benefit payments, including refunds	(288,443)	(272,496)	(261,690)
Administrative expense	(7,513)	(7,485)	(5,951)
Other changes	298	121	207
Net change	375,775	(329,947)	260,218
Plan Fiduciary Net Position, Beginning	3,282,314	3,612,261	3,352,043
Plan Fiduciary Net Position, Ending ^(b)	3,658,089	3,282,314	3,612,261
City's Net Pension Liability ^{(a) - (b)}	<u>\$ 2,000,636</u>	<u>\$ 2,265,653</u>	<u>\$ 765,586</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	65%	59%	83%
Covered payroll	\$ 433,890	\$ 423,723	\$ 421,269
City's Net Pension Liability as a percentage of covered payroll	461%	535%	182%

2017	2016	2015
\$ 133,457	\$ 78,020	\$ 62,065
305,826	313,850	290,948
(1,227,079)	1,238,431	292,137
(38,327)	(26,829)	(21,967)
-	-	-
(249,639)	(239,960)	(230,243)
(1,075,762)	1,363,512	392,940
5,367,567	4,004,055	3,611,115
4,291,805	5,367,567	4,004,055
56,130	50,721	45,833
53,436	50,742	46,536
294,918	(53,344)	207,992
(249,639)	(239,960)	(230,243)
(5,343)	(4,598)	(4,150)
333	162	157
149,835	(196,277)	66,125
3,202,208	3,398,485	3,332,360
3,352,043	3,202,208	3,398,485
<u>\$ 939,762</u>	<u>\$ 2,165,359</u>	<u>\$ 605,570</u>
78%	60%	85%
\$ 409,433	\$ 393,186	\$ 353,650
230%	551%	171%

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

Required Supplementary Information
Schedule of City Contributions to Pension Plan
Last Ten Fiscal Years
(Dollar amounts in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employees Retirement Fund			
Actuarially determined contribution	\$ 92,567	\$ 85,945	\$ 91,977
Contributions in relation to the actuarially determined contribution	\$ 61,798	\$ 62,462	\$ 60,589
Contribution deficiency (excess)	\$ 30,769	\$ 23,483	\$ 31,388
Covered payroll	\$ 435,198	\$ 434,064	\$ 420,754
Contributions as a percentage of covered payroll	14%	14%	14%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 88,547	\$ 81,838	\$ 68,100	\$ 62,756	\$ 54,289	\$ 37,822	\$ 32,865
\$ 58,045	\$ 56,987	\$ 49,135	\$ 44,816	\$ 35,515	\$ 28,917	\$ 27,303
\$ 30,502	\$ 24,851	\$ 18,965	\$ 17,940	\$ 18,774	\$ 8,905	\$ 5,562
\$ 405,062	\$ 389,706	\$ 376,421	\$ 357,887	\$ 336,483	\$ 317,551	\$ 318,408
14%	15%	13%	13%	11%	9%	9%

**City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)**

Required Supplementary Information
Notes to Schedule of City Contributions to Pension Plan
Last Ten Fiscal Years

Employees' Retirement Fund

Valuation date	12/31/2019	12/31/2018	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11	12/31/10
Timing	The actuarially determined contribution rate is effective October 1 after the valuation date.									
Actuarial cost method	Entry age normal.									
Amortization method	30-year open amortization period level percentage of payroll. The City ordinance authorizing the plan specifies that the rate may not change from year-to-year if the calculated rate is less than 300 basis points different from the current rate.									
Asset valuation method	5-year smoothed market value of assets.									
Inflation	2.50%	2.75%			3%					
Salary increases	3.0% to 8.25%, including	3.25% to 6.25%, including inflation				3.5% to 7%, including inflation				
Discount rate	5.93%	5.98%	7.75%		8.00%		8.25%			
Cost of Living Adjustment	The greater of (a) the percentage of change in the price index for October of the current year over October of the previous year, or (b) the percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment. The maximum change per year is 5% for Tier A and 3% for Tier B members.				The greater of (a) the percentage of change in the price index for October of the current year over October of the previous year, up to 5%, or (b) the percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment, up to 5%.					
Mortality	For actives: Pub-2010 Mortality Table for General Employees projected using Scale UMP (Ultimate MP-2019). For healthy retirees: 2019 Texas Municipal Retirees Motility Table projected using Scale UMP (Ultimate MP-2019). For all disabled lives: 2019 Texas Municipal Retirees Mortality Table, set forward four years for males and three years for females, projected using Scale UMP (Ultimate MP-2019).	For actives: Males - RP-2000 Employee Mortality Table for male employees, set forward 4 years. Females - RP-2000 Employee Mortality Table for female employees, set back 5 years. For healthy retirees: Males - RP-2000 Combined with Blue Collar adjustment for male annuitants, with a 109% multiplier and fully generational mortality using improvement scale BB Females - RP-2000 Combined with Blue Collaradjustement for female annuitants, with a 103% multiplier and fully generational mortality using improvement scale BB For all disabled lives: RP-2000 Disabled Mortality Table for male annuitants, set forward one year.	For actives: Males - RP-2000 Healthy Mortality Table for male employees, set forward 4 years. Females - RP-2000 Healthy Mortality Table for female employees, set back 5 years. For healthy retirees: Males - RP-2000 Healthy Mortality Table for male annuitants, projected to 2007 using mortality improvement scale BB, set forward two years. P2000 Healthy Mortality Table for female annuitants. For all disabled lives: RP-2000 Disabled Mortality Table for male annuitants, set forward one year.	For actives: Males - RP-2000 Healthy Mortality Table for male employees, set forward 4 years. Females - RP-2000 Healthy Mortality Table for female employees, set back 5 years. For healthy retirees: Males - RP-2000 Healthy Mortality Table for male annuitants, projected to 2007 using mortality improvement scale AA, set forward two years. P2000 Healthy Mortality Table for female annuitants. For all disabled lives: RP-2000 Disabled Mortality Table for male annuitants, set forward one year.	For actives: Males - 1994 Uninsured Pension Mortality Table for males, base table rates multiplied by 87%. Females - 1994 Uninsured Pension Mortality Table for females, base table rates multiplied by 125%. For healthy retirees: Males - 1994 Uninsured Pension Mortality Table for males, set forward two years. Females - 1994 Uninsured Pension Mortality Table for females, base table rates multiplied by 125% for ages less than 85 and multiplied by 135% for ages 85 and up. For all disabled lives: 1965 Railroad Retirement Board Disabled Annuitants Mortality Table (without select rates). For females, the rates are multiplied by 60%.					

City of Dallas, Texas
Dallas Water Utilities
(An Enterprise Fund of the City of Dallas)

Required Supplementary Information
Schedule of Changes in the City's Total Liability
and Related Ratios
Other Postemployment Benefits
Last Three Fiscal Years
(in thousands)

	2020	2019	2018*
Total OPEB Liability			
Service cost	\$ 16,491	\$ 14,006	\$ 14,817
Interest	15,775	19,813	18,420
Changes of assumptions	(47,877)	82,662	(26,244)
Differences between expected and actual experience	(198)	(42,693)	6,669
Benefit payments	(18,573)	(19,537)	(21,343)
Net change	(34,382)	54,251	(7,681)
Total OPEB Liability, Beginning	565,371	511,120	518,801
Total OPEB Liability, Ending	<u>\$ 530,989</u>	<u>\$ 565,371</u>	<u>\$ 511,120</u>
Covered payroll	\$ 959,102	\$ 914,916	\$ 877,768
Total OPEB Liability as a Percentage of Covered Employee Payroll	55%	62%	58%

* Prior year information was not available.

This page has been intentionally left blank.

APPENDIX D

FORM OF CO-BOND COUNSEL'S OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

Proposed Form of Opinion of Co-Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck LLP, co-Bond Counsel,
upon the delivery of the Bonds, assuming no material changes in facts or law.*

CITY OF DALLAS, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2021C

AS CO-BOND COUNSEL for the City of Dallas, Texas (the "City"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which Bonds are issued in the aggregate principal amount of \$126,130,000. The Bonds bear interest from their date of delivery and mature on the dates specified on the face of the Bonds, and are subject to redemption prior to maturity on the dates and in the manner specified in the Bonds, all in accordance with the ordinance of the City authorizing the issuance of the Bonds (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the Constitution and Statutes of the State of Texas, the City Charter of the City, certified copies of the proceedings of the City Council of the City, and other proofs authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1); we do not, however, express any opinion with regard to any statement of insurance printed on the Bonds.

IN OUR OPINION, the Bonds have been authorized and issued in accordance with law, and constitute valid and legally binding special obligations of the City; and, except as may be limited by laws applicable to the City relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, and the exercise of judicial discretion in accordance with general principles of equity, that the interest on and principal of the Bonds, together with outstanding parity bonds, are payable from, and secured by a first lien on and pledge of, the Pledged Revenues. All such revenue bonds are secured ratably by such pledge of revenues in such manner that no one Bond shall have priority of lien over any other Bond so secured. The holder or holders of the Bonds shall never have the right to demand payment out of money raised or to be raised by taxation.

THE CITY reserves the right, subject to the restrictions stated, and adopted by reference, in the Ordinance, to issue additional parity obligations payable from and equally secured by a lien on and pledge of the Pledged Revenues in all things on a parity with the Bonds.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and

assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as co-Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the availability and sufficiency of the Pledged Revenues. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

Financial Advisory Services
Provided By



ESTRADA • HINOJOSA
INVESTMENT BANKERS