

Dated May 15, 2023

Ratings:
Fitch: "BBB"
S&P: "BBB"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

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



\$146,795,000*
CITY OF DENTON, TEXAS
(Denton County)
CERTIFICATES OF OBLIGATION, SERIES 2023

Dated Date: June 15, 2023

Interest Accrues from Delivery Date

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the \$146,795,000* City of Denton, Texas Certificates of Obligation, Series 2023 (the "Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2024, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and Texas Government Code, Chapter 1371, as amended, and constitute direct obligations of the City of Denton, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus net revenues of the City's Utility System not in excess of \$1,000, as provided in the Certificate Ordinance (defined herein) authorizing the Certificates (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (a) acquiring, constructing, installing and equipping fire stations; (b) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (c) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing and flooring; (d) acquiring, constructing, installing and equipping police stations; (e) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (f) constructing, reconstructing, renovating, installing and equipping municipal parks; (g) renovations to, expansion of, and equipping existing municipal vehicle maintenance facility; (h) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, for various municipal departments; (i) constructing and improving streets, including traffic signalization, landscaping, drainage, utility line relocations and the acquisition of land and rights-of-way therefor; (j) constructing, reconstructing and renovating runways and taxiways at the municipal airport; (k) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (l) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (m) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system, and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and the Certificates (see "Plan of Financing").

MATURITY SCHEDULE

See page 2

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2023" (the "Bonds") under a common official statement, and the Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on July 26, 2023.

SEALED BIDS DUE JUNE 21, 2023, AT 9:45 AM, CDT**

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Certificates.

** Place and Time of Bid Opening . . . The City will accept bids for the sale of the Certificates on a day during the period beginning June 21, 2023 and initially ending July 5, 2023. At least 12 hours prior to the sale of the Certificates, Hilltop Securities Inc., as Financial Advisor to the City, will communicate, through Parity and Bloomberg, the date and time for submission of bids. The Financial Advisor, acting on behalf of the City, shall accept bids up to the time specified in the notice as hereinbefore described..

MATURITY SCHEDULE*

CUSIP Prefix: 248867⁽¹⁾

<u>Principal Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Principal Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 4,285,000	2024				\$ 6,525,000	2039			
4,875,000	2025				6,825,000	2040			
5,120,000	2026				7,100,000	2041			
5,375,000	2027				7,385,000	2042			
5,655,000	2028				7,690,000	2043			
4,535,000	2029				2,715,000	2044			
4,765,000	2030				2,825,000	2045			
5,020,000	2031				2,940,000	2046			
5,265,000	2032				3,060,000	2047			
5,545,000	2033				3,185,000	2048			
5,080,000	2034				3,315,000	2049			
5,335,000	2035				3,450,000	2050			
5,610,000	2036				3,595,000	2051			
5,890,000	2037				3,740,000	2052			
6,195,000	2038				3,895,000	2053			

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

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Certificates.

Dated May 15, 2023

Ratings:
Fitch: "BBB"
S&P: "BBB"
(See "Other Information -
Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

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



\$71,845,000*
CITY OF DENTON, TEXAS
(Denton County)
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,
SERIES 2023

Dated Date: June 15, 2023

Due: February 15, as shown on page 4

Interest Accrues from Delivery Date

PAYMENT TERMS . . . Interest on the \$71,845,000* City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2023 (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2024, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Texas Government Code, Chapters 1207, 1371 and 1331, as amended, and are direct obligations of the City of Denton, Texas (the "City"), payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the Bond Ordinance (defined herein) authorizing the Bonds (see "The Obligations - Authority for Issuance" and "The Obligations - Security and Source of Payment").

PURPOSE . . . Proceeds of the Bonds are expected to be used for (i) , (ii) , (iii) , (iv) refunding the obligations described in Schedule I - Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, and (v) to pay the costs associated with the issuance of the Bonds (see "Plan of Financing").

MATURITY SCHEDULE

See page 4

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Denton, Texas Certificates of Obligation, Series 2023" (the "Certificates"), under a common Official Statement, and the Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on July 26, 2023.

SEALED BIDS DUE JUNE 21, 2023, AT 10:15 AM, CDT**

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Bonds.

** Place and Time of Bid Opening . . . The City will accept bids for the sale of the Bonds on a day during the period beginning June 21, 2023 and initially ending July 5, 2023. At least 12 hours prior to the sale of the Bonds, Hilltop Securities Inc., as Financial Advisor to the City, will communicate, through Parity and Bloomberg, the date and time for submission of bids. The Financial Advisor, acting on behalf of the City, shall accept bids up to the time specified in the notice as hereinbefore described.

MATURITY SCHEDULE***CUSIP Prefix: 248867⁽¹⁾**

<u>Principal Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Principal Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 3,635,000	2024				\$ 1,545,000	2034			
6,085,000	2025				1,620,000	2035			
5,685,000	2026				1,705,000	2036			
5,955,000	2027				1,795,000	2037			
4,150,000	2028				1,885,000	2038			
4,390,000	2029				1,980,000	2039			
4,650,000	2030				2,070,000	2040			
4,915,000	2031				2,155,000	2041			
7,760,000	2032				2,245,000	2042			
5,285,000	2033				2,335,000	2043			

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

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Bonds.

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

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

For purposes of compliance with Rule 15c 2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Obligations that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

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

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

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

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

TABLE OF CONTENTS

PRELIMINARY OFFICIAL STATEMENT	TAX MATTERS.....	46
SUMMARY	CONTINUING DISCLOSURE OF INFORMATION	48
.....6	OTHER INFORMATION.....	49
CITY OFFICIALS, STAFF AND CONSULTANTS.....8	RATINGS	49
ELECTED OFFICIALS	LITIGATION	49
SELECTED ADMINISTRATIVE STAFF.....8	REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR	
CONSULTANTS AND ADVISORS	SALE	50
.....8	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC	
INTRODUCTION	FUNDS IN TEXAS.....	50
.....9	LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE.....	50
PLAN OF FINANCING.....9	AUTHENTICITY OF FINANCIAL DATA AND OTHER	
TAX INFORMATION	INFORMATION.....	51
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL	FINANCIAL ADVISOR	51
OBLIGATION DEBT.....	INITIAL PURCHASER OF THE CERTIFICATES.....	51
.....24	INITIAL PURCHASER OF THE BONDS	51
TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY 25	CERTIFICATION OF THE OFFICIAL STATEMENT.....	51
TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT	FORWARD-LOOKING STATEMENTS DISCLAIMER	52
HISTORY	LINKS TO WEBSITES.....	52
.....26	MISCELLANEOUS	52
TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY...26		
TABLE 5 - TEN LARGEST TAXPAYERS.....26		
TABLE 6 - ESTIMATED OVERLAPPING TAX DEBT		
.....27		
DEBT INFORMATION.....28	SCHEDULE OF REFUNDED OBLIGATIONS.....	Schedule I
TABLE 7 - PRO FORMA GENERAL OBLIGATION DEBT	APPENDICES	
SERVICE REQUIREMENTS.....	GENERAL INFORMATION REGARDING THE CITY	A
.....28	EXCERPTS FROM THE ANNUAL FINANCIAL REPORT	B
TABLE 8 - INTEREST AND SINKING FUND BUDGET	FORMS OF BOND COUNSEL'S OPINIONS.....	C
PROJECTION		
.....29		
TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT		
.....29		
TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL		
OBLIGATION REFUNDING AND IMPROVEMENT BONDS29		
TABLE 11 - OTHER OBLIGATIONS		
.....30		
FINANCIAL INFORMATION		
TABLE 12 - CHANGES IN NET POSITION OF GOVERNMENTAL		
FUNDS		
.....40		
TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE		
HISTORY		
.....41		
TABLE 13 - MUNICIPAL SALES TAX HISTORY		
.....42		
FINANCIAL POLICIES		
.....42		
INVESTMENTS		
TABLE 14- CURRENT INVESTMENTS		
.....45		

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Denton (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Denton County, Texas. The City covers approximately 97.411 square miles (see "Introduction - Description of the City").
THE BONDS	The City's \$71,845,000* General Obligation Refunding and Improvement Bonds, Series 2023 are to mature on February 15 in the years 2024 through 2043 (see "The Obligations - Description of the Obligations").
THE CERTIFICATES	The City's \$146,795,000* Certificates of Obligation, Series 2023 are to mature on February 15 in the years 2024 through 2053 (see "The Obligations - Description of the Obligations").
PAYMENT OF INTEREST	Interest on the Obligations accrues from the Delivery Date (defined herein) and is payable February 15, 2024 and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Obligations - Description of the Obligations" and "The Obligations - Optional Redemption").
AUTHORITY FOR ISSUANCE	<p>The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and an ordinance (the "Authorizing Certificate Ordinance") of the City in which the City Council delegated to each of the Assistant City Manager and Chief Financial Officer authority to complete the sale of the Certificates. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Certificates (the Authorizing Certificate Ordinance and the Pricing Certificate for the Certificates are jointly referred to as the "Certificate Ordinance") (see "The Obligations - Authority for Issuance").</p> <p>The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapters 1207, 1371 and 1331, as amended, and an ordinance (the "Authorizing Bond Ordinance") of the City in which the City Council delegated to each Assistant City Manager and Chief Financial Officer authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance") (see "The Obligations - Authority for Issuance").</p>
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's Utility System (see "The Obligations - Security and Source of Payment").
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "The Obligations - Security and Source of Payment").
REDEMPTION	The City reserves the right, at its option, to redeem Bonds and Certificates, as the case may be, having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein.

* Preliminary, subject to change.

USE OF PROCEEDS Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (a) acquiring, constructing, installing and equipping fire stations; (b) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (c) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing and flooring; (d) acquiring, constructing, installing and equipping police stations; (e) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (f) constructing, reconstructing, renovating, installing and equipping municipal parks; (g) renovations to, expansion of, and equipping existing municipal vehicle maintenance facility; (h) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, for various municipal departments; (i) constructing and improving streets, including traffic signalization, landscaping, drainage, utility line relocations and the acquisition of land and rights-of-way therefor; (j) constructing, reconstructing and renovating runways and taxiways at the municipal airport; (k) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (l) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (m) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system, and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and the Certificates (see "Plan of Financing").

Proceeds of the Bonds are expected to be used for (i) _____, (ii) _____, (iii) _____, (iv) refunding the obligations described in Schedule I – Schedule of Refunded Obligations (the “Refunded Obligations”) for debt service savings and (v) to pay the costs associated with the issuance of the Bonds (see “Plan of Financing”).

RATINGS..... The Obligations and the presently outstanding general obligation debt of the City are rated “_____” by Fitch Ratings (“Fitch”) and “_____” by S&P Global Ratings (“S&P”), a division of S&P Global Inc. See “Other Information – Ratings” herein.

BOOK-ENTRY-ONLY SYSTEM..... The definitive Obligations 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 Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations 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 Obligations (see “The Obligations - Book-Entry-Only System”).

PAYMENT RECORD..... The City has never defaulted on the payment of its tax-supported indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Fiscal Year ⁽⁸⁾	Per Capita Net Funded Tax Debt	Ratio Net Tax Debt to Net Taxable Assessed Valuation	% of Total Tax Collections
9/30							
2019	136,927	\$ 11,316,934,296 ⁽³⁾	82,649	\$ 191,662,956	1,400	1.69%	99.82%
2020	140,956	12,620,560,528 ⁽⁴⁾	89,535	249,482,532	1,770	1.98%	99.80%
2021	143,775	13,581,648,271 ⁽⁵⁾	94,465	308,521,854	2,146	2.27%	99.74%
2022	146,950	14,403,105,063 ⁽⁶⁾	98,014	354,343,240	2,411	2.46%	99.60%
2023	150,624	16,721,123,624 ⁽⁷⁾	111,012	391,845,000 ⁽⁹⁾	2,601	2.34%	98.12% ⁽¹⁰⁾

(1) Source: City Officials.

(2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of September 12, 2022.

(3) Includes tax incremental value of approximately \$110,633,617 that is not available for the City's general obligations and debt of City.

(4) Includes tax incremental value of approximately \$168,826,531 that is not available for the City's general obligations and debt of City.

(5) Includes tax incremental value of approximately \$198,541,948 that is not available for the City's general obligations and debt of City.

(6) Includes tax incremental value of approximately \$236,666,283 that is not available for the City's general obligations and debt of City.

(7) Includes tax incremental value of approximately \$260,921,114 that is not available for the City's general obligations and debt of City.

(8) Excludes self-supported general obligation debt.

(9) Projected. Includes a portion of the Obligations. Excludes the Refunded Obligations. Preliminary, subject to change.

(10) Collections for part year only, through April 1, 2023.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Term Expires</u>
Gerard Hudspeth Mayor	May, 2024
Vicki Byrd Councilmember, District 1	May, 2025
Brian Beck Mayor Pro Tem Councilmember, District 2	May, 2025
Paul Meltzer Councilmember, District 3	May, 2025
Joe Holland Councilmember, District 4	May, 2025
Brandon Chase McGee Councilmember, At Large Place 5	May, 2024
Chris Watts Councilmember, At Large Place 6	May, 2024

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>
Sara Hensley	City Manager
Frank Dixon	Assistant City Manager
Christine Taylor	Assistant City Manager
Cassandra Ogden	Assistant City Manager
Aimee Kaslik	Interim Director of Finance
Vis Bouaphanthavong	Controller
Jesus Salazar	Interim City Secretary
Mack Reinwand	City Attorney

CONSULTANTS AND ADVISORS

Auditors Weaver and Tidwell, L.L.P.
Dallas, Texas

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

Financial Advisor.....Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Cassandra Ogden-Assistant City Manager
Mack Reinwand-City Attorney
City of Denton
215 E. McKinney Street
Denton, Texas 76201
(940) 349-7195

Laura Alexander
Hilltop Securities Inc.
777 Main Street, Suite 1525
Fort Worth, Texas 76102
or (817) 332-9710

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF DENTON, TEXAS

\$146,795,000*

CERTIFICATES OF OBLIGATION, SERIES 2023

\$71,845,000*

**GENERAL OBLIGATION REFUNDING AND
IMPROVEMENT BONDS, SERIES 2023**

INTRODUCTION

This Preliminary Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$146,795,000* City of Denton, Texas Certificates of Obligation, Series 2023 (the "Certificates") and \$71,845,000* City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2023 (the "Bonds"). The Bonds and the Certificates (collectively the "Obligations") are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance" and the "Certificate Ordinance", respectively, each as defined below, and collectively the "Ordinances") adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement, and while the Bonds and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. The City Council is expected to adopt an ordinance on June 6, 2023 authorizing the issuance of the Bonds (the "Authorizing Bond Ordinance"). In the Authorizing Bond Ordinance, as permitted by the provisions of Chapter 1371, Texas Government Code, as amended, the City Council delegated the authority to each of the Assistant City Manager and Chief Financial Officer to establish the terms and details of the Bonds and to effect the sale of the Bonds pursuant to a "Pricing Certificate" (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance"). The City Council is expected to adopt an ordinance on June 6, 2023 authorizing the issuance of the Certificates (the "Authorizing Certificate Ordinance"). In the Authorizing Certificate Ordinance, as permitted by the provisions of Chapters 1371, Texas Government Code, as amended, the City Council delegated the authority to each of the Assistant City Manager and Chief Financial Officer to establish the terms and details of the Certificates and to effect the sale of the Certificates pursuant to a "Pricing Certificate" (the Authorizing Certificate Ordinance and the Pricing Certificate for the Certificates are jointly referred to as the "Certificate Ordinance"). Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in each respective Ordinance, except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY . . . The City of Denton, Texas (the "City") is a political subdivision located in Denton County operating as a home-rule city under the laws of the State of Texas (the "State") and a charter approved by the voters in 1959. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 97.411 square miles in area.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (a) acquiring, constructing, installing and equipping fire stations; (b) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (c) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing and flooring; (d) acquiring, constructing, installing and equipping police stations; (e) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (f) constructing, reconstructing, renovating, installing and equipping municipal parks; (g) renovations to, expansion of, and equipping existing municipal vehicle maintenance facility; (h) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, for various municipal departments; (i) constructing and improving streets, including traffic signalization, landscaping, drainage, utility line relocations and the acquisition of land and rights-of-way therefor; (j) constructing, reconstructing and renovating runways and taxiways at the municipal airport; (k) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (l) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (m) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system, and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and the Certificates.

Proceeds of the Bonds are expected to be used for (i) _____, (ii) _____, (iii) _____, (iv) refunding the obligations described in Schedule I – Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, and (v) to pay the costs associated with the issuance of the Bonds.

* Preliminary, subject to change.

REFUNDED OBLIGATIONS . . . A description and identification of the Refunded Obligations appears on Schedule I attached hereto. The Refunded Obligations are being called for redemption on [REDACTED] (the "Redemption Date"). The principal and interest due on the Refunded Obligations are to be paid on the Redemption Date from funds to be deposited with the paying agent/registrars for the Refunded Obligations (the "Refunded Obligations Paying Agent"). The Ordinance will provide that with respect to the Refunded Obligations, a portion of the proceeds from the sale of the Bonds, will be irrevocably deposited with the Refunded Obligations Paying Agent on the Redemption Date. The Bank of New York Mellon Trust Company, in its capacity as the Refunded Obligation Paying Agent, will certify as to the sufficiency of the amounts initially deposited with the Refunded Obligations Paying Agent to pay the principal of and interest on the Refunded Obligations when due at the Redemption Date of redemption. Such funds will be held uninvested by the Refunded Obligations Paying Agent in a trust clearing account pending their disbursement to redeem the Refunded Obligations on the Redemption Date. By the deposit with the Refunded Obligations Paying Agent in such trust clearing account, the City will have effected the defeasance of all the Refunded Obligations in accordance with the applicable law.

THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated June 15, 2023, and mature on February 15 in each of the years and in the amounts shown on page 2 and page 4 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2024 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations 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 Obligations. See "The Obligations - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and the Certificate Ordinance.

The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1207, 1371 and 1331, Texas Government Code, as amended, and the Bond Ordinance.

SECURITY AND SOURCE OF PAYMENT . . .

The Certificates . . . The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's Utility System (consisting of the electric system and the waterworks and sewer system).

The Bonds . . . The Bonds constitute direct obligations of the City and the principal thereof and interest thereon are payable from an annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, as provided in the Bond Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, including the Obligations, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt, as calculated at the time of issuance and based on 90% tax collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2033 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2032 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds or Certificates are to be redeemed, the City may select the maturities of Bonds or Certificates, as the case may be, to be redeemed. If less than all the Bonds or Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds or Certificates, as the case may be, are in Book-Entry-Only form) shall determine by lot the Bonds or Certificates, or portions thereof, within such maturity to be redeemed. If a Bond or Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond or Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF AN OBLIGATION (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH OBLIGATION (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

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

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

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and accredited by DTC while the Obligations 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 Obligations, 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 Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

To facilitate subsequent transfers, all Obligations 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 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participant to whose account such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments on the Obligations will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, 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 Ordinances will be given only to DTC.

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

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 Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Obligations - Transfer, Exchange and Registration" below.

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Obligations will be delivered to the Registered Owners and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Obligations 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. Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations 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 Obligations 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 Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "The Obligations—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation 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 an Obligation.

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

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

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

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

REMEDIES . . . Each Ordinance establishes specific events of default with respect to the respective series of Obligations. If the City defaults in the payment of the principal of or interest on the Bonds or Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, each Ordinance provides that any registered owner of a respective Obligation is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the respective Obligations or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the owners of the respective Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., V. City of Jacksonville*, No. 489 S.W.3d 427 (Tex. 2016), ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to the breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people' and protecting such municipalities 'via the State's immunity is not an efficient way to ensure efficient allocation of State resources'". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Obligations may not be able to bring such a suit against the City for breach of the Obligations or Ordinance covenants in the absence of City action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the

City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds or the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

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

TAX INFORMATION

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

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

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

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

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

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

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

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

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

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. After taking such official action, the goods-in-transit remain subject to taxation by the local governmental entity until the governing body of the governmental entity rescinds or repeals its previous actions to tax goods-in-transit. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

The City or Denton County may create one or more tax increment financing districts ("TIF") within the City or Denton County, as applicable, and freeze the taxable values of property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has active reinvestment zones for tax abatements and tax increment financing zones for tax increment financing purposes. See "Tax Information - Tax Incentive Policy, - Property Tax Abatement" and "- Tax Increment Financing and Public Improvement District" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds such as ad valorem taxes or sales taxes for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City has entered into several Chapter 380 Agreements. See "Tax Information - Chapter 380 Agreements".

NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE . . . The Following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" mean the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values for all property in the City to the City Council by August 1 of each year, or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

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

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$50,000. Disabled taxpayers also receive a \$50,000 exemption.

The City grants an additional one-half of one percent, or a minimum of \$5,000 exemption of the market value of residence homesteads.

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

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

The City does not tax nonbusiness personal property.

Denton County began collecting taxes for the City during the fiscal year 2006-07.

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

The City does not tax freeport property.

The City collects the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does tax "goods-in-transit".

The City has adopted the tax freeze (limitation) for citizens who are disabled or are 65 years of age or older.

The City has adopted a tax abatement policy.

The City participates in two tax increment reinvestment zones, which were created in 2010 and 2012.

TAX INCREMENT FINANCING AND PUBLIC IMPROVEMENT DISTRICT . . . The City participates in two tax increment reinvestment zones, which were created in 2010 and 2012. And the City created Rayzor Ranch Public Improvement District No. 1 (the "District") in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. Additional information on the tax increment reinvestment zones and the District can be found in the Annual Comprehensive Financial Report, Notes to Basic Financial Statements, IV. Detailed Notes on All Funds, B. Property Tax Revenue.

TAX INCENTIVE POLICY . . . The City enters into economic development incentive agreements consisting of property tax abatement agreements and Chapter 380 agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. A summary of newly initiated agreements and terminated agreements follows.

PROPERTY TAX ABATEMENTS . . . No new property tax abatements were approved, initiated, or terminated in 2023.

CHAPTER 380 AGREEMENTS . . . No new Chapter 380 Agreements were approved in 2023. Two agreements for Ranchland Foods and United States Cold Storage were terminated. From the Future will initiate in 2023. Payments continue to be made to Buc-ee's Travel Center, Unicorn Lake, Rayzor Ranch Marketplace and Town Center, Golden Triangle Mall, and O'Reilly Hotel and Convention Center for sales tax, and Mayday Manufacturing, Westgate Business Park, WinCo Distribution Center, and O'Reilly Hotel and Convention Center for ad valorem rebates. Safran and TeamOfDefenders received job-based grant and expansion grant payments, respectively. O'Reilly Hotel and Convention Center also receives hotel occupancy tax payments.

Additional information on all of the tax abatement and Chapter 380 agreements may be found in Appendix B – Excerpts from the City of Denton, Texas Annual Comprehensive Financial Report, Notes to Basic Financial Statements, V. Other Information, F Tax Abatements.

RECENT FINANCIAL DEVELOPMENTS – INFECTIOUS DISEASE OUTBREAK – COVID-19 . . . The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor issued a number of executive orders relating to COVID-19 preparedness and mitigation, which restricted or halted business activity, restricted the number of people that can congregate in a

public setting, and limited the movement of many citizens to only essential activities. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose new restrictions on activities. 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, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues, ad valorem tax revenues and other revenues within the City, including utility system revenues. See "TAX INFORMATION" and "FINANCIAL INFORMATION – Table 13 – Municipal Sales Tax History." The Obligations are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in the receipt of such revenues or in the property values within the City may require an increase in the ad valorem tax rate required to pay the Obligations as well as the City's operations and maintenance expenses. See "TAX INFORMATION - No-New-Revenue Tax Rate and Voter Approval Tax Rate" and "THE OBLIGATIONS – Tax Rate Limitation." Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition. The City did not see a negative impact on property tax revenues in fiscal year 2020 or 2021. The City's certified values increased in each of the fiscal years 2020 or 2021 as compared to the respective prior year. See "TAX INFORMATION – Table 2 – Taxable Assessed Valuation by Category." Also, the City's sales tax revenue increased in each of fiscal years 2020 and 2021 as compared to the respective prior year. See "FINANCIAL INFORMATION – Table 13 – Municipal Sales Tax History."

RECENT EVENTS AFFECTING THE ELECTRIC INDUSTRY IN TEXAS AND THE CITY OF DENTON

General

The State experienced unprecedented freezing temperatures that put pressure on the availability of electric power within the State during the period beginning on Saturday, February 13, 2021 through Friday, February 19, 2021 (the "Weather Event"). On February 12, 2021, in anticipation of the winter weather event known as Winter Storm Uri, the Governor declared a state of disaster for all counties in Texas, including Denton County in which the City of Denton is located. On February 14, 2021, the President of the United States made an emergency declaration for the State of Texas, and on February 15, 2021, the Mayor of Denton made a declaration of emergency for the City of Denton. The President subsequently made a major disaster declaration for 126 of the 254 counties in Texas, including Denton County.

Due to the prolonged freezing temperatures, energy demand far exceeded the generation available across the State. Additionally, the cold weather also caused some of the electric producing facilities in the Electric Reliability Council of Texas ("ERCOT") service area, located entirely within Texas, to experience mechanical failures of the equipment needed to provide and distribute the electricity. As the Weather Event covered the State, ERCOT, the independent system operator for all the transmission and generation facilities with the boundaries of ERCOT, implemented mandatory load shed orders to all ERCOT load serving entities. The load shed event was initially expected to be rolling blackouts to conserve electricity and address energy needs across the entirety of the State; however, due to the severity of the Weather Event and the corresponding increase in demand on the State electric grid, combined with limited availability of generation, widespread and prolonged power outages began at 1:00 a.m., Central time, on Monday, February 15, 2021, and continued throughout the week. Ultimately, approximately 4,000,000 Texas residents were without power for significant stretches of the week.

Impact on the City

The power outages affected many municipally owned and privately-owned utilities in the State, including the City's electric utility system, Denton Municipal Electric ("DME" or the "Electric System"). Due to the high demand for power and the limited availability of the power across the entire ERCOT market, the purchase price for power increased dramatically during the period of the Weather Event. These energy price increases coupled with unexpected fuel supply issues to electric generating plants, resulted in utilities, including DME, needing to access their financial reserves in order to provide required collateral and to make payments to ERCOT for the power purchased necessary to service their customers.

Over the period from February 16 to March 1, 2021, the City paid \$209.8 million in storm-related charges to ERCOT for electric power, and \$28.2 million in fuel and power purchase agreement expenses related to the City's electric generating facilities. The City received from ERCOT payments for electric power generated by the City and other credits of approximately \$97.8 million, for a net expenditure of approximately \$140.2 million during this period. These power purchases are unparalleled for the City, and the net expenditures incurred during the storm far exceeds typical costs for an entire year for the City. As a comparison, in fiscal year 2019, electric power purchase expenses for the City were \$97,075,122, and \$63,764,110 in fiscal year 2020. In addition, the price of natural gas, which is used as fuel for the City's electric generating facilities, increased dramatically during the period of the Weather Event. In fiscal year 2019, natural gas fuel expenses for the City were \$6,954,969 million, and \$3,599,350 million in fiscal year 2020.

As of February 14, 2021, the City's Electric System Fund balance was approximately \$105 million. Prior to the Weather Event, the Electric System Fund was considered fully funded in accordance with the then applicable City fund balance policy, which provided for a minimum fund balance of \$48.5 million to meet unforeseen operational needs. Since the beginning of the Weather Event, the City evaluated all options to make available the cash necessary for power expenses. To meet immediate cash flow needs for electric power purchases, the City utilized cash in the Electric System Fund and issued \$100 million of utility system revenue commercial paper notes ("Utility ECP Notes") on Friday, February 19, 2021, through the City's Utility System Revenue Extendable Commercial Paper Financing Program established by the City on February 2, 2021 (the "Utility ECP Program"). After use of the proceeds of the \$100 million of the Utility ECP Notes to pay a portion of the electric power purchases resulting from the Weather Event and expenditures from the Electric System Fund for electric power and fuel purchases, the Electric System Fund balance was approximately \$63 million. The City also amended the Utility ECP Program on February 23, 2021 to increase the maximum principal amount of Utility ECP Notes that may be outstanding from time to time from \$100 million to \$300 million to provide additional capacity for additional electric power purchases, replenishing reserves used for power purchases and for other authorized purposes under the Utility ECP Program. Utility ECP Notes may be "rolled" by the City from time to time with new Utility ECP Notes issued under the program, or the City may refund the Utility ECP Notes with long-term bonds, allowing the costs to be recovered over multiple years instead of realizing the substantial cost in the short term, if the City determines that would be in its best interests. On May 20, 2021, the City issued an additional \$40 million of Utility ECP Notes to cover expenses incurred as a result of the Weather Event.

The extreme electric power prices during the Weather Event caused numerous retail electric provider market participants located in the ERCOT market to be unable to pay the amounts owed to ERCOT for that power. The City received notice from ERCOT that if ERCOT market participants "short-pay" amounts due for power purchases, then, because of unavailability of adequate funds to fully pay generation market participants, amounts due to generators, including the City, would in turn be short paid their proportionate share of the amounts of the short pays by load serving entities. Effective April 20, 2022, the City is still owed approximately \$6.2 million from ERCOT due to the unresolved short pays during the Winter Event. In the event that ERCOT and the short paying entities are unable to resolve their disputes, all other market participants, including the City, will be required to pay their proportionate share of the amounts owed by the defaulting party or parties through a mechanism in the ERCOT protocols known as "uplift." Because at the time of the short pays and the uncertainty of the number and financial consequences to the City, the City filed a lawsuit against ERCOT on February 25, 2021, in the District Court of Denton County, Texas, asking for temporary and permanent injunctions on payment by the City for short-pay amounts by others. The court granted a temporary restraining order ("TRO") on that date in favor of the City. Subsequently, the parties agreed to transfer venue to Travis County, Texas, and extend the TRO to June 1, 2021. ERCOT filed pleas in April 2021 arguing that the district court does not have jurisdiction over the case, or that if it does, the City should be required to join other parties before further consideration on the merits. A hearing on ERCOT's pleas was held on May 10, 2021. On June 4, 2021, the district court granted ERCOT's plea to jurisdiction, opining that the City did not exhaust its administrative remedies before the Public Utility Commission of Texas ("PUCT") before filing the lawsuit. Based on information provided to the City to date by ERCOT, the City estimates its potential liability under the uplift mechanism, based upon currently known and unresolved short pays and defaults could be up to \$6.2 million, however, the City cannot determine with certainty the scope or magnitude of its potential uplift liability which depends on the outcome of pending bankruptcy litigation and other pending litigation against ERCOT. The City believes that under certain outcomes in pending litigation against ERCOT by parties other than the City, other market participants may also file claims against ERCOT, including the City, which could substantially increase the potential uplift liability to the City. The City cannot predict the likelihood of success of the litigation against ERCOT or future litigation that may result from the pending litigation.

After the Weather Event, the City received several claims and subrogation notices from various insurance companies for property damage as a result of the storm. The City is analyzing its potential exposure in these matters. The City has opted into three lawsuits in the Winter Storm Uri Multi-District Litigation Court pending before the 164th Judicial District in Harris County, Texas. On May 17, 2022, in each of these three cases, the City filed a plea to the jurisdiction and moved to dismiss the Plaintiffs' cases with prejudice for lack of subject-matter jurisdiction. The City's exposure under these lawsuits is limited because the Electric Service Standards enacted by DME specifically disclaim all liability for damages arising from service interruptions due to (i) a wholesale power supplier's failure to deliver sufficient energy to DME, (ii) orders by ERCOT, and (iii) failure of the transmission grid of the State. Additionally, the City has not been named in any lawsuits or received any new claims related to the Weather Event in about a year.

The City continues to review the impact that the Weather Event has had on its combined Electric System, waterworks system, wastewater system, and drainage system (together, the "Utility System"), and its financial condition, as well as options to address and manage the financial impact of the Weather Event.

The City issued Utility System revenue bonds to refund the \$140 million of the Utility ECP Notes on a long-term basis on September 21, 2021. In light of the financial risks that were made evident by the Winter Event, the City revised its Electric System fund balance policy on September 3, 2021, and now has a target level of 46% to 69% of annual electric fund expenses. Fiscal year 2020-2021 annual Electric Fund expenses were \$335,524,613. The Electric System fund balance as of April 30, 2022, was \$130,069,410 million which is 39% of FY 21 expenses.

At the direction of the Texas Legislature pursuant to Senate Bill 3 passed during the 87th session, the PUCT has directed ERCOT to evaluate and adopt market protocol changes that are intended to increase the reliability of the ERCOT transmission system and to incentivize new dispatchable generation. Protocol changes that have already been implemented to achieve conservative market operations have changed the price formation in the ERCOT market and will continue to impact both real-time market prices and future energy and ancillary service prices. Additional protocol changes are under consideration by ERCOT at the direction of the PUCT that also have the potential to impact price formation. Phase II market design changes are also being debated by the PUCT and ERCOT with the intent of increasing the reliability of the ERCOT grid and to incentivize construction of new dispatchable generation. These Phase II initiatives will impact the market in several years and the City cannot make predictions concerning its future operating results as the outcome is dependent on circumstances over which the City does not control.

Rating Agency Actions

On May 28, 2021, Fitch affirmed its "AA+" rating on outstanding GO and CO debt while assigning the same rating of "AA+" to the 2021 Series bonds. The outlook is Stable.

On June 2, 2021, S&P affirmed its "AA+" rating on the outstanding GO debt and assigned the same "AA+" rating to the 2021 Series bonds. The outlook is Stable.

On July 22, 2021, S&P affirmed its "a-1" short-term rating and its "A+" long-term rating on the City's outstanding Utility System Revenue Bonds, removing them from CreditWatch. At the same time, S&P also assigned its "A+" long term rating to the Taxable 2021 Utility System Revenue Bonds. The outlook is Negative.

On August 16, 2021, Fitch downgraded the City's outstanding long-term Utility System Revenue Bonds from "A+" (Rating Watch Negative) to an "A" rating. This rating includes Series 2017 and 2021 bonds. The outlook is Negative for both. Fitch does not provide a rating on the Utility ECP Notes.

THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2022/23 Market Valuation Established by Denton Central Appraisal District		\$ 19,159,235,108
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	\$ 103,219,630	
Over 65 Exemptions	430,946,619	
Disabled Persons Exemptions	11,464,443	
Disabled Veterans Exemptions	135,558,399	
Agricultural Land Use Productivity	421,855,576	
Historical/Other Exemptions	4,730,025	
Freeport Exemptions	279,969,998	
Abatement Exemptions	11,277,270	
Pollution Exemptions	25,712,762	
Homestead Cap Adjustment	<u>752,455,648</u>	<u>2,177,190,370</u>
2022/23 Taxable Assessed Valuation (as of 9-12-2022)		\$ 16,982,044,738
2022/23 Incremental Taxable Assessed Value of Real Property within Reinvestment Zones		<u>(260,921,114)</u>
2022/23 Net Taxable Assessed Valuation available for General Obligations and Debt of City (as of 9-12-2022)		<u><u>\$ 16,721,123,624</u></u>
City Funded Debt Payable from Ad Valorem Taxes ⁽¹⁾		
General Obligation Bonds (as of 4-1-23)	\$ 297,280,000 ⁽²⁾	
Certificates of Obligation (as of 4-1-23)	558,775,000 ⁽²⁾	
The Bonds	71,845,000 ⁽³⁾	
The Certificates	<u>146,795,000 ⁽³⁾</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 1,074,695,000
Less Self-Supporting General Obligation Debt ⁽⁴⁾		
Solid Waste System General Obligation Debt	\$ 39,270,000 ⁽⁵⁾	
Utility System General Obligation Debt	<u>643,580,000 ⁽⁵⁾</u>	<u>682,850,000</u>
Net Tax Supported Debt Payable from Ad Valorem Taxes		<u><u>\$ 391,845,000</u></u>
Interest and Sinking Fund as of 4-1-23 (estimated)		\$ 9,012,739
Ratio Total Funded Debt to Net Taxable Assessed Valuation		6.43%
Ratio Net Funded Debt to Net Taxable Assessed Valuation		2.34%
2023 Estimated Population - 146,950		
Per Capita Net Taxable Assessed Valuation - \$113,788		
Per Capita Total Funded Debt - \$7,313		

(1) The above statement of indebtedness does not include \$182,160,000 Utility System Revenue Bonds, \$138,360,000 Utility System Revenue Refunding Bonds or \$100,000,000 Utility System Revenue Extendable Commercial Paper Notes, Series A as these bonds and notes are payable solely from the net revenues of the Utility System (the "System"), as defined in the ordinances authorizing such bonds and notes.

(2) Excludes the Refunded Obligations. Preliminary, subject to change.

(3) Preliminary, subject to change.

(4) As a matter of policy, the City pays debt service on its general obligation debt issued to fund improvements to its Utility System and Solid Waste System from surplus revenues of these Systems (see "Table 7 – General Obligation Debt Service Requirements" and "Table 9 – Computation of Self-Supporting Debt"). This policy may be subject to change in the future.

The City's Utility System is comprised of the City's entire existing electric, light and power system and the waterworks and sewer system. Drainage is managed under the waterworks and wastewater system. The City's Utility System General Obligation Debt has been issued to finance or refinance Utility System improvements and contractual obligations and is paid, or is expected to be paid, from Utility System revenues. In addition, the City has \$182,160,000 Utility System Revenue Bonds, \$138,360,000 Utility System Revenue Refunding Bonds outstanding payable from a pledge of Utility System revenues.

The City's Solid Waste System General Obligation Debt has been issued to finance or refinance Solid Waste System improvements and is paid, or is expected to be paid, from Solid Waste System revenues. The City has no outstanding Solid Waste System Revenue Bonds.

(5) Includes a portion of the Obligations. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY ⁽¹⁾

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2023		2022		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 10,290,861,945	53.71%	\$ 8,179,274,977	51.07%	\$ 7,448,956,811	49.84%
Real, Residential, Multi-Family	2,581,359,659	13.47%	2,192,401,019	13.69%	2,079,085,736	13.91%
Real, Vacant Lots/Tracts	423,344,124	2.21%	314,300,099	1.96%	281,625,453	1.88%
Real, Acreage (Land Only)	429,021,486	2.24%	361,523,875	2.26%	365,649,752	2.45%
Real, Farm and Ranch Improvements	182,206,679	0.95%	157,873,244	0.99%	119,135,103	0.80%
Real, Commercial and Industrial	3,299,538,286	17.22%	3,032,461,538	18.93%	2,965,114,413	19.84%
Real, Oil, Gas, and Other Mineral Reserves	87,640,017	0.46%	48,516,939	0.30%	32,916,830	0.22%
Real and Tangible Personal, Utilities	152,340,178	0.80%	142,991,907	0.89%	133,632,949	0.89%
Tangible Personal, Commercial and Industrial	1,507,941,787	7.87%	1,425,520,232	8.90%	1,393,035,792	9.32%
Tangible Personal, Other	23,831,628	0.12%	23,969,949	0.15%	24,210,105	0.16%
Real and Special Property, Inventory	181,149,319	0.95%	137,388,170	0.86%	101,288,806	0.68%
Total Appraised Value Before Exemptions	\$ 19,159,235,108	100.00%	\$ 16,016,221,949	100.00%	\$ 14,944,651,750	100.00%
Less: Total Exemptions/Reductions	(2,177,190,370)		(1,376,450,603)		(1,377,732,859)	
Less: Tax Increment Value	(260,921,114)		(236,666,283)		14,729,380	
Net Taxable Assessed Value	<u>\$ 16,721,123,624</u>		<u>\$ 14,403,105,063</u>		<u>\$ 13,581,648,271</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2020		2019	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 7,010,158,815	49.41%	\$ 6,381,144,639	39.84%
Real, Residential, Multi-Family	1,778,847,172	12.54%	1,572,513,883	9.82%
Real, Vacant Lots/Tracts	263,786,761	1.86%	226,805,770	1.42%
Real, Acreage (Land Only)	374,863,507	2.64%	372,583,109	2.33%
Real, Farm and Ranch Improvements	123,803,396	0.87%	122,273,681	0.76%
Real, Commercial and Industrial	2,780,957,817	19.60%	2,518,745,519	15.73%
Real, Oil, Gas, and Other Mineral Reserves	70,254,568	0.50%	74,198,617	0.46%
Real and Tangible Personal, Utilities	124,940,388	0.88%	106,362,242	0.66%
Tangible Personal, Commercial and Industrial	1,519,412,977	10.71%	1,117,006,842	6.97%
Tangible Personal, Other	24,514,962	0.17%	24,430,946	0.15%
Real Property, Inventory	115,151,665	0.81%	131,986,240	0.82%
Total Appraised Value Before Exemptions	\$ 14,186,692,028	100.00%	\$ 12,648,051,488	78.97%
Less: Total Exemptions/Reductions	(1,397,304,969)		(1,220,483,575)	
Less: Tax Increment Value	(168,826,531)		(110,633,617)	
Net Taxable Assessed Value	<u>\$ 12,620,560,528</u>		<u>\$ 11,316,934,296</u>	

(1) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. For the Fiscal Year ended 2023, the values were reported on September 12, 2022 based on information as of January 1, 2022.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year ⁽⁸⁾	Ratio Net Tax Debt to Net Taxable Assessed Valuation	Net Funded Tax Debt Per Capita
9/30	Population ⁽¹⁾	Valuation ⁽²⁾	Per Capita	of Year ⁽⁸⁾	Valuation	Capita
2019	136,927	\$ 11,316,934,296 ⁽³⁾	\$ 82,649	\$ 191,662,956	1.69%	\$ 1,400
2020	140,956	12,620,560,528 ⁽⁴⁾	89,535	249,482,532	1.98%	1,770
2021	143,775	13,581,648,271 ⁽⁵⁾	94,465	308,521,854	2.27%	2,146
2022	146,950	14,403,105,063 ⁽⁶⁾	98,014	354,343,240	2.46%	2,411
2023	150,624	16,721,123,624 ⁽⁷⁾	111,012	391,845,000 ⁽⁹⁾	2.34%	2,601

(1) Source: City Officials.

(2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of September 12, 2022.

(3) Excludes tax incremental value of approximately \$110,633,617 that is not available for the City's general obligations and debt of City.

(4) Excludes tax incremental value of approximately \$168,826,531 that is not available for the City's general obligations and debt of City.

(5) Excludes tax incremental value of approximately \$198,541,948 that is not available for the City's general obligations and debt of City.

(6) Excludes tax incremental value of approximately \$236,666,283 that is not available for the City's general obligations and debt of City.

(7) Excludes tax incremental value of approximately \$260,921,114 that is not available for the City's general obligations and debt of City.

(8) Excludes self-supported general obligation debt.

(9) Projected. Includes a portion of the Obligations. Excludes the Refunded Obligations. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Distribution		Tax Levy ⁽¹⁾	% Current Collections	% Total Collections
9/30	Rate	General Fund	Interest and Sinking Fund			
2019	\$ 0.62048	\$ 0.40543	\$ 0.21505	\$ 70,786,144	99.35%	99.82%
2020	0.59045	0.38536	0.20509	75,040,101	99.78%	99.80%
2021	0.59045	0.38036	0.21009	77,955,806	99.72%	99.74%
2022	0.56582	0.35044	0.21538	79,440,823	99.60%	99.60%
2023	0.56068	0.35643	0.20425	92,092,863	98.12% ⁽²⁾	98.12% ⁽²⁾

(1) Tax levy for the year 2023 is based on the adjusted certified value. Prior years represent adjusted values that include all supplements through September 12, 2022. Includes tax incremental reinvestment zone revenues.

(2) Collections through April 1, 2023 (partial year).

TABLE 5 - TEN LARGEST TAXPAYERS ⁽¹⁾

Name of Taxpayer	Nature of Property	2022/23 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Southwire Company, LLC	Manufacturing	\$110,244,449	0.65%
Columbia Medical Center of Denton	Hospital/Professional Building	86,992,602	0.51%
Paccar Inc.	Diesel Truck Manufacturing	80,971,836	0.48%
TRDWind Timberlinks Borrower LLC	Apartments	65,030,537	0.38%
NREA Gardens, DST	Retail	64,800,000	0.38%
Razor Ranch Marketplace Associates LLC	Retail	64,765,228	0.38%
Winco Foods LLC	Food Distribution	63,500,000	0.37%
RR Town Center Associates LLC	Retail	61,901,818	0.36%
Village at Razor Ranch LLC	Apartments	60,212,732	0.35%
Westdale Carriage Square Ltd	Apartments	59,705,000	0.35%
		<u>\$ 718,124,202</u>	<u>4.23%</u>

(1) Source: Denton Central Appraisal District.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "The Obligations – Tax Rate Limitation" for a description of the limitations on ad valorem tax rates).

TABLE 6 - ESTIMATED OVERLAPPING TAX DEBT

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

Taxing Jurisdiction	2022/23 Taxable Assessed Value	2022/23 Tax Rate	Total Funded Debt	Estimated % Applicable	City's Overlapping Funded Debt As of 4-1-23	Authorized But Unissued Debt As Of 4-1-23
City of Denton	\$ 16,721,123,624 ⁽¹⁾	\$ 0.56582	\$ 391,845,000 ⁽²⁾	100.00%	\$ 391,845,000 ⁽²⁾	\$ 54,500,000 ⁽³⁾
Denton Independent School District	24,853,496,991		1,237,690,283	58.75%	727,143,041	-
Denton County	149,854,372,945		559,930,000	11.89%	66,575,677	659,690,625
Argyle Independent School District	4,020,293,871		324,967,774	7.03%	22,845,235	150,500,000
Aubrey Independent School District	2,012,008,073		283,193,983	0.12%	339,833	187,330,000
Krum Independent School District	1,496,797,598		50,940,189	6.65%	3,387,523	224,700,000
Lake Dallas Independent School District	2,933,068,988		176,388,624	0.01%	17,639	-
Pilot Point Independent School District	1,117,832,936		46,340,000	0.25%	115,850	-
Ponder Independent School District	968,459,432		71,135,000	3.77%	2,681,790	-
Sanger Independent School District	1,884,201,976		142,197,917	0.45%	639,891	-
Total Direct and Overlapping Funded Debt					<u>\$ 1,215,591,477</u>	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation.....					7.27%	
Per Capita Overlapping Funded Debt.....					\$ 5,738.76	

- (1) Excludes tax incremental value of approximately \$260,921,114 that is not available for the City's general obligations and debt of City.
- (2) Includes a portion of the Obligations. Excludes self-supporting. See Tables 1 and 9 herein for more detailed information on the City's general obligation self-supporting debt. Preliminary, subject to change.
- (3) Reflects remaining authorization after the issuance of the Bonds. Preliminary, subject to change.

TABLE 7 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended	Outstanding Debt Service ⁽¹⁾			The Bonds ⁽²⁾		The Certificates ⁽³⁾		Total Outstanding Debt	Less: Self-Supporting Solid Waste Debt Service ⁽⁴⁾	Less: Self-Supporting Utility Debt Service ⁽⁴⁾	Total Debt Service Requirements
9/30	Principal	Interest	Total	Principal	Interest	Principal	Interest	Debt	Debt Service	Debt Service	Requirements
2023	\$ 59,375,000	\$ 36,411,934	\$ 95,786,934	\$ -	\$ -	\$ -	\$ -	\$ 95,786,934	\$ 3,853,331	\$ 55,653,741	\$ 36,279,862
2024	54,885,000	32,538,663	87,423,663	3,635,000	3,598,269	4,285,000	6,970,226	105,912,158	4,783,493	60,357,580	40,771,084
2025	50,520,000	30,167,800	80,687,800	6,085,000	3,170,325	4,875,000	6,386,425	101,204,550	4,646,538	57,771,513	38,786,500
2026	44,750,000	28,042,163	72,792,163	5,685,000	2,876,075	5,120,000	6,136,550	92,609,788	4,422,288	49,861,638	38,325,862
2027	44,620,000	26,029,888	70,649,888	5,955,000	2,585,075	5,375,000	5,874,175	90,439,138	4,042,788	49,723,838	36,672,512
2028	44,090,000	23,971,750	68,061,750	4,150,000	2,332,450	5,655,000	5,598,425	85,797,625	3,532,269	48,550,306	33,715,050
2029	43,015,000	21,945,684	64,960,684	4,390,000	2,118,950	4,535,000	5,343,675	81,348,309	3,224,763	47,421,325	30,702,222
2030	44,950,000	19,936,475	64,886,475	4,650,000	1,892,950	4,765,000	5,111,175	81,305,600	3,229,100	47,627,813	30,448,687
2031	41,045,000	18,072,091	59,117,091	4,915,000	1,653,825	5,020,000	4,866,550	75,572,466	3,031,056	42,530,275	30,011,134
2032	38,490,000	16,474,819	54,964,819	7,760,000	1,336,950	5,265,000	4,609,425	73,936,194	2,814,438	41,590,900	29,530,856
2033	39,745,000	14,956,928	54,701,928	5,285,000	1,010,825	5,545,000	4,339,175	70,881,928	2,777,738	39,253,300	28,850,891
2034	41,260,000	13,441,022	54,701,022	1,545,000	840,075	5,080,000	4,073,550	66,239,647	2,659,956	36,376,669	27,203,022
2035	40,505,000	12,012,391	52,517,391	1,620,000	760,950	5,335,000	3,813,175	64,046,516	2,316,925	35,304,000	26,425,591
2036	39,160,000	10,651,659	49,811,659	1,705,000	677,825	5,610,000	3,539,550	61,344,034	2,066,775	34,657,413	24,619,847
2037	38,010,000	9,318,641	47,328,641	1,795,000	590,325	5,890,000	3,252,050	58,856,016	1,600,300	33,955,475	23,300,241
2038	37,580,000	8,002,941	45,582,941	1,885,000	498,325	6,195,000	2,949,925	57,111,191	1,529,125	34,000,709	21,581,356
2039	35,320,000	6,758,347	42,078,347	1,980,000	401,700	6,525,000	2,631,925	53,616,972	1,531,250	34,020,397	18,065,325
2040	34,140,000	5,622,203	39,762,203	2,070,000	310,800	6,825,000	2,332,300	51,300,303	1,532,000	33,204,694	16,563,609
2041	31,650,000	4,540,963	36,190,963	2,155,000	226,300	7,100,000	2,053,800	47,726,063	1,531,900	32,633,094	13,561,069
2042	25,530,000	3,506,422	29,036,422	2,245,000	138,300	7,385,000	1,764,100	40,568,822	1,534,500	30,389,422	8,644,900
2043	16,455,000	2,695,300	19,150,300	2,335,000	46,700	7,690,000	1,462,600	30,684,600	1,025,100	25,747,800	3,911,700
2044	17,065,000	2,079,316	19,144,316	-	-	2,715,000	1,254,500	23,113,816	-	23,113,816	-
2045	14,255,000	1,525,903	15,780,903	-	-	2,825,000	1,143,700	19,749,603	-	19,749,603	-
2046	10,810,000	1,098,497	11,908,497	-	-	2,940,000	1,028,400	15,876,897	-	15,876,897	-
2047	8,130,000	781,097	8,911,097	-	-	3,060,000	908,400	12,879,497	-	12,879,497	-
2048	4,800,000	571,084	5,371,084	-	-	3,185,000	783,500	9,339,584	-	9,339,584	-
2049	4,945,000	424,781	5,369,781	-	-	3,315,000	653,500	9,338,281	-	9,338,281	-
2050	4,710,000	278,369	4,988,369	-	-	3,450,000	518,200	8,956,569	-	8,956,569	-
2051	3,685,000	144,531	3,829,531	-	-	3,595,000	377,300	7,801,831	-	7,801,831	-
2052	1,935,000	41,119	1,976,119	-	-	3,740,000	230,600	5,946,719	-	5,946,719	-
2053	-	-	-	-	-	3,895,000	77,900	3,972,900	-	3,972,900	-
	<u>\$915,430,000</u>	<u>\$352,042,778</u>	<u>\$1,267,472,778</u>	<u>\$71,845,000</u>	<u>\$27,066,994</u>	<u>\$146,795,000</u>	<u>\$ 90,084,776</u>	<u>\$1,603,264,547</u>	<u>\$57,685,630</u>	<u>\$ 987,607,597</u>	<u>\$ 557,971,321</u>

(1) "Outstanding Debt" does not include lease/purchase obligations, however, it does include self-supporting debt. Preliminary, subject to change.

(2) Average life of the issue - 7.979 years. Interest on the Bonds has been calculated at the rate of 3.04% for purposes of illustration. Preliminary, subject to change.

(3) Average life of the issue - 14.120 years. Interest on the Certificates has been calculated at the rate of 3.65% for purposes of illustration. Preliminary, subject to change.

(4) Includes a portion of the Obligations. Excludes the Refunded Obligations Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION ⁽¹⁾

Budgeted Tax Supported Debt Service Requirements and Fiscal Charges, Fiscal Year Ending 9/30/2023	\$ 93,815,225	
Interest and Sinking Fund Balance as of 9/30/22	\$ 2,411,532	
Interest and Sinking Fund Tax Levy	32,605,476	
From Revenue Supported Sources	61,829,824	
Interest Income	100,000	96,946,832
Estimated Balance, 9/30/23		<u>\$ 3,131,607</u>

(1) Source: City's Annual Budget for Fiscal Year 2022/23.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue from Solid Waste System, Fiscal Year Ended 9-30-22	\$ 17,315,395 ⁽¹⁾
Less: Solid Waste System Revenue Bond Requirements, 2023 Fiscal Year	-
Balance Available for Other Purposes	\$ 17,315,395
Solid Waste System General Obligation Bond Requirements, 2023 Fiscal Year	(3,853,331)
Balance	<u>\$ 13,462,064</u>
Net Revenue from Utility System, Fiscal Year Ended 9-30-22	\$ 156,926,668 ⁽¹⁾
Less: Utility System Revenue Bond Requirements, 2023 Fiscal Year	(25,295,259)
Balance Available for Other Purposes	\$ 131,631,409
Utility System General Obligation Bond Requirements, 2023 Fiscal Year	(55,653,741)
Balance	<u>\$ 75,977,668</u>

(1) Does not deduct franchise fees and/or return on investment paid to the General Fund.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS

Purpose	Authorized	Authorized	Issued	Issued ⁽¹⁾	Balance
Street & Drainage	11/5/2019	\$ 154,000,000	\$ 65,145,000	\$ 34,355,000	\$ 54,500,000
Police Public Safety Facilities	11/5/2019	61,900,000	61,900,000	-	-
Parks	11/5/2019	5,000,000	5,000,000	-	-
		<u>\$ 220,900,000</u>	<u>\$ 132,045,000</u>	<u>\$ 34,355,000</u>	<u>\$ 54,500,000</u>

(1) Includes premium on the Bonds. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . As shown in Table 10 above, after the issuance of the Bonds, the City will have \$54,500,000 voted but unissued debt remaining from the November 5, 2019 authorization. In June of 2020, the City established a commercial paper note program which allows for the issuance, at one time, or from time to time, of up to \$100,000,000 aggregate principal amount of commercial paper notes (the "CP Notes") in order to finance public improvements authorized in the November 5, 2019 bond election. The CP Notes are secured by ad valorem taxes and proceeds from "rolls" of CP Notes and from bonds issued under the November 5, 2019 authorization. As of April 1, 2023, no CP Notes are outstanding. The City may also issue tax-supported debt other than voter approved general obligation bonds to fund public improvements, such as certificates of obligation or tax anticipation notes, without submitting a measure to the voters, but in certain instances, subject to voter petition rights for a referendum. Further, the City may issue tax-supported debt other than voter approved general obligation bonds to refund bonds or other obligations not currently payable from or supported by ad valorem taxes, such as the City's Utility System revenue bonds. **The City anticipates the issuance of approximately \$ ___ million in tax supported debt in fiscal year 2024.**

TABLE 11 - OTHER OBLIGATIONS

As of September 30, 2022, the City does not have any other obligations outstanding.

PENSION FUND . . . The City of Denton participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly-available annual comprehensive financial report obtainable at www.tmrs.com.

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

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

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their retirement benefit in one of seven payments options. Employees may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percent (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employee's salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retirees equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees covered by benefit terms . . . At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	839
Inactive Employees Entitled to But Not Yet Receiving Benefits	745
Active Employees	<u>1,323</u>
	2,907

Contributions . . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.61% and 17.47% in calendar years 2021 and 2022, respectively.

The City's contributions to TMRS for the year ended September 30, 2022 were \$18,471,103 and were equal to the required contributions.

Net Pension Liability . . . The City's Net Pension Liability ("NPL") was measured as of December 31, 2021, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions . . . The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
None-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at 12/31/2020	\$ 560,470,110	\$ 494,893,606	\$ 65,576,504
Changes for the year:			
Service cost	17,667,234	-	17,667,234
Interest	37,617,145	-	37,617,145
Difference between expected and actual experience	8,560,080	-	8,560,080
Changes of assumptions	-	-	-
Contributions - employer	-	17,849,684	(17,849,684)
Contributions - employee	-	7,095,275	(7,095,275)
Net investment income	-	64,564,009	(64,564,009)
Benefit payments, including refunds of employee contributions	(24,025,384)	(24,025,384)	-
Administrative expense	-	(298,515)	298,515
Other changes	-	2,043	(2,043)
Net changes	39,819,075	65,187,112	(25,368,037)
Balance at 12/31/2021	\$ 600,289,185	\$ 560,080,718	\$ 40,208,467

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$128,986,586	\$ 40,208,467	\$(32,147,421)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2022, the City recognized pension expense of \$7,836,233. This amount is included as part of personal services expenses.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ (33,191,633)
Contributions subsequent to the measurement date	13,454,404	-
Differences between expected and actual economic experience	9,068,338	-
Difference in assumption changes	498,406	-
Total	\$ 23,021,148	\$ (33,191,633)

\$13,454,404 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2023	\$ (2,581,969)
2024	(11,021,823)
2025	(4,740,479)
2026	(5,280,618)
2027	-
Total	<u>\$ (23,624,889)</u>

FIREMEN'S RELIEF AND RETIREMENT FUND

Plan Description . . . The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided . . . Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund

which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially-vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two- Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases. The December 31, 2021 actuarial valuation reflects tiered ad hoc postretirement benefit increases effective July 1, 2022 of 4% for those retired 15 or more years, 3% for those retired for 10 to 15 years, and 2% for those retired five to ten years.

Employees Covered by Benefit Terms . . . In the December 31, 2021 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive Employees or Beneficiaries Currently Receiving Benefits	92
Inactive Employees Entitled to But Not Yet Receiving Benefits	7
Active Employees	<u>211</u>
	310

Contributions . . . The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The contribution policy of the Denton Firemen's Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. The December 31, 2021 actuarial valuation includes the assumption the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2022 were \$4,440,025.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2021, the money-weighted rate of return on pension plan investments was 17.93%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability . . . The City of Denton's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2021..

Total Pension Liability	\$ 142,439,646
Plan fiduciary net position	<u>140,537,577</u>
City's net pension liability	1,902,069
Plan fiduciary net position as a percentage of the total pension liability	98.7%

Actuarial Assumptions . . . The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by “rounding down” and thereby reflects a reduction of 0.71% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.50%
Fixed Income	10.0%	1.00%
Cash	2.0%	0.00%
Total	95.0%	
Weighted Average		4.96%

Discount Rate . . . The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2021 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in nine years. Because of the nine-year amortization period of the UAAL, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2020	\$ 128,332,828	\$ 117,198,139	\$ 11,134,689
Changes for the year:			
Service cost	4,380,049	-	4,380,049
Interest	8,791,959	-	8,791,959
Contributions - employer	-	4,249,769	(4,249,769)
Contributions - employee	-	2,894,437	(2,894,437)
Net investment income	-	21,206,371	(21,206,371)
Benefit payments, including refunds of employee contributions	(4,923,273)	(4,923,273)	-
Administrative expense	-	(87,866)	87,866
Net changes	14,106,818	23,339,438	(9,232,620)
Balance at 12/31/2021	\$ 142,439,646	\$ 140,537,577	\$ 1,902,069

Sensitivity of the Net Pension Liability to Changes in the Discount Rate . . . The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$20,586,807	\$ 1,902,069	\$(13,710,288)

Pension Plan Fiduciary Net Position . . . The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2022, the City recognized pension expense of \$338,204. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. This amount is included as part of personnel services expenses.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$(16,227,774)
Contributions subsequent to the measurement date	3,248,454	-
Differences between expected and actual economic experience	6,297,607.00	(586,533)
Difference in assumption changes	3,019,507	-
Total	\$ 12,565,568	\$(16,814,307)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,248,454 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2022 and the City's fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	
2023	\$ (3,061,592)
2024	(4,261,959)
2025	(2,424,421)
2026	(1,391,775)
2027	1,187,642
Thereafter	2,454,912
Total	\$ (7,497,193)

OTHER POST EMPLOYMENT BENEFITS . . . The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for postemployment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a singleemployer defined benefit OPEB plan. Both plans are described in detail following.

Aggregate amounts for the two OPEB plans are as follows:

	<u>Medical OPEB</u>	<u>TMRS SDBF</u>	<u>Total</u>
Total OPEB Liability	\$ 49,266,518	\$ 5,376,347	\$ 54,642,865
Deferred outflows of resources	\$ 6,322,148	\$ 1,204,610	7,526,758
Deferred inflows of resources	4,135,547	378,134	4,513,681
OPEB expense	4,744,360	548,705	5,293,065

Plan Description . . . The City of Denton provides post-employment medical care (OPEB) for retired employees through a singleemployer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided . . . The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

In the December 31, 2021 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	249
Active Employees	<u>1,540</u>
	1,789

Funding Policy . . . The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree's contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes \$40 per month for each five-year increment of service, up to \$200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability. . . The City's medical OPEB liability of \$49,266,518 was measured as of December 31, 2021, the same date as the actuarial valuation.

The medical OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Significant method and assumptions used for this fiscal year valuation were as follows:

Valuation Date	December 31, 2021
Actuarial cost method	Individual Entry-Age Normal Method
Discount Rate	2.75% as of December 31, 2019 2.00% as of December 31, 2020 1.84% as of December 31, 2021
Inflation Rate	2.50% per annum
Projected salary increases	3.50% to 11.50% for TMRS, including inflation 3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. Firefighters: The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale of MP-2019.
Participation Rates	60% for employees retiring at age 65 or older; 45% for employees retiring between the ages 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for retirees under the age 50 at retirement

Changes in the Medical OPEB Liability

	Total Medical OPEB Liability
Balance at 12/31/2020	\$ 48,918,032
Changes for the year:	
Service cost	3,554,317
Interest	995,640
Difference between expected and actual experience	(1,283,436)
Changes of assumptions	(1,091,668)
Benefit payments	(1,826,367)
Net Changes	348,486
Balance at 12/31/2021	\$ 49,266,518

Total OPEB liability as a percentage of covered payroll was 38.92%.

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

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (1.00%) and 1% greater than (3.00%) the discount rate that was used (2.00%) in measuring the medical OPEB liability:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total medical OPEB Liability	\$54,844,998	\$ 49,266,518	\$44,418,232

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

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less than (6.00%) and 1% more than (8.00%) the healthcare cost trend rate that was used (7.00%) in measuring the medical OPEB liability:

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total medical OPEB Liability	\$45,370,854	\$ 49,266,518	\$53,902,870

Medical OPEB Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2022, the City recognized medical OPEB expense of \$4,744,360. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 254,892	\$ 2,212,338
Changes in actuarial assumptions	4,700,449	1,923,209
Contribution subsequent to the measurement date	1,366,807	-
Totals	<u>\$ 6,322,148</u>	<u>\$ 4,135,547</u>

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date of \$1,366,807 will be recognized as a reduction of the medical OPEB liability for the City's fiscal year ending September 30, 2023. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	
2023	\$ 194,403
2024	194,403
2025	194,403
2026	186,610
2027	(29,140)
Thereafter	<u>79,115</u>
Total	\$ 819,794

Supplemental Death Benefit Fund . . . The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits provided . . . The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

In the December 31, 2021 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	647
Inactive Employees entitled to but not yet receiving benefits	217
Active Employees	<u>1,323</u>
	2,187

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2022 and 0.18% for 2021, of which 0.09% for 2022 and 0.08% for 2021, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for two years ended September 30, 2022 and 2021 were \$190,063 and \$179,918 respectively, year.

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

	Fiscal Year Ended September 30,				
	2022	2021	2020	2019	2018
Revenues:					
Program Revenue:					
Charges for Services	\$ 25,203,727	\$ 18,751,972	\$ 17,442,268	\$ 20,276,028	\$ 20,212,367
Operating Grants and Contributions	9,545,392	8,607,304	8,991,320	4,092,532	3,697,696
Capital Grants and Contributions	34,406,757	23,945,640	34,911,879	28,085,591	33,991,306
General Revenue:					
Property Tax	79,552,638	78,243,553	75,431,860	71,351,314	67,185,610
Sales Tax	53,264,724	45,404,857	39,337,834	38,330,825	38,270,026
Other Taxes/Fees	42,503,178	35,648,023	32,100,345	29,873,654	29,384,183
Miscellaneous	7,125,797	5,876,421	7,111,569	10,119,145	6,827,003
Total Revenue	<u>\$ 251,602,213</u>	<u>\$ 216,477,770</u>	<u>\$ 215,327,075</u>	<u>\$ 202,129,089</u>	<u>\$ 199,568,191</u>
Expenditures:					
General Government	\$ 40,369,454	\$ 37,401,990	\$ 37,921,928	\$ 39,051,942	\$ 37,968,945
Public Safety	87,970,791	93,415,418	82,119,480	77,883,435	71,945,219
Public Works	25,489,369	14,063,366	26,049,847	24,502,864	25,683,779
Parks and Recreation	22,787,282	19,295,206	15,759,371	17,710,634	17,422,273
Interest on Long-Term Debt	8,571,877	7,380,293	6,757,736	6,750,917	5,379,149
Total Expenses	<u>\$ 185,188,773</u>	<u>\$ 171,556,273</u>	<u>\$ 168,608,362</u>	<u>\$ 165,899,792</u>	<u>\$ 158,399,365</u>
Increase in Net Position before Transfers	\$ 66,413,440	\$ 44,921,497	\$ 46,718,713	\$ 36,229,297	\$ 41,168,826
Transfers	2,913,731	1,975,432	1,296,624	1,018,664	(1,104,290)
Increase (Decrease) in Net Position	\$ 69,327,171	\$ 46,896,929	\$ 48,015,337	\$ 37,247,961	\$ 40,064,536
Prior Period Adjustment	9,072,792 ⁽³⁾	-	-	-	(16,960,959) ⁽²⁾
Net Position at Beginning of Year	328,693,298	281,796,369	233,781,032	196,533,071	173,429,494
Net Position at End of Year	<u>\$ 407,093,261 ⁽¹⁾</u>	<u>\$ 328,693,298</u>	<u>\$ 281,796,369</u>	<u>\$ 233,781,032</u>	<u>\$ 196,533,071</u>

(1) Unrestricted net position, that part of the net position that may be used to meet the City's ongoing obligations, was (\$2,815,218) as of September 30, 2022. This table refers to governmental activities only and does not include enterprise funds such as solid waste or utility activities.

(2) Represents a net adjustment due to GASB 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

(3) An adjustment has been recorded to account for the recognition of intergovernmental revenues received in advance and held as an unearned revenue liability.

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2022	2021	2020	2019	2018
Revenues:					
Taxes	\$ 102,491,584	\$ 95,276,289	\$ 88,273,338	\$ 85,149,284	\$ 83,621,197
Licenses and Permits	9,058,717	5,939,320	5,225,128	3,889,820	3,739,691
Franchise Fee	19,910,133	17,961,984	16,196,987	13,443,408	13,263,247
Fines and Forfeitures	1,875,399	1,572,587	2,279,771	3,651,697	3,523,068
Fees for Service	9,630,662	9,354,890	6,803,459	6,981,182	7,223,541
Interest Revenue	(127,267)	160,094	793,413	1,114,348	514,938
Intergovernmental	2,508,006	4,166,856	5,075,506	1,339,188	1,005,259
Miscellaneous	322,173	385,998	313,541	470,502	432,820
Total Revenues	<u>\$ 145,669,407</u>	<u>\$ 134,818,018</u>	<u>\$ 124,961,143</u>	<u>\$ 116,039,429</u>	<u>\$ 113,323,761</u>
Expenditures:					
General Government	\$ 26,563,210	\$ 26,460,924	\$ 26,969,064	\$ 29,967,473	\$ 27,725,208
Public Safety	86,682,395	80,847,727	75,985,961	68,174,782	63,268,420
Public Works	2,956,465	2,919,114	3,021,395	3,035,748	3,077,807
Parks and Recreation	13,308,304	11,259,612	8,872,556	9,786,783	12,332,725
Capital Outlay	540,289	476,296	442,932	737,271	623,931
Debt Service: Principal Retirement	-	-	-	4,171	50,052
Total Expenditures	<u>\$ 130,050,663</u>	<u>\$ 121,963,673</u>	<u>\$ 115,291,908</u>	<u>\$ 111,706,228</u>	<u>\$ 107,078,143</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 15,618,744	\$ 12,854,345	\$ 9,669,235	\$ 4,333,201	\$ 6,245,618
Other Financing Sources (Uses):					
Transfers In	\$ 2,728	\$ 33,964	\$ -	\$ -	\$ -
Sale of Capital Assets	568,128	326,682	112,824	17,033	111,674
Transfers (Out)	(9,230,186)	(8,497,210)	(6,738,692)	(3,928,775)	(7,810,680)
Total Other Financing Sources (Uses)	<u>\$ (8,659,330)</u>	<u>\$ (8,136,564)</u>	<u>\$ (6,625,868)</u>	<u>\$ (3,911,742)</u>	<u>\$ (7,699,006)</u>
Net Changes in Fund Balance	\$ 6,959,414	\$ 4,717,781	\$ 3,043,367	\$ 421,459	\$ (1,453,388)
Fund Balance at Beginning of Year	<u>38,499,992</u>	<u>33,782,211</u>	<u>30,738,844</u>	<u>30,317,385</u>	<u>31,770,773</u>
Fund Balance at End of Year	<u>\$ 45,459,406</u>	<u>\$ 38,499,992</u>	<u>\$ 33,782,211</u>	<u>\$ 30,738,844</u>	<u>\$ 30,317,385</u>

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In January 1994, the voters of the City approved the imposition of an additional one-half of one percent ($\frac{1}{2}$ of 1%) for property tax reduction. In September 2003, the voters of the City approved the imposition of an additional one-half of one percent ($\frac{1}{2}$ of 1%) for the Denton County Transportation Authority. The implementation of this tax began January 2004, and is allocated directly to the Denton County Transportation Authority.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2019	\$ 38,330,825	54.15%	\$ 0.3387	\$ 280
2020	39,337,834	52.42%	0.3117	279
2021	45,404,857	58.24%	0.3343	316
2022	53,264,724	67.05%	0.3698	362
2023 ⁽²⁾	22,357,725	24.28%	0.1337	148

(1) Source: City of Denton Annual Program of Services.

(2) Collections through April 1, 2023.

The sales tax breakdown for the City is as follows:

Property Tax Relief	0.50¢
Denton County Transportation Authority	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	<u>6.25¢</u>
Total	8.25¢

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles of the Governmental Accounting Standards Board and program standards adopted by the Government Finance Officers Association of the United States and Canada. The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denton for each fiscal year since 1983. The City's current report will be submitted to GFOA to determine its eligibility for another Certificate.

The City has also received the GFOA's award for Distinguished Budget Presentation each year since 1986.

The measurement focuses for the Enterprise Funds, Internal Service Funds and Nonexpendable Trust Funds are income determination and cost of service, respectively. Accordingly, the accrual basis, whereby revenues and expenses are identified in the accounting period in which they are earned and incurred and net income, is utilized for these funds. The modified accrual basis, whereby revenues are recognized when they become both measurable and available for use during the year and expenditures are recognized when the related fund liability is incurred, is used for all other funds.

Fund Balance Policy . . . The City strives to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

Budgetary Procedures . . . As prescribed by City Charter, the City Manager, within the time period required by law, submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The budget includes proposed expenditures and revenues required to fund the expenditures. Following Council considerations, amendments and refinements, a public hearing is ordered and conducted for the purpose of obtaining taxpayer comments. The budget is finally approved and adopted by passage of an ordinance by the City Council prior to the beginning of the fiscal year. The budget is adopted on a basis consistent with generally accepted accounting principles. It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances and/or economic downturns.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, 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 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 (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) 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 (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) 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 FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer 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 by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than 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 an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial 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 Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations 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, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

TABLE 14- CURRENT INVESTMENTS ⁽¹⁾

As of April 1, 2023, the City's available funds were invested as follows:

Description	Market Value Percent	Market Value	Book Value
Treasury Securities	34.96%	\$ 260,480,645	\$ 262,589,489
Federal Agency Issues - Coupon	26.23%	195,419,362	196,581,287
Federal Agency Issues - Amortizing	1.34%	9,982,484	9,981,458
Federal Agency Issues - Step-Up	1.34%	9,974,011	10,000,000
Commercial Paper	13.52%	100,717,660	100,776,333
Local Government Inv. Pool- TexSTAR	1.34%	10,000,000	10,000,000
Local Government Inv. Pool- TexPool	17.45%	130,000,000	130,000,000
Demand Deposits/Wells Fargo ⁽²⁾	3.82%	28,439,762	28,439,762
	<u>100.00%</u>	<u>\$ 745,013,924</u>	<u>\$ 748,368,329</u>

(1) There are no City funds invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

(2) Insured up to the FDIC limit with uninsured amounts collateralized by U.S. federal agency securities at a minimum of 102% of principal plus accrued interest.

TexSTAR is a local government investment pool for whom Hilltop Securities Asset Management, Inc. provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY

TAX MATTERS

OPINIONS

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

The Bonds . . . On the date of initial delivery of the Bonds, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the 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, 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 Bonds. See Appendix C – Forms of Bond Counsel's Opinions.

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

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Obligations or the projects being financed or refinanced therewith. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Obligations 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 Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the Obligations 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 Obligations 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 Obligations 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 Obligations. This discussion is based on Existing Law, all of which are subject to change or modification, retroactively.

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

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

Interest on the Obligations may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, 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 Obligations, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

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

INFORMATION REPORTING AND BACKUP WITHHOLDING

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

FUTURE AND PROPOSED LEGISLATION

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

CONTINUING DISCLOSURE OF INFORMATION

In each of the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the respective series of Obligations. The City is required to observe each agreement while it remains obligated to advance funds to pay such Obligations. Under each agreement, the City will be obligated to provide certain updated financial information and operating data annually, and the timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2023. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

The City's current fiscal year end is September 30. Accordingly, it must provide the Annual Operating Report 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.

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

Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". For purposes of clauses (15) and (16) above, "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) guarantee of (i) or (ii). 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.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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 Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement for either or both of the Bonds and Certificates from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds or Certificates, as the case may be, in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds or Certificates, as the case may be, consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds or Certificates, as the case may be. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. 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 . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated "A" by Fitch and "A" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

Various claims and lawsuits are pending against the City. In accordance with Generally Accepted Accounting Principles, those judgments considered "probable" are accrued by the City, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and the City Attorney, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings, is approximately \$500,000 as of the date of this Official Statement. It is the opinion of the City Attorney and City management that potential losses after insurance coverage on all probable claims and lawsuits will not have a material adverse financial impact upon the City or its operations, see Appendix B, Notes to Basic Financial Statements G., page 85.

At the time of the initial delivery of the Bonds, the City will provide the Initial Purchasers with a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds or Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds or Certificates under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations 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

The Obligations. Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The Certificates. Section 271.051, Texas Local Government Code, provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the sinking funds of municipalities, school districts, and other political subdivisions or public agencies of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school districts, and other political subdivisions of the State, and are legal security for those deposits to the extent of their market value.

General Considerations. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Obligations may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds and of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and the Initial Certificate and to the effect that the Bonds and the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds and the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Obligations will also be furnished. Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Bond Ordinance and the Certificate Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

Hilltop Securities Inc., ("HilltopSecurities") is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. HilltopSecurities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER OF THE CERTIFICATES

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

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on page 4 of the Official Statement at a price of par plus a cash premium of \$ _____. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Bonds.

The Initial Purchaser of the Bonds and the Initial Purchaser of the Certificates are herein collectively referred to as the "Initial Purchasers".

CERTIFICATION OF THE OFFICIAL STATEMENT

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

CYBERSECURITY

The unauthorized access, use, disclosure, disruption, modification, or destruction of the City's Information or information systems could negatively impact the operations of the city and its ability to provide services to its citizens. The City uses a risk-based approach and "best practices" to protect the confidentiality, integrity and availability of the information and information systems that it is entrusted with. Employees are required to take annual security training which is re-enforced with continuous phishing email tests. The City uses the NIST-CSF framework to assure compliance with multiple standards, regulations, and other obligations. In addition, to help protect the City against claims and expenses due to a cybersecurity incident, the City maintains cyber insurance.

FORWARD LOOKING STATEMENTS DISCLAIMER

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

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

LINKS TO WEBSITES

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

MISCELLANEOUS

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

PRICING OFFICER
City of Denton, Texas

SCHEDULE OF REFUNDED OBLIGATIONS***Certificates of Obligation, Series 2012**

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
4/15/2012	2/15/2025	3.000%	\$ 1,935,000	\$ 1,935,000
	2/15/2026	3.000%	1,995,000	\$ 1,995,000
	2/15/2027	3.125%	2,055,000	2,055,000
	2/15/2032	3.500%	2,590,000	2,590,000
			<u>\$ 8,575,000</u>	<u>\$ 8,575,000</u>

The 2025 – 2032 maturities will be redeemed prior to original maturity on [REDACTED] at par.

General Obligation Refunding and Improvement Bonds, Series 2012

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
4/15/2012	2/15/2025	3.000%	\$ 170,000	\$ 170,000
	2/15/2026	3.000%	180,000	180,000
	2/15/2027	3.125%	185,000	185,000
	2/15/2028	3.250%	190,000	190,000
	2/15/2029	3.375%	195,000	195,000
	2/15/2030	3.375%	200,000	200,000
	2/15/2031	3.500%	210,000	210,000
	2/15/2032	3.500%	215,000	215,000
			<u>\$ 1,545,000</u>	<u>\$ 1,545,000</u>

The 2025 – 2032 maturities will be redeemed prior to original maturity on [REDACTED] at par.

General Obligation Refunding and Improvement Bonds, Series 2013

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
5/15/2013	2/15/2024	4.000%	\$ 870,000	\$ 870,000
	2/15/2025	3.125%	895,000	895,000
	2/15/2026	3.250%	210,000	210,000
	2/15/2027	3.500%	220,000	220,000
	2/15/2028	3.500%	225,000	225,000
	2/15/2029	3.625%	235,000	235,000
	2/15/2030	3.750%	245,000	245,000
	2/15/2031	3.750%	255,000	255,000
	2/15/2032	4.000%	260,000	260,000
	2/15/2033	4.000%	275,000	275,000
			<u>\$ 3,690,000</u>	<u>\$ 3,690,000</u>

The 2024 – 2033 maturities will be redeemed prior to original maturity on [REDACTED] at par.

* Preliminary, subject to change.

Certificates of Obligation, Series 2013

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
4/15/2013	2/15/2024	4.000%	\$ 2,660,000	\$ 2,660,000
	2/15/2025	4.000%	2,760,000	2,760,000
	2/15/2026	4.000%	2,875,000	2,875,000
	2/15/2027	4.000%	2,975,000	2,975,000
	2/15/2028	3.000%	3,085,000	3,085,000
	2/15/2029	3.125%	3,205,000	3,205,000
	2/15/2030	3.250%	3,340,000	3,340,000
	2/15/2031	3.250%	3,480,000	3,480,000
	2/15/2032	3.250%	3,615,000	3,615,000
	2/15/2033	3.375%	3,755,000	3,755,000
			<u>\$31,750,000</u>	<u>\$31,750,000</u>

The 2024 – 2033 maturities will be redeemed prior to original maturity on [REDACTED] at par.

PRELIMINARY

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

PRELIMINARY

APPENDIX B

EXCERPTS FROM THE

CITY OF DENTON, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended September 30, 2022

The information contained in this Appendix consists of excerpts from the City of Denton, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2022, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

PRELIMINARY