

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Dated April 17, 2025

Ratings:
Moody's: "Aaa"
S&P: "AAA"
(See "OTHER INFORMATION – Ratings" herein)

(See "CONTINUING DISCLOSURE OF INFORMATION" 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 – THE BONDS AND THE 2025A CERTIFICATES" herein.



\$63,670,000*
CITY OF RICHARDSON, TEXAS
(Dallas and Collin Counties)
GENERAL OBLIGATION BONDS, SERIES 2025

Dated Date: as of the Date of Delivery
Interest to Accrue from Date of Delivery

Due: February 15, as shown on page 2

PAYMENT TERMS. . . Interest on the \$63,670,000* City of Richardson, Texas, General Obligation Bonds, Series 2025 (the "Bonds", and together with the \$21,735,000* City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025A [the "2025A Certificates"] and the \$6,200,000 City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2025B [the "Taxable 2025B Certificates"] being offered herein, collectively known as the "Obligations") will accrue from the Date of Delivery (as defined herein), will be payable February 15 and August 15 of each year commencing February 15, 2026, 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, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a stated maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Regions Bank, Houston, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Bonds are issued by the City of Richardson, Texas (the "City") pursuant to the Texas Constitution, the City's Home Rule Charter and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapters 1331 and 1371, as amended, and elections held on November 2, 2021 and May 6, 2023, and are direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance"). In the Bond Ordinance scheduled to be adopted on April 28, 2025, the City Council will delegate to an officer of the City, pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale of the Bonds will be included in a "Bonds Pricing Certificate" which will complete the sale of the Bonds (the Bond Ordinance and the Bonds Pricing Certificate are collectively referred to as the "Ordinance") (see "The Obligations - Authority for Issuance").

PURPOSE. . . Proceeds from the sale of the Bonds will be used for (i) constructing, improving, renovating, expanding and equipping municipal public buildings and the acquisition of land therefor, to-wit: renovating City Hall and the Richardson City Library; (ii) designing, constructing, improving and equipping a new City Hall building, including parking and landscaping related thereto and the demolition of the existing City Hall; (iii) designing, acquiring, constructing, renovating, improving, and equipping the City parks (including passive parks and open space improvements), and acquiring lands, interests in lands, and rights-of-way related thereto; and (iv) paying the costs of issuance in connection with issuing the Bonds.

CUSIP PREFIX: 763227 - MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

SEPARATE ISSUES. . . The Obligations are being offered concurrently by the City under a common Preliminary Official Statement. The Obligations are separate and distinct securities offerings being issued and sold independently except for the common Preliminary 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 holders, and other features.

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

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on May 28, 2025 (the "Date of Delivery").

STIFEL
BOK FINANCIAL SECURITIES, INC.

RAYMOND JAMES

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP ⁽¹⁾ Prefix: 763227

\$63,670,000* GENERAL OBLIGATION BONDS, SERIES 2025

Principal Amount	Maturity (Feb. 15)	Interest Rate	Initial Yield	CUSIP ⁽¹⁾	Principal Amount	Maturity (Feb. 15)	Interest Rate	Initial Yield	CUSIP ⁽¹⁾
\$ 14,385,000	2026				\$ 1,695,000	2036			
11,835,000	2027				1,780,000	2037			
6,285,000	2028				1,870,000	2038			
1,195,000	2029				1,965,000	2039			
1,255,000	2030				2,065,000	2040			
1,320,000	2031				2,175,000	2041			
1,385,000	2032				2,285,000	2042			
1,455,000	2033				2,400,000	2043			
1,530,000	2034				2,525,000	2044			
1,610,000	2035				2,655,000	2045			

(Interest to accrue from the Date of Delivery)

(1) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriters, the City, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds maturing on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, 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.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Dated April 17, 2025

Ratings:
Moody's: "Aaa"
S&P: "AAA"
(See "OTHER INFORMATION – Ratings" herein)

(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

NEW ISSUE – Book-Entry-Only

In the opinion of Bond Counsel, interest on the 2025A 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 – THE BONDS AND THE 2025A CERTIFICATES" herein.



\$21,735,000*
CITY OF RICHARDSON, TEXAS
(Dallas and Collin Counties)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025A

Dated Date: as of the Date of Delivery
Interest to Accrue from Date of Delivery

Due: February 15, as shown on page 4

PAYMENT TERMS. . . Interest on the \$21,735,000* City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025A (the "2025A Certificates," and together with the \$63,670,000* City of Richardson, Texas, General Obligation Bonds, Series 2025 [the "Bonds"] and the \$6,200,000* City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2025B [the "Taxable 2025B Certificates"] being offered herein, collectively known as the "Obligations") will accrue from the Date of Delivery (as defined herein), will be payable February 15 and August 15 of each year commencing February 15, 2026, 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 2025A Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the 2025A Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a stated maturity. No physical delivery of the 2025A Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the 2025A 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 2025A Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Regions Bank, Houston, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The 2025A Certificates are issued by the City of Richardson, Texas (the "City") pursuant to the Texas Constitution, the City's Home Rule Charter, and the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge of the net revenues of the City's Waterworks and Sewer System (the "System"), as provided in the ordinance authorizing the 2025A Certificates (the "2025A Certificate Ordinance"). In the 2025A Certificate Ordinance scheduled to be adopted on April 28, 2025, the City Council will delegate to an officer of the City, pursuant to certain provisions of Chapter 1371, authority to effect the sale of the 2025A Certificates and to establish certain terms related to the issuance and sale of the 2025A Certificates. The terms of the sale of the 2025A Certificates will be included in a "2025A Certificates Pricing Certificate" which will complete the sale of the 2025A Certificates (the 2025A Certificate Ordinance and the 2025A Certificates Pricing Certificate are collectively referred to as the "2025A Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").

PURPOSE. . . Proceeds from the sale of the 2025A Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring vehicles and equipment for the solid waste and fire departments; (ii) improving and extending the City's Waterworks and Sewer System ; and (iii) professional services rendered in connection therewith.

CUSIP PREFIX: 763227 - MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 4

SEPARATE ISSUES. . . The Obligations are being offered concurrently by the City under a common Preliminary Official Statement. The Obligations are separate and distinct securities offerings being issued and sold independently except for the common Preliminary 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 holders, and other features.

LEGALITY. . . The 2025A Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY. . . It is expected that the 2025A Certificates will be available for delivery through DTC on May 28, 2025 (the "Date of Delivery").

STIFEL
BOK FINANCIAL SECURITIES, INC. **RAYMOND JAMES**

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP⁽¹⁾ Prefix: 763227

**\$21,735,000* COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025A**

Principal Amount	Maturity (Feb. 15)	Interest Rate	Initial Yield	CUSIP ⁽¹⁾	Principal Amount	Maturity (Feb. 15)	Interest Rate	Initial Yield	CUSIP ⁽¹⁾
\$ 770,000	2026				\$ 895,000	2036			
1,045,000	2027				940,000	2037			
1,105,000	2028				990,000	2038			
1,155,000	2029				1,040,000	2039			
1,220,000	2030				1,095,000	2040			
1,280,000	2031				1,045,000	2041			
1,340,000	2032				1,100,000	2042			
1,415,000	2033				1,155,000	2043			
805,000	2034				1,215,000	2044			
850,000	2035				1,275,000	2045			

(Interest to accrue from the Date of Delivery)

(1) CUSIP numbers are included solely for the convenience of the owners of the 2025A Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriters, the City, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem 2025A Certificates having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, 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.

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(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

Dated April 17, 2025

NEW ISSUE – Book-Entry-Only

Interest on the Taxable 2025B Certificates is not excludable for federal tax purposes under existing law. See "TAX MATTERS – THE TAXABLE 2025B CERTIFICATES" herein.



\$6,200,000*
CITY OF RICHARDSON, TEXAS
(Dallas and Collin Counties)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2025B

Dated Date: as of the Date of Delivery
Interest to Accrue from Date of Delivery

Due: February 15, as shown on page 6

PAYMENT TERMS. . . Interest on the \$6,200,000* City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2025B (the "Taxable 2025B Certificates," and together with the \$63,670,000* City of Richardson, Texas, General Obligation Bonds, Series 2025 [the "Bonds"] and the \$21,735,000* City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025A [the "2025A Certificates"] being offered herein, collectively known as the "Obligations") will accrue from the Date of Delivery (as defined herein), will be payable February 15 and August 15 of each year commencing February 15, 2026, 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 Taxable 2025B Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Taxable 2025B Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a stated maturity. No physical delivery of the Taxable 2025B Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Taxable 2025B 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 Taxable 2025B Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Regions Bank, Houston, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Taxable 2025B Certificates are issued by the City of Richardson, Texas (the "City") pursuant to the Texas Constitution, the City's Home Rule Charter, and the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge of the net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Taxable 2025B Certificates (the "Taxable 2025B Certificate Ordinance"). In the Taxable 2025B Certificate Ordinance scheduled to be adopted on April 28, 2025, the City Council will delegate to an officer of the City, pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Taxable 2025B Certificates and to establish certain terms related to the issuance and sale of the Taxable 2025B Certificates. The terms of the sale of the Taxable 2025B Certificates will be included in a "Taxable 2025B Certificates Pricing Certificate" which will complete the sale of the Taxable 2025B Certificates (the Taxable 2025B Certificate Ordinance and the Taxable 2025B Certificates Pricing Certificate are collectively referred to as the "Taxable 2025B Ordinance") (see "THE OBLIGATIONS – Authority for Issuance").

PURPOSE. . . Proceeds from the sale of the Taxable 2025B Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) constructing, improving, renovating, expanding and equipping park and recreation facilities that are generally accessible to the public and are part of the City's park system; and (ii) professional services rendered in connection therewith.

CUSIP PREFIX: 763227 MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 6

SEPARATE ISSUES. . . The Obligations are being offered concurrently by the City under a common Preliminary Official Statement. The 2025A Certificates, Taxable 2025B Certificates and the Bonds are separate and distinct securities offerings being issued and sold independently except for the common Preliminary 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 holders, and other features.

LEGALITY. . . The Taxable 2025B Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY. . . It is expected that the Taxable 2025B Certificates will be available for delivery through DTC on May 28, 2025 (the "Date of Delivery").

STIFEL
BOK FINANCIAL SECURITIES, INC.

RAYMOND JAMES

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP⁽¹⁾ Prefix: 763227

**\$6,200,000* COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2025B**

Principal Amount	Maturity (Feb. 15)	Interest Rate	Initial Yield	CUSIP ⁽¹⁾	Principal Amount	Maturity (Feb. 15)	Interest Rate	Initial Yield	CUSIP ⁽¹⁾
\$ 75,000	2026				\$ 300,000	2036			
170,000	2027				325,000	2037			
180,000	2028				345,000	2038			
190,000	2029				370,000	2039			
205,000	2030				390,000	2040			
220,000	2031				420,000	2041			
235,000	2032				445,000	2042			
250,000	2033				475,000	2043			
265,000	2034				510,000	2044			
285,000	2035				545,000	2045			

(Interest to accrue from the Date of Delivery)

(1) CUSIP numbers are included solely for the convenience of the owners of the Taxable 2025B Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriters, the City, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Taxable 2025B Certificates having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, 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.

USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes a Preliminary Official Statement 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 Rule 15c2-12.

This Preliminary Official Statement, which includes the cover pages 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 Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon.

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

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

The agreements of the City and others related to the Obligations are contained solely in the contracts described herein. Neither this Preliminary Official Statement nor any other statement made in connection with the offer or sale of the Obligations is to be construed as constituting an agreement with the Underwriters of the Obligations. INVESTORS SHOULD READ THE ENTIRE PRELIMINARY OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION. 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 ("DTC") FOR USE IN THIS PRELIMINARY OFFICIAL STATEMENT.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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The cover pages hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the 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 Obligations 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 Richardson, Texas (the “City”), is a political subdivision located in Dallas and Collin Counties operating under the laws of the State and its Home-Rule Charter, which was last amended and approved by the voters in 2015. The City operates under the Council/Manager form of government in which seven councilmembers, including the Mayor, are elected for concurrent two-year terms with elections held in May of odd-numbered years. Policy making and supervisory functions are the responsibility of, and are vested in, the City Council. The Council delegates the responsibility of daily operations of the City to the City Manager, who is the chief administrative officer of the City. See “INTRODUCTION - Description of the City”.

THE OBLIGATIONS..... The \$63,670,000* General Obligation Bonds, Series 2025 are issued as serial bonds maturing February 15 in the years 2026 through 2045. The \$21,735,000* Combination Tax and Revenue Certificates of Obligation, Series 2025A are issued as serial certificates maturing February 15 in the years 2026 through 2045. The \$6,200,000* Combination Tax and Revenue Certificates of Obligation, Taxable Series 2025B are issued as serial certificates maturing February 15 in the years 2026 through 2045. See “THE OBLIGATIONS - Description of the Obligations”.

PAYMENT OF INTEREST Interest on the Obligations accrues from the Date of Delivery, and is payable February 15, 2026, 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 The Bonds are issued pursuant to the Texas Constitution, the general laws of the State, including particularly Texas Government Code, Chapters 1331 and 1371, as amended, elections held on November 2, 2021 and May 6, 2023, the City’s Home Rule Charter, the Bond Ordinance scheduled to be passed by the City Council on April 28, 2025, and the Bond Pricing Certificate which will include the terms of the sale of the Bonds. See “THE OBLIGATIONS - Authority for Issuance”.

The 2025A Certificates are authorized and issued pursuant to the Texas Constitution, the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Texas Government Code, Chapter 1371, as amended, the City’s Home Rule Charter, the 2025A Certificate Ordinance scheduled to be passed by the City Council on April 28, 2025, and the 2025A Certificates Pricing Certificate which will include the terms of the sale of the 2025A Certificates. See “THE OBLIGATIONS – Authority for Issuance”.

The Taxable 2025B Certificates are authorized and issued pursuant to the Texas Constitution, the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Texas Government Code, Chapter 1371, as amended, the City’s Home Rule Charter, the Taxable 2025B Certificate Ordinance scheduled to be passed by the City Council on April 28 2025, and the Taxable 2025B Certificates Pricing Certificate which will include the terms of the sale of the Taxable 2025B Certificates. See “THE OBLIGATIONS – Authority for Issuance”.

SECURITY FOR THE BONDS The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see “THE OBLIGATIONS - Security and Source of Payment”).

* Preliminary, subject to change.

SECURITY FOR THE CERTIFICATES	The 2025A Certificates and Taxable 2025B Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of the net revenues of the City’s Waterworks and Sewer System, as provided in the 2025A Certificate Ordinance and the Taxable 2025B Certificate Ordinance (see “THE OBLIGATIONS – Security and Source of Payment”).
NOT QUALIFIED TAX-EXEMPT OBLIGATIONS	The Obligations <i>will not</i> be designated as “Qualified Tax-Exempt Obligations” for financial institutions.
REDEMPTION OF OBLIGATIONS...	The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE OBLIGATIONS - Optional Redemption”).
TAX MATTERS – THE BONDS AND 2025A CERTIFICATES	In the opinion of Bond Counsel, the interest on the Bonds and the 2025A Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS – THE BONDS AND THE 2025A Certificates” herein.
TAX MATTERS – THE TAXABLE 2025B CERTIFICATES.....	Interest on the Taxable 2025B Certificates is not excludable from gross income for federal income tax purposes under existing law. See “TAX MATTERS – THE TAXABLE 2025B CERTIFICATES” herein.
USE OF PROCEEDS FOR THE BONDS	Proceeds from the sale of the Bonds will be used for constructing, improving, renovating, expanding and equipping municipal public buildings and the acquisition of land therefor, to-wit: renovating City Hall and the Richardson City Library; (ii) designing, constructing, improving and equipping a new City Hall building, including parking and landscaping related thereto and the demolition of the existing City Hall; (iii) designing, acquiring, constructing, renovating, improving, and equipping the City parks (including passive parks and open space improvements), and acquiring lands, interests in lands, and rights-of-way related thereto; and (iv) paying the costs of issuance in connection with issuing the Bonds.
USE OF PROCEEDS FOR THE 2025A CERTIFICATES	Proceeds from the sale of the 2025A Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring vehicles and equipment for the solid waste and fire departments; (ii) improving and extending the City’s Waterworks and Sewer System; and (iii) professional services rendered in connection therewith.
USE OF PROCEEDS FOR THE TAXABLE 2025B CERTIFICATES	Proceeds from the sale of the Taxable 2025B Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) constructing, improving, renovating, expanding and equipping park and recreation facilities that are generally accessible to the public and are part of the City’s park system; and (ii) professional services rendered in connection therewith.
RATINGS	The Obligations and the presently outstanding general obligation debt of the City are rated “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) (see “OTHER INFORMATION - Ratings”).

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. 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 in payment of its ad valorem tax or revenue debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9-30	Estimated City Population ⁽¹⁾	Certified Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Tax Supported Debt at end of Fiscal Year ⁽³⁾	Per Capita Tax Supported Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections ⁽⁵⁾
2021	120,640	\$ 16,616,961,920	\$ 137,740	\$ 257,140,000	\$ 2,131	1.55%	99.81%
2022	122,570	17,693,194,088	144,352	240,270,000	1,960	1.36%	99.84%
2023	122,615	19,791,015,351	161,408	294,085,000	2,398	1.49%	99.74%
2024	122,678	21,597,458,901	176,050	326,315,000	2,660	1.51%	99.47%
2025	122,678	26,128,455,597	212,984	360,995,000 ⁽⁴⁾	2,943 ⁽⁴⁾	1.38% ⁽⁴⁾	60.26% ⁽⁶⁾

- (1) Source: Estimates provided by the North Central Texas Council of Governments.
- (2) As certified by the Dallas Central Appraisal District and Collin Central Appraisal District; subject to change during the ensuing year. The values are net of the City’s applicable tax increment financing zone increments (see “TAX INFORMATION – Tax Increment Financing Zones”).
- (3) Excludes self-supporting debt. See Table 10 herein for further information on the City’s self-supporting debt.
- (4) See Table 13 herein for further information on projected debt of the City, inclusive of the Obligations. Preliminary, subject to change.
- (5) Supplemental levy at year end is used to calculate percent of total tax collections.
- (6) Partial year collections through February 1, 2025, based on supplemental levy.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Beginning Balance	\$ 44,348,436	\$ 41,336,395	\$ 40,357,945	\$ 45,046,500	\$ 32,948,501
Total Revenue	174,135,232	173,451,719	159,027,431	150,217,285	148,058,925
Total Expenditures	156,260,695	143,182,458	131,519,591	126,518,489	123,218,907
Other Financing Sources (Uses)	(16,047,741)	(27,257,220)	(26,529,390)	(28,387,351)	(12,742,019)
Ending Balance	<u>\$ 46,175,232</u>	<u>\$ 44,348,436</u>	<u>\$ 41,336,395</u>	<u>\$ 40,357,945</u>	<u>\$ 45,046,500</u>

For additional information regarding the City, please contact:

Anita Cothran Director of Finance City of Richardson 2360 Campbell Creek Blvd, Suite 525 Richardson, Texas 75082 (972) 744-4144	or	George Williford Managing Director Hilltop Securities Inc. 717 North Harwood, Suite 3400 Dallas, Texas 75201 (214) 953-4000	or	Nick Bulaich Managing Director Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, Texas 76102 (817) 332-9710
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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Council Member Since</u>	<u>Term Expires</u>	<u>Occupation</u>
Bob Dubey Mayor	May, 2017	May 2025	Retired from Richardson ISD
Arefin Shamsul Mayor Pro Tem, Place 6	May, 2021	May 2025	Civil Engineer
Curtis Dorian Councilmember, Place 1	May, 2023	May 2025	President, Dorian Bahr Company
Jennifer Justice Councilmember, Place 2	May, 2021	May 2025	Attorney
Dan Barrios Councilmember, Place 3	May, 2023	May 2025	Teacher
Joe Corcoran Councilmember, Place 4	May, 2021	May 2025	Corporate Compliance
Ken Hutchenrider Councilmember, Place 5	May, 2019	May 2025	President, Methodist Richardson Medical Center

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Year of Employment</u>	<u>Time in Position</u>
Don Magner	City Manager	1996	3.00 Years
Kent Pfeil	Chief Operating Officer	1998	0.50 Years
Michaela Dollar	Assistant City Manager	2022	3.00 Years
Charles Goff	Assistant City Manager	2022	3.00 Years
Dannette Garcia	Assistant City Manager	2023	1.00 Years
Anita Cothran	Director of Finance	2023	1.50 Years

CONSULTANTS AND ADVISORS

AuditorsCrowe LLP
Dallas, Texas

Bond CounselNorton Rose Fulbright US LLP
Dallas, Texas

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

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF RICHARDSON, TEXAS

\$63,670,000*
GENERAL OBLIGATION BONDS,
SERIES 2025

\$21,735,000*
COMBINATION TAX AND
REVENUE CERTIFICATES OF
OBLIGATION, SERIES 2025A

\$6,200,000*
COMBINATION TAX AND
REVENUE CERTIFICATES OF
OBLIGATION, TAXABLE
SERIES 2025B

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$63,670,000* City of Richardson, Texas, General Obligation Bonds, Series 2025 (the “Bonds”), the \$21,735,000* City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025A (the “2025A Certificates”) and the \$6,200,000* City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2025B (the “Taxable 2025B Certificates”). The Bonds, 2025A Certificates and Taxable 2025B Certificates are collectively referred to herein as the “Obligations”. Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in the respective ordinances scheduled to be adopted on April 28, 2025 which will delegate to an officer of the City pursuant to certain provisions of the ordinances the authority to effect the sale of the respective Obligations which will complete the sale of the Obligations. The ordinance authorizing the issuance of the Bonds (the “Bond Ordinance”), the ordinance authorizing the issuance of the 2025A Certificates (the “2025A Certificate Ordinance”), and the ordinance authorizing the issuance of the Taxable 2025B Certificates (the “Taxable 2025B Certificate Ordinance”) are sometimes herein referred to jointly as the “Authorizing Ordinances”.

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

SEPARATE ISSUES. . . The Obligations are being offered concurrently by the City under a common Preliminary Official Statement. The Obligations are separate and distinct securities offerings being issued and sold independently except for the common Preliminary 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 holders, and other features.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1925, and it last amended and approved its present Home Rule Charter in November 2015. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. Richardson voters simultaneously elect six Council members and a Mayor to represent them every two years. All Council members and the Mayor are elected at large, with six Council members representing each of the City’s six districts. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture, recreation, public transportation, public improvements, planning and zoning, and general administrative services. The City’s 2020 Census population was 119,469. The estimated population for 2025 is 122,678, as provided by the North Central Texas Council of Governments. The City covers approximately 28.5 square miles and has approximately 1,079 full-time equivalent employees. For more information regarding the City, see “APPENDIX A – General Information Regarding the City.”

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS. . . The Obligations are dated as of the Date of Delivery, and are scheduled to mature on February 15 in each of the years and in the amounts shown on page 2 hereof with regard to the Bonds, page 4 hereof with regard to the 2025A Certificates and page 6 with regard to the Taxable 2025B Certificates. Interest will accrue from the Date of Delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on each February 15 and August 15 until maturity or prior redemption, commencing February 15, 2026. 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, New York, New York (“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.

PURPOSE. . . Proceeds from the sale of the Bonds will be used for constructing, improving, renovating, expanding and equipping municipal public buildings and the acquisition of land therefor, to-wit: renovating City Hall and the Richardson City Library; (ii) designing, constructing, improving and equipping a new City Hall building, including parking and landscaping related thereto and the demolition of the existing City Hall; (iii) designing, acquiring, constructing, renovating, improving, and equipping the City parks (including passive parks and open space improvements), and acquiring lands, interests in lands, and rights-of-way related thereto and (iv) paying the costs of issuance in connection with issuing the Bonds.

Proceeds from the sale of the 2025A Certificates will be used for the purpose of (i) acquiring vehicles and equipment for the solid waste and fire departments; (ii) improving and extending the City's Waterworks and Sewer System; and (iii) professional services rendered in connection therewith.

Proceeds from the sale of the Taxable 2025B Certificates will be used for the purpose of (i) constructing, improving, renovating, expanding and equipping park and recreation facilities that are generally accessible to the public and are part of the City's park system; and (ii) professional services rendered in connection therewith.

AUTHORITY FOR ISSUANCE. . . The Bonds are being authorized and issued pursuant to the Texas Constitution, the City's Home Rule Charter, the general laws of the State of Texas, particularly Texas Government Code, Chapters 1331 and 1371, as amended, elections held on November 2, 2021 and May 6, 2023, the Bond Ordinance, and the Bonds Pricing Certificate. In the Bond Ordinance, the City Council will delegate to an officer of the City pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale of the Bonds will be included in the "Bonds Pricing Certificate", which will complete the sale of the Bonds.

The 2025A Certificates and Taxable 2025B Certificates are being issued pursuant to the Texas Constitution, the City's Home Rule Charter, the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Texas Government Code, Chapter 1371, as amended, the 2025A Certificate Ordinance and the Taxable 2025B Certificate Ordinance, as applicable, and the 2025A Certificates Pricing Certificate and Taxable 2025B Certificates Pricing Certificate, as applicable. In the 2025A Certificate Ordinance and the Taxable 2025B Certificate Ordinance, the City Council will delegate to an officer of the City pursuant to certain provisions of Chapter 1371, authority to effect the sale of the 2025A Certificates and Taxable 2025B Certificates, as applicable, and to establish certain terms related to the issuance and sale of the 2025A Certificates and Taxable 2025B Certificates, as applicable. The terms of the sale of the 2025A Certificates and Taxable 2025B Certificates will be included in the "2025A Certificates Pricing Certificate" and "Taxable 2025B Certificates Pricing Certificate", as applicable, which will complete the sale of each series of the Certificates.

SECURITY AND SOURCE OF PAYMENT . . . The Obligations are direct obligations of the City payable from a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, on all taxable property within the City, as provided in the respective Authorizing Ordinances. In addition, the 2025A Certificates and Taxable 2025B Certificates are payable from and secured by a limited pledge of the net revenues of the City's System, as provided in the 2025A Certificate Ordinance and Taxable 2025B Certificate Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligations debt service, as calculated at the time of issuance based on a 90% collection factor. See Table 11 for further information on the City's Home Rule Charter provisions regarding bonded indebtedness.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

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

DEFEASANCE. . . The Authorizing Ordinances provide for the defeasance of each series of the Obligations when the payment of the principal of and premium, if any, on such series of Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations, 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 Obligations, 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 Securities. The Authorizing Ordinances provide that unless otherwise provided in the Pricing Certificate, the term "Government Securities" shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Obligations under the then applicable laws of the State of Texas.. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon making such deposit in the manner described, such Obligations shall no longer be deemed outstanding obligations payable from ad valorem taxes levied by the City, but will be payable only from the funds and Government Securities deposited in escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. Provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Obligations, to call for redemption, at an earlier date, those Obligations which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (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; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS. . . The City, may, without the consent of or notice to any Holders of the Obligations, from time to time and at any time, amend the Authorizing Ordinances in any manner not detrimental to the interests of the Holders of the Obligations, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of Holders of the Obligations holding a majority in aggregate principal amount of the Obligations then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the applicable Authorizing Ordinances provided that, without the consent of all Holders of the respective Outstanding Obligations, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the respective Obligations, reduce the principal amount thereof, the redemption price, if applicable, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on such Obligations, (2) give any preference to any Obligation over any other Obligation, or (3) reduce the aggregate principal amount of the respective Obligations required to be held by Holders for consent to any such amendment, addition, or rescission.

BOOK-ENTRY-ONLY SYSTEM. . . This section describes how ownership of the Obligations are to be transferred and how the principal of, premium, if any, interest, and redemption payments on the Obligations are to be paid to and credited 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 Preliminary Official Statement. The City and the Underwriters believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City and the Underwriters cannot and do 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 Preliminary 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). One fully-registered certificate will be issued for each stated maturity of the Obligations in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

Purchases of Obligations under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases 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 or 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 transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership 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 described herein 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 affect 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 Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 (hereinafter defined). 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).

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

Use of Certain Terms in Other Sections of this Preliminary Official Statement. In reading this Preliminary Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Preliminary 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 Underwriters.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is Regions Bank, Houston, Texas. In the Authorizing 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 Obligations are duly paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective 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 its 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 its 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 Obligations on any interest payment date means the last business day of the month next preceding each 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 (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 an Obligation 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.

OBLIGATIONHOLDERS’ REMEDIES. . . The Authorizing Ordinances do not specify events of default with respect to the Obligations. If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Obligations when due, or if it fails to make payments into any fund or funds created in the Authorizing Ordinances, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Authorizing Ordinances, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of the Obligations or the Authorizing Ordinances and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. 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 Authorizing Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Authorizing 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. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex.2006) that a waiver of sovereign immunity in the contractual dispute must be provided for by statute in “clear and unambiguous” language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, including the Obligations, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity, as permitted by Chapter 1371. As a result, bondholders and certificateholders may not be able to bring such a suit against the City for breach of the Obligations or the covenants in the Authorizing Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. 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 holders of the Obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors’ rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Authorizing Ordinances, the related Pricing Certificates, and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

SOURCES AND USES OF PROCEEDS . . The proceeds from the sale of the Obligations are expected to be expended as follows:

	<u>Bonds</u>	<u>The 2025A Certificates</u>	<u>Taxable 2025B Certificates</u>
Sources of Funds			
Par Amount	\$ -	\$ -	\$ -
Original Issue Premium	-	-	-
Total Sources of Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Uses of Funds			
Deposit to Construction Fund	\$ -	\$ -	\$ -
Costs of Issuance ⁽¹⁾	-	-	-
Total Uses of Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Includes Underwriters' Discount.

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AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the collective responsibility of the Dallas Central Appraisal District and Collin Central Appraisal District (the "Appraisal Districts"). Except as generally described below, the Appraisal Districts are required to appraise all property within the Appraisal Districts on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal Districts are required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal Districts considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a 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 homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, 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 as both agricultural and open-space land.

The appraisal values set by the Appraisal Districts are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefiting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for tax exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35 of the Tax Code to clarify that “damage” is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, 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 for a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” herein.

CITY AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal Districts by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal Districts to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$61,349,201 for the 2025 calendar year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions 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.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . 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.

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit’s current total value in the applicable preceding year.

“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 greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2024 foregone revenue amount divided by the current total revenue.

“voter-approval tax 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) 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 of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate 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 posted notice prominently on the appraisal district’s website (if the appraisal district maintains a website) and the assessor of the city has prominently posted on the city’s website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal districts office.

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.

CITY APPLICATION OF TAX CODE . . . The City granted an exemption of \$130,000 to the taxable value of the residence homestead of persons 65 years of age or older and the disabled for fiscal year 2024. For fiscal year 2025, City Council increased the exemption to \$145,000. This represents at least 30% of the average home value for disabled and seniors 65 years of age or older

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

The City has not established a freeze on the taxes on residence homesteads of persons 65 years of age or who are disabled.

The City does not tax nonbusiness personal property.

The City does not permit split payments, and discounts are not allowed except as required by state law.

The City does tax freeport property and goods-in-transit.

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

The City has adopted a tax abatement policy as described below.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must be evaluated based on several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 25% for a period of 10 years but the City may consider and approve a tax abatement for values different than generally granted based upon the City’s evaluation of current economic development factors.

As of January 1, 2025, the City has one active abatement agreement. See “Table 1 – Valuation, Exemptions and General Obligation Debt” below for the abated taxable assessed value from the outstanding abatement agreements.

TAX INCREMENT FINANCING ZONES . . . The City has created three Tax Increment Financing Zones (the “Zones”). Ad valorem taxes on incremental growth in real property values (levied at the tax rates of each taxing unit assessing real property in the respective Zone) are used to contribute to each Zone. The tax funds can be used only for public improvements in the Zones, economic development incentives, or for payment of debt service on bonds issued to provide funds for public improvements. Zone Number One was created in 2006 and encompasses 1,777 acres (as amended) along the U.S. 75 corridor from Campbell Road south to Spring Valley Road, extending west from U.S. 75 to Coit Road along Spring Valley Road and extending east along Apollo Road to Plano Road. Zone Number Two was created in 2011 and encompasses 270 acres between the President George Bush Turnpike and Renner Road, bound on the east by Wyndham Lane on the west by the DART Light Rail Red Line. Zone Number Three was created in 2011 and encompasses 130 acres between the President George Bush Turnpike and Renner Road, bound on the east by the DART Light Rail Red Line and terminating between Alma Road and U.S. 75 on the west. Each of the Zones terminate 25 years after creation, or at an earlier time designated by subsequent ordinance of the City Council, or at such time, subsequent to the issuance of any tax increment bonds, if any, that all project costs, tax increment bonds, notes or other obligations of the respective Zones, and the interest thereon, if any, have been paid in full. Tax funds derived from incremental values in the Zones are being used for public improvements and the Zones have no debt. (See “Table 14 – Outstanding Obligations – TIF – Economic Grants” herein.)

A detail of the City’s participation in each Zone is shown below:

<u>Zone</u>	<u>City Participation</u>	<u>Year Established</u>	<u>Base Taxable Value</u>	<u>2024/2025 Taxable Value</u>	<u>Participating Increment⁽¹⁾</u>
One	100%	2006	\$ 1,007,762,773	\$ 2,551,280,799	\$ 1,543,518,026
Two	66.67%	2011	37,485	1,301,204,957	867,513,345
Three	66.67%	2011	10,589,481	277,306,919	184,880,523
Total Incremental Value					\$ 2,595,911,894

(1) The Participating Increment is included in the 2024/2025 Market Valuation shown in Table 1 but is deducted from the Net Taxable Assessed Valuation.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/25 Market Valuation Established by the Dallas and Collin County Central Appraisal Districts		\$ 32,882,244,762
Less Exemptions/Reductions at 100% Market Value:		
Residential Exemptions, Over 65, Disabled and Homestead Cap	\$ 2,493,756,476	
Disabled Veterans Exemptions	48,151,919	
Pollution Control Exemptions, Solar	5,408,356	
Agricultural Land Use Reductions	41,079,405	
Totally Exempt Property	2,468,742,700	
(includes HB 366 Exemption, Charitable Organizations and Lease Vehicles)	4,809,796	
Abatements	1,691,840,513	<u>\$ 6,753,789,165</u>
2024/25 Taxable Assessed Valuation		\$ 26,128,455,597
2024/25 Incremental Taxable Assessed Value of Real Property within Reinvestment Zones		<u>\$ 2,595,911,894</u>
2024/25 Net Taxable Assessed Valuation available for General Fund Obligations and Debt to City ⁽¹⁾		<u><u>\$ 23,532,543,703</u></u>
Bonded Debt Payable from Ad Valorem Taxes (as of January 31, 2025)		
General Obligation Debt Outstanding	\$ 370,935,000	
The Bonds	63,670,000 ⁽²⁾	
The 2025A Certificates	21,735,000 ⁽²⁾	
The Taxable 2025B Certificates	<u>6,200,000 ⁽²⁾</u>	
Total Bonded Debt Payable from Ad Valorem Taxes (as of April 1, 2025)		\$ 468,740,000
Less Par Value of Self-Supporting Debt ⁽³⁾		<u>101,545,000</u>
Net Bonded Debt Payable from Ad Valorem Taxes (as of April 1, 2025)		\$ 367,195,000
Interest and Sinking Fund (as of January 31, 2025) ⁽⁴⁾		<u>\$ 45,424,344</u>
Ratio Net Bonded Debt to Taxable Assessed Valuation		1.56%
	2025 Estimated Population - 122,678 ⁽⁵⁾	
	Per Capita Taxable Assessed Valuation - \$191,824 ⁽⁶⁾	
	Per Capita Total Funded Debt - \$3,821	
	Per Capita Net Funded Debt - \$2,993	

- (1) Does not include \$469,867,479 of values in dispute.
- (2) Preliminary, subject to change.
- (3) See Table 10 for a discussion of the City’s self-supporting debt. Includes a portion of the 2025A Certificates which will be self-supported. Preliminary, subject to change.
- (4) See Table 9 herein for more information on the City’s Interest and Sinking Fund balance for the fiscal year ending September 30, 2024.
- (5) Source: estimated provided by the North Central Texas Council of Governments.
- (6) Calculation is based on 2024/25 Net Taxable Assessed Valuation of \$23,532,543,703.

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TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Certified Taxable Appraised Value for Fiscal Year Ended Sept. 30,					
	2025		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	12,692,026,089	38.60%	\$ 11,537,722,796	38.05%	\$ 10,345,765,255	38.91%
Real, Residential, Multi-Family	695,744,495	2.12%	612,314,689	2.02%	538,458,103	2.03%
Real, Vacant Lots/Tracts	352,498	0.00%	352,682	0.00%	325,250	0.00%
Real, Acreage (Land Only)	1,581,892,305	4.81%	1,516,502,510	5.00%	1,384,253,822	5.21%
Real, Farm and Ranch Improvements	32,165,460	0.10%	30,813,072	0.10%	30,174,676	0.11%
Real, Commercial	10,341,411,727	31.45%	10,442,157,936	34.44%	10,095,479,238	37.97%
Real, Industrial	1,132,843,701	3.45%	1,128,590,873	3.72%	307,085,784	1.16%
Real and Tangible Personal, Utilities	406,103,595	1.24%	380,238,322	1.25%	365,800,261	1.38%
Tangible Personal, Commercial	5,544,938,475	16.86%	4,197,961,284	13.84%	3,203,243,548	12.05%
Tangible Personal, Industrial	371,879,553	1.13%	394,678,674	1.30%	233,398,156	0.88%
Residential Property - Inventory	427,329	0.00%	2,008,800	0.01%	4,176,000	0.02%
Special Inventory	82,359,680	0.25%	78,540,400	0.26%	77,492,310	0.29%
Totally Exempt Property	99,855	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 32,882,244,762	100.00%	\$ 30,321,882,038	100.00%	\$ 26,585,652,403	100.00%
Less: Total Exemptions/Reductions	(6,753,789,165)		(8,724,423,137)		(6,794,637,052)	
Net Value	\$ 26,128,455,597 ⁽¹⁾		\$ 21,597,458,901 ⁽²⁾		\$ 19,791,015,351 ⁽³⁾	

Category	Certified Taxable Appraised Value for Fiscal Year Ended Sept. 30,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 9,048,103,417	39.34%	\$ 8,601,187,678	39.13%
Real, Residential, Multi-Family	2,640,208,062	11.48%	2,465,182,341	11.21%
Real, Vacant Lots/Tracts	264,227,204	1.15%	174,438,386	0.79%
Real, Acreage (Land Only)	26,374,027	0.11%	89,814,480	0.41%
Real, Farm and Ranch Improvements	-	0.00%	-	0.00%
Real, Commercial	5,953,300,432	25.88%	5,584,868,530	25.40%
Real, Industrial	322,274,901	1.40%	329,132,355	1.50%
Real and Tangible Personal, Utilities	353,342,993	1.54%	349,476,845	1.59%
Tangible Personal, Commercial	4,174,860,306	18.15%	4,162,662,294	18.94%
Tangible Personal, Industrial	217,006,972	0.94%	226,761,290	1.03%
Residential Property - Inventory	-	0.00%	-	0.00%
Special Inventory	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 22,999,698,314	100.00%	\$ 21,983,524,199	100.00%
Less: Total Exemptions/Reductions	(5,306,504,226)		(5,366,562,279)	
Net Value	\$ 17,693,194,088 ⁽⁴⁾		\$ 16,616,961,920 ⁽⁵⁾	

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal Districts to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts update records.

- (1) Includes the incremental value of \$2,595,911,894 allocated within Reinvestment Zones Nos. 1, 2, and 3.
- (2) Includes the incremental value of \$2,588,454,357 allocated within Reinvestment Zones Nos. 1, 2, and 3.
- (3) Includes the incremental value of \$2,278,114,870 allocated within Reinvestment Zones Nos. 1, 2 and 3.
- (4) Includes the incremental value of \$1,976,362,619 allocated within Reinvestment Zones Nos. 1, 2, and 3.
- (5) Includes the incremental value of \$1,980,608,899 allocated within Reinvestment Zones Nos. 1, 2, and 3.

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TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Certified Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Tax Supported Debt At End of Fiscal Year ⁽³⁾	Ratio Tax Debt to Taxable Assessed Valuation	Per Capita Tax Supported Debt
2021	120,640	\$ 16,616,961,920 ⁽⁵⁾	\$ 137,740	\$ 257,140,000	1.55%	\$ 2,131
2022	122,570	17,693,194,088 ⁽⁵⁾	144,352	240,270,000	1.36%	1,960
2023	122,615	19,791,015,351 ⁽⁶⁾	161,408	294,085,000	1.49%	2,398
2024	122,678	21,597,458,901 ⁽⁷⁾	176,050	326,315,000	1.51%	2,660
2025	122,678	26,128,455,597 ⁽⁸⁾	212,984	360,995,000 ⁽⁹⁾	1.38% ⁽⁹⁾	2,943 ⁽⁹⁾

- (1) Source: estimates provided by the North Central Texas Council of Governments.
- (2) As certified by the Appraisal Districts; subject to change during the ensuing year.
- (3) Excludes self-supporting debt. See Table 10 herein for further information on the City’s self-supporting debt.
- (4) Includes the incremental value of \$1,980,608,899 allocated within Reinvestment Zones Nos. 1, 2 and 3.
- (5) Includes the incremental value of \$1,976,362,619 allocated within Reinvestment Zones Nos. 1, 2 and 3.
- (6) Includes the incremental value of \$2,278,114,870 allocated within Reinvestment Zones Nos. 1, 2 and 3.
- (7) Includes the incremental value of \$2,588,454,357 allocated within Reinvestment Zones Nos. 1, 2 and 3.
- (8) Includes the incremental value of \$2,595,911,894 allocated within Reinvestment Zones Nos. 1, 2 and 3.
- (9) Projected. Includes the Obligations. Also excludes that portion of the 2025A Certificates which are anticipated to be self-supporting. See Table 10 for a discussion of the City’s self-supporting debt. See Table 13 herein for further information on projected debt issuance by the City. Preliminary, subject to change.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Ended 9/30	Tax Rate	General Fund	Sinking Fund	Tax Levy at Year End	% Current Collections	% Total Collections
2021	\$ 0.62516	\$ 0.38124	\$ 0.24392	\$ 121,211,637	99.61%	99.81%
2022	0.61516	0.37721	0.23795	122,716,964	99.61%	99.84%
2023	0.56095	0.34316	0.21779	127,160,708	99.54%	99.74%
2024	0.56095	0.34316	0.21779	136,056,858	99.47%	99.47%
2025	0.54218	0.32439	0.21779	126,525,019	81.37% ⁽¹⁾	60.26% ⁽¹⁾

- (1) Partial year collections through February 1, 2025, based on supplemental tax levy.

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TABLE 5 – TEN LARGEST TAXPAYERS

Name of Taxpayer	Type of Business	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation ⁽¹⁾
Texas Instruments Inc.	Electronics Manufacturer	\$ 1,659,700,876	6.35%
Collins Technology Park Partners	Data Center Host	554,249,020	2.12%
Bank of America	Financial Services	505,950,147	1.94%
JFSF Edgewood 1-3 LLC	Real Estate Investment	427,854,528	1.64%
LinkedIn Corp	Social Media	409,813,220	1.57%
Health Care Service Corporation	Health Insurance	339,173,112	1.30%
Qorvo	Electronics Manufacturer	301,219,049	1.15%
Verizon	Telecommunications	251,309,304	0.96%
Cisco Systems Sales & Service	Electronics Manufacturer	215,515,669	0.82%
JFSF Edgewood 4 LLC	Real Estate Investment	145,694,449	0.56%
		<u>\$ 4,810,479,374</u>	<u>18.41%</u>

(1) Calculations are based on the City’s taxable assessed valuation that includes the 2024/2025 incremental value of \$2,595,911,894 allocated within Reinvestment Zone Nos. 1, 2, and 3.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law (see “THE OBLIGATIONS – Tax Rate Limitation”). See Table 11 herein for further information on the City’s Home Rule Charter regarding limitation on bonded indebtedness.

TABLE 6 – TAX ADEQUACY⁽¹⁾

2025 Principal and Interest Requirements ⁽²⁾⁽³⁾	\$ 47,572,224
\$.20220 Tax Rate at 100% Collection Produces	\$ 47,582,803
Average Annual Principal and Interest Requirements, 2025-2045 ⁽³⁾	\$ 25,371,552
\$.10790 Tax Rate at 100% Collection Produces	\$ 25,391,615
Maximum Annual Principal and Interest Requirements, 2026 ⁽²⁾⁽³⁾	\$ 52,077,784
\$.22140 Tax Rate at 100% Collection Produces	\$ 52,101,052

(1) Calculations are based on the City’s taxable assessed valuation that excludes the 2024/2025 incremental value of \$2,595,911,894 allocated within Reinvestment Zone Nos. 1, 2 and 3. Preliminary, subject to change.

(2) See Table 9 – “Interest and Sinking Fund Budget Projection” for additional details.

(3) Excludes self-supporting debt. Includes the Obligations. See Table 10 for more information. Preliminary, subject to change.

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TABLE 7 – ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2024/25	2024/25	Total	Estimated	City's	Authorized
	Taxable Assessed Value	Tax Rate	Funded Debt As of 4-1-25	% Applicable	Overlapping Funded Debt As of 4-1-25	But Unissued Debt as of As of 4-1-25
City of Richardson	\$ 26,128,455,597	\$ 0.542180	\$ 367,195,000 ⁽¹⁾	100.00%	\$ 367,195,000	\$ 30,219,319 ⁽²⁾
Collin County	251,108,780,615	0.149000	841,715,000	5.22%	43,937,523	485,139,864
Collin County Community College District	226,124,750,589	0.081000	459,865,000	5.22%	24,004,953	-
Dallas County	412,792,494,091	0.216000	198,645,000	3.23%	6,416,234	-
Dallas College	423,071,753,336	0.106000	318,675,000	3.23%	10,293,203	752,000,000
Dallas County Hospital District	414,014,886,764	0.212000	527,660,000	3.23%	17,043,418	-
Garland Independent School District	32,692,505,529	1.051000	1,111,765,000	0.04%	444,706	329,645,000
Plano Independent School District	72,501,077,092	1.043000	886,020,000	15.79%	139,902,558	49,875,000
Richardson Independent School District	35,489,155,350	1.105000	1,000,015,000	36.40%	364,005,460	25,000,000
Total Direct and Overlapping Funded Debt					\$ 973,243,054	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					3.72%	
Per Capita Overlapping Funded Debt					\$7,933	

(1) Projected. Includes the Obligations. Excludes the City’s self-supporting debt. See Table 13 herein for further information on projected debt issuance by the City. Preliminary, subject to change.

(2) Reflects remaining authorization after the issuance of the Bonds. Preliminary, subject to change.

Source: Municipal Advisory Council – Texas Municipal Reports.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt ⁽¹⁾⁽²⁾			The Bonds ⁽³⁾		The 2025A Certificates ⁽⁴⁾		Taxable 2025B Certificates ⁽⁵⁾		Total Outstanding Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Principal	Interest		
	2025	\$ 40,810,000	\$ 17,486,125	\$ 58,296,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,296,125
2026	28,295,000	14,875,022	43,170,022	14,385,000	3,504,790	770,000	1,299,944	75,000	486,760	63,691,515	
2027	24,705,000	13,623,913	38,328,913	11,835,000	2,168,375	1,045,000	1,022,125	170,000	392,600	54,962,013	
2028	24,875,000	12,470,110	37,345,110	6,285,000	1,715,375	1,105,000	968,375	180,000	381,225	47,980,085	
2029	25,415,000	11,331,688	36,746,688	1,195,000	1,528,375	1,155,000	911,875	190,000	369,200	42,096,138	
2030	26,005,000	10,212,220	36,217,220	1,255,000	1,467,125	1,220,000	852,500	205,000	356,363	41,573,207	42.31%
2031	21,360,000	9,233,152	30,593,152	1,320,000	1,402,750	1,280,000	790,000	220,000	342,550	35,948,452	
2032	21,245,000	8,410,676	29,655,676	1,385,000	1,335,125	1,340,000	724,500	235,000	327,763	35,003,064	
2033	21,490,000	7,606,548	29,096,548	1,455,000	1,264,125	1,415,000	655,625	250,000	312,000	34,448,298	
2034	21,810,000	6,796,070	28,606,070	1,530,000	1,189,500	805,000	600,125	265,000	295,263	33,290,957	
2035	22,485,000	5,962,655	28,447,655	1,610,000	1,111,000	850,000	558,750	285,000	277,388	33,139,793	66.73%
2036	22,895,000	5,097,768	27,992,768	1,695,000	1,028,375	895,000	515,125	300,000	258,375	32,684,643	
2037	22,825,000	4,210,355	27,035,355	1,780,000	941,500	940,000	469,250	325,000	238,063	31,729,167	
2038	20,250,000	3,357,067	23,607,067	1,870,000	850,250	990,000	421,000	345,000	216,288	28,299,605	
2039	14,765,000	2,647,734	17,412,734	1,965,000	754,375	1,040,000	370,250	370,000	193,050	22,105,409	
2040	13,075,000	2,068,584	15,143,584	2,065,000	653,625	1,095,000	316,875	390,000	168,350	19,832,434	88.48%
2041	13,035,000	1,515,520	14,550,520	2,175,000	547,625	1,045,000	263,375	420,000	142,025	19,143,545	
2042	11,225,000	991,219	12,216,219	2,285,000	436,125	1,100,000	209,750	445,000	113,913	16,806,006	
2043	9,915,000	503,738	10,418,738	2,400,000	319,000	1,155,000	153,375	475,000	84,013	15,005,125	
2044	5,265,000	131,625	5,396,625	2,525,000	195,875	1,215,000	94,125	510,000	52,000	9,988,625	
2045				2,655,000	66,375	1,275,000	31,875	545,000	17,713	4,590,963	100.00%
	<u>\$ 411,745,000</u>	<u>\$ 138,531,787</u>	<u>\$ 550,276,787</u>	<u>\$ 63,670,000</u>	<u>\$ 22,479,665</u>	<u>\$ 21,735,000</u>	<u>\$ 11,228,819</u>	<u>\$ 6,200,000</u>	<u>\$ 5,024,897</u>	<u>\$ 680,615,168</u>	

- (1) Excludes \$925,000 of the Series 2012 Certificates of Obligation, \$1.255 million of the 2015B Taxable Certificates of Obligation, and \$1.650 million of Series 2021 Taxable Tax Notes that the City prepaid on February 15, 2025.
- (2) The City's Adjustable Rate General Obligation Bonds, Series 2020A bear interest at a variable rate that adjusts annually. For purposes of this table, the Series 2020A Bonds are calculated at 4.985%, as set on June 15, 2024 for Fiscal Year 2025; assumed rate of 5.25% thereafter. Includes self-supporting debt.
- (3) Average life of the issue - 7.06 years. Interest on the Bonds has been calculated at the average rate of 5.00% for purposes of illustration. Preliminary, subject to change.
- (4) Average life of the issue - 10.33 years. Interest on the 2025A Certificates has been calculated at the average rate of 5.00% for purposes of illustration. Preliminary, subject to change.
- (5) Average life of the issue - 12.47 years. Interest on the 2025B Taxable Certificates has been calculated at the average rate of 6.50% for purposes of illustration. Preliminary, subject to change.

TABLE 8-A – PRO-FORMA NET DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Combined Principal and Interest Requirements ⁽¹⁾			Less: Payments from Self-Supporting Funds ⁽²⁾	Net Debt Service Requirements
	Principal	Interest	Total		
2025	\$ 40,810,000	\$ 17,486,125	\$ 58,296,125	\$ 10,723,901	\$ 47,572,224
2026	43,525,000	20,166,515	63,691,515	11,613,732	52,077,784
2027	37,755,000	17,207,013	54,962,013	11,065,379	43,896,634
2028	32,445,000	15,535,085	47,980,085	10,494,294	37,485,791
2029	27,955,000	14,141,138	42,096,138	10,096,549	31,999,589
2030	28,685,000	12,888,207	41,573,207	9,589,610	31,983,597
2031	24,180,000	11,768,452	35,948,452	9,158,389	26,790,062
2032	24,205,000	10,798,064	35,003,064	8,528,128	26,474,936
2033	24,610,000	9,838,298	34,448,298	8,155,344	26,292,955
2034	24,410,000	8,880,957	33,290,957	7,365,663	25,925,295
2035	25,230,000	7,909,793	33,139,793	7,228,988	25,910,805
2036	25,785,000	6,899,643	32,684,643	6,744,022	25,940,621
2037	25,870,000	5,859,167	31,729,167	6,397,609	25,331,558
2038	23,455,000	4,844,605	28,299,605	5,699,316	22,600,289
2039	18,140,000	3,965,409	22,105,409	5,313,575	16,791,834
2040	16,625,000	3,207,434	19,832,434	4,755,875	15,076,559
2041	16,675,000	2,468,545	19,143,545	4,337,775	14,805,770
2042	15,055,000	1,751,006	16,806,006	3,722,550	13,083,456
2043	13,945,000	1,060,125	15,005,125	3,221,875	11,783,250
2044	9,515,000	473,625	9,988,625	2,293,125	7,695,500
2045	4,475,000	115,963	4,590,963	1,306,875	3,284,088
	<u>\$ 503,350,000</u>	<u>\$ 177,265,168</u>	<u>\$ 680,615,168</u>	<u>\$ 147,812,573</u>	<u>\$ 532,802,595</u>

(1) Projected. Includes the Obligations. Preliminary, subject to change.

(2) Includes payments projected to be received for that portion of the 2025A Certificates which are self-supporting. See Table 10 for a discussion of the City's self-supporting debt. See Table 13 herein for further information on projected debt issuance by the City. Preliminary, subject to change.

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TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Debt service requirements for bonded indebtedness for fiscal year ended 9/30/25	\$ 58,296,125	
Less: Self supporting debt service paid from enterprise funds	(10,723,901)	
Plus: Other debt service paid by interest and sinking fund taxes ⁽¹⁾	281,305	
Plus: Budgeted fiscal fees	<u>28,000</u>	
Net debt service requirements for fiscal year ended 9/30/25		\$ 47,881,529
Beginning interest and sinking fund balance as of 9/30/24	\$ 3,629,945	
Budgeted Property taxes	52,274,851	
Budgeted Interest income ⁽²⁾	<u>170,883</u>	
Total available funds		<u>\$ 56,075,679</u>
Projected interest and sinking fund balance as of 9/30/25		<u>\$ 8,194,150</u>

(1) See Table 14 herein for details on the City’s other obligations.

(2) Estimated.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

The following table provides information regarding the self-sufficiency of certain City Tax Debt which was issued for and is currently being paid from revenues of the following City enterprise funds.

	Waterworks and Sewer System ⁽¹⁾	Solid Waste ⁽¹⁾
Net System Revenue Available for Debt Service as of 9/30/24	<u>\$ 21,764,893</u>	<u>\$ 2,532,904</u>
Revenue Available for Other Purposes	\$ 21,764,893	\$ 2,532,904
Deduct: Apportioned System Tax Debt - 2025	\$ 9,052,798	\$ 1,671,103
Percentage of City Tax Debt Self Supporting	100.00%	100.00%

(1) While the City considers the System’s tax debt described above to be self-supporting, the System revenues are not (except to the extent of certain limited pledges of such revenues in amounts of up to \$2,500 in connection with prior certificate of obligation issues, which may or may not have been fully satisfied) pledged to the payment of such tax debt. The transfers of such revenues to make debt service payments on such tax debt is discretionary and may be discontinued by the City, in whole or in part, at any time. In the event, and to the extent the City elects to discontinue such revenue transfers, the City will be required to levy ad valorem taxes or to appropriate other lawfully available funds of the City in amounts sufficient to pay the debt service on such tax debt.

TABLE 11 – FUNDED DEBT LIMITATION

The City’s Home Rule Charter (the “Charter”) stipulates that the City may borrow money for permanent public improvements or any other legitimate municipal purpose as may be determined by the City Council, in accordance with the Constitution and the laws of the State of Texas. The Constitution places a limit on the ad valorem tax rate that may be levied for repayment of ad valorem tax debt, but there is no formal limit on the amount of ad valorem tax debt that may be borrowed. See “THE OBLIGATIONS – Tax Rate Limitation.”

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TABLE 12 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Election Date	Purpose	Amount Authorized	Amount Previously Issued	Amount Being Issued ⁽¹⁾	Authorized But Unissued
12/6/1997	Streets & Drainage	\$ 33,428,959	\$ 33,425,000	\$ -	\$ 3,959
12/6/1997	Sidewalks & Bridges	7,445,209	7,445,000	-	209
12/6/1997	Parks & Recreation	17,948,716	14,910,000	-	3,038,716
12/6/1997	Public Buildings	19,176,435	19,175,000	-	1,435
11/2/2021	Streets	102,000,000	91,310,000	8,815,000	1,875,000
11/2/2021	Public Buildings	64,000,000	18,665,000	45,335,000	-
11/2/2021	Sidewalks	8,500,000	8,500,000	-	-
11/2/2021	Drainage	8,000,000	8,000,000	-	-
11/2/2021	Parks & Recreation	7,500,000	6,680,000	820,000	-
5/6/2023	City Hall	46,000,000	12,000,000	8,700,000	25,300,000
		<u>\$ 313,999,319</u>	<u>\$ 220,110,000</u>	<u>\$ 63,670,000</u>	<u>\$ 30,219,319</u>

(1) Includes premium, if any. Preliminary, subject to change.

TABLE 13 – ANTICIPATED ISSUANCE OF TAX SUPPORTED DEBT

After the issuance of the Bonds, the City will have \$30,219,319 of authorized but unissued general obligation bonds. In addition, the City may incur non-voted debts payable from or secured by its collection of ad valorem taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes. The City anticipates the issuance of additional tax supported debt as follows:

Year	Short-Term Certificates of Obligation	Long-Term Certificates of Obligation	General Obligation Bonds
2026	\$ 1,720,000	\$ -	\$ 27,175,000
2027	1,805,000	-	-
2028	3,510,000	-	-
2029	3,510,000	-	-

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TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024)

LONG-TERM OBLIGATIONS

The following is a summary of financial obligations for the fiscal year ended September 30, 2024:

	Balance beginning of year	Increases	Decreases	Balance end of year	Due within one year
Governmental-type activities:					
General obligation bonds	\$ 186,655,000	\$ 62,915,000	\$ (25,260,000)	\$ 224,310,000	\$ 26,595,000
Certificates of obligation	99,805,000	4,335,000	(5,990,000)	98,150,000	6,270,000
General Obligation bonds from direct borrowings	2,285,000	-	(350,000)	1,935,000	285,000
Bond discounts/premiums ⁽¹⁾	24,194,872	5,498,091	(2,898,918)	26,794,045	2,877,069
Total bonds payable	\$ 312,939,872	\$ 72,748,091	\$ (34,498,918)	\$ 351,189,045	\$ 36,027,069
Tax anticipation notes from direct borrowing	\$ 5,340,000	-	\$ (3,420,000)	\$ 1,920,000	\$ 270,000
Financed Purchases and Other Contractual Obligations	1,503,014	-	(385,349)	1,117,665	396,662
Leases Obligations	6,021,634	797,588	(3,067,229)	3,751,993	1,124,034
SBITA obligations*	6,048,098	1,809,361	(1,710,395)	6,147,064	1,745,905
TIF obligations	86,775,295	-	(4,316,751)	82,458,544	-
Arbitrage liability	553,987	3,522,447	(23,991)	4,052,443	312,129
Other postemployment benefits	42,299,824	3,827,304	(3,219,344)	42,907,784	1,923,159
TMRS - pension liability	70,289,875	46,243,735	(71,185,790)	45,347,820	-
Compensated absences	17,112,340	2,248,831	(1,467,208)	17,893,963	1,968,336
Workers' compensation	5,243,271	578,592	(747,685)	5,074,178	585,322
Unpaid claims liability	977,591	14,854,934	(14,727,820)	1,104,705	1,104,705
Total governmental-type Long-term liabilities	\$ 555,104,801	\$ 146,630,883	\$ (138,770,480)	\$ 562,965,204	\$ 45,457,321
Business-type activities					
General obligation refunding bonds	\$ 10,165,000	-	\$ (2,315,000)	\$ 7,850,000	\$ 2,235,000
Certificates of obligation	70,240,000	15,295,000	(4,125,000)	81,410,000	4,780,000
Bond discounts/premiums	7,810,811	1,216,833	(827,179)	8,200,465	796,593
Total bonds payable	\$ 88,215,811	\$ 16,511,833	\$ (7,267,179)	\$ 97,460,465	\$ 7,811,593
Lease obligations	\$ 148,356	-	\$ (88,659)	\$ 59,697	\$ 59,697
Arbrage liability	-	246,263	\$ (85,002)	161,261	\$ 79,208
Other postemployment benefits	133,284	677,117	(7,680)	802,721	76,737
TMRS - pension liability	6,980,070	660,592	(555,657)	7,085,005	317,556
Compensated absences	12,666,206	8,526,398	(12,831,391)	8,361,213	-
Workers' compensation	1,805,970	105,282	(171,338)	1,739,914	191,391
Total business-type Long-term liabilities	\$ 110,032,457	\$ 26,931,718	\$ (21,089,666)	\$ 115,874,509	\$ 8,740,415

(1) All bond discounts/premiums are related to public borrowings.

COMPENSATED ABSENCES, WORKER’S COMPENSATION, POSTEMPLOYMENT BENEFITS, AND ARBITRAGE REBATE LIABILITY

Governmental-type activities record liabilities for compensated absences, workers’ compensation claims, and retiree postemployment costs at the government-wide statement level. Generally, the liabilities for compensated absences, workers’ compensation claims, and retiree postemployment costs are paid from the General Fund. Liabilities for the Business-type activities are recorded and liquidated in the fund that incurs the liability.

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TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

DIRECT FINANCED PURCHASES AND OTHER CONTRACTUAL OBLIGATIONS

The following is a summary of other contractual obligation transactions of the City for the fiscal year ended September 30, 2024:

	Stryker	Utility Vehicle	Gas Golf Carts	Police Academy	Texas Comptroller of Public Accounts	Total
Balance at October 1, 2023	\$ 960,612	\$ 33,742	\$ 183,096	\$ 30,278	\$ 295,286	\$ 1,503,014
Additions/adjustments	-	-	-	-	-	-
Payments	(225,989)	(10,664)	(21,069)	(14,815)	(112,812)	(385,349)
Balance at September 30, 2024	<u>\$ 734,623</u>	<u>\$ 23,078</u>	<u>\$ 162,027</u>	<u>\$ 15,463</u>	<u>\$ 182,474</u>	<u>\$ 1,117,665</u>

FINANCED PURCHASES

The City entered into the following financed purchases:

Agreement with Stryker in July 2020, amended in August 2022, for fire/EMT equipment. The final annual payment of \$265,069 is scheduled to be made in October 2027. The cost of the asset is \$1,110,646. Accumulated depreciation was \$609,685 and the related book value is \$500,961, at September 30, 2024.

Agreement with GM Financial in February 2022, for a utility vehicle. The final annual payment of \$12,477 is scheduled to be made in February 2026. The cost of the asset is \$56,339. Accumulated depreciation was \$35,212 and the related book value is \$21,127, at September 30, 2024.

Agreement with Yamaha in January 2022, for gas golf carts. Annual payments of \$28,320 with a final balloon payment of \$107,712, scheduled for March 2027. The cost of the asset is \$214,719. Accumulated depreciation was \$16,401 and the related book value is \$195,318, at September 30, 2024.

The following is a schedule of the payments required under financed purchases at September 30, 2024:

Fiscal year ending September 30:	Stryker	Utility Vehicle	Golf Carts
2025	\$ 265,069	\$ 12,476	\$ 28,321
2026	265,069	12,477	28,320
2027	265,069	-	119,512
Total minimum lease payments	<u>\$ 795,207</u>	<u>\$ 24,953</u>	<u>\$ 176,153</u>
Less amount representing interest	(60,584)	(1,875)	(14,126)
Present value of minimum lease payments	<u>\$ 734,623</u>	<u>\$ 23,078</u>	<u>\$ 162,027</u>

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

POLICE

The City entered into an agreement with the City of Plano to develop a police academy to be used as a joint training facility. The City of Richardson and the City of Plano share the costs of improvements to the facilities.

The following is a schedule of future debt maturities relating to these contractual obligations as of September 30, 2024:

Fiscal year ending September 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 15,463	\$ 773	\$ 16,236
TOTALS	\$ 15,463	\$ 773	\$ 16,236

OTHER OBLIGATIONS

During FY 2009 the Texas Comptroller of Public Accounts notified the City regarding an error in sales tax payments made to the City. This error was the result of a local business reporting and paying taxes incorrectly to the State Comptroller from January 1998 through December 2005. The local sales tax overpayment to the City in the amount of \$2,143,331 was recorded as a liability and a reduction of sales tax revenue. The Comptroller’s office had set up a 20-year payout arrangement, but the life of the obligation has been reduced by additional payments and adjusted due to the Comptroller suspending payments from April 2020 through January 2021 to help Texas cities deal with the COVID-19 pandemic and potential negative impacts on the economy. Payments of \$112,812 were made during the 2022/2023 fiscal year, and the balance at September 30, 2024 was \$182,474.

LEASE OBLIGATION

The City has entered into multiple lease agreements as lessee. The leases allow the right-to-use of buildings, land, vehicles, and equipment over the term of the lease. The City is required to make periodic principal and interest payments using either its incremental borrowing rate or the interest rate stated/implied within the leases. Effective October 1, 2021, the City implemented GASB Statement No. 87, Leases. At implementation of this statement and the commencement of leases beginning after October 1, 2021, the City initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. The lease rate, term and ending lease liability are as follows (noted in thousands):

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Lease Term in Months</u>	<u>Ending Balance</u>
Governmental Activities:				
Vehicle	0.310%	\$ 2,998	24	\$ -
Electric Golf Carts	0.298%-6.16%	56,014	31-61	461,525
Land	0.298%	897,326	41	-
Buildings	2.260%	4,847,361	50	3,102,281
Internal service Funds				
Postal Equipment	2.186%	28,500	60	21,126
Copiers	<u>0.193-0.298%</u>	<u>189,435</u>	<u>16-18</u>	<u>167,061</u>
Total Governmental Activities		\$ 6,021,634		\$ 3,751,993
	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Lease Term in Months</u>	<u>Ending Balance</u>
Business Type Activities				
UTD Land	2.430%	\$ 140,594	24	\$ 57,411
Computer Equipment	<u>0.2980%</u>	<u>7,762</u>	<u>29</u>	<u>2,286</u>
Total Business Like Activities		\$ 148,356		\$ 59,697

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

The future principal and interest payments as of September 30, 2024 were as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 1,124,034	\$ 101,090	\$ 1,225,124	\$ 59,697	\$ 526	\$ 60,223
2026	1,197,886	65,827	1,263,713			
2027	1,272,040	28,287	1,300,327			
2028	149,695	4,207	153,902			
2029	8,338	237	8,575			
TOTALS	\$ 3,751,993	\$ 199,648	\$ 3,951,641	\$ 59,697	\$ 526	\$ 60,223

SBITA

The City has entered into multiple Subscription-Based Information Technology (SBITA) agreements as lessee. The SBITAs allow the right-to-use of subscription-based software over the term of the lease. The City is required to make periodic principal and interest payments using either its incremental borrowing rate or the interest rate stated/implied within the SBITAs. The City initially measures the SBITA liability at the present value of payments expected to be made during the remaining SBITA term. The SBITA rate, term and ending SBITA liability are as follows.

	Interest Rates	Liability at Commencement	Ending Balance
Governmental Activities			
Axon Enterprise	3.12-3.71%	\$ 1,089,968	\$ 423,147
Flock Safety	2.3300%	269,762	194,862
Microsoft-SHI	3.5900%	1,419,510	929,552
Internal Service Funds			
Tyler Technologies	3.1213%	5,645,202	4,599,503
TOTALS		\$ 8,424,442	\$ 6,147,064

The future principal and interest payments as of September 30, 2024, were as follows:

Governmental Activities			
Fiscal Year	Principal	Interest	Total
2025	\$ 1,745,906	\$ 194,742	\$ 1,940,648
2026	1,443,810	138,552	1,582,362
2027	1,000,623	91,781	1,092,404
2028	963,328	61,076	1,024,404
2029	993,397	31,007	1,024,404
TOTALS	\$ 6,147,064	\$ 517,158	\$ 6,664,222

Business Type Activities			
Fiscal Year	Principal	Interest	Total
2025	\$ 79,208	\$ 5,791	\$ 84,999
2026	82,053	2,947	85,000
TOTALS	\$ 161,261	\$ 8,738	\$ 169,999

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

TIF – OBLIGATIONS

The City has established three tax increment financing districts to facilitate new development and redevelopment within the community. Each district has a base year, and incremental property tax revenues exceeding the base year amount are collected into a special revenue fund. Additionally, other taxing entities may participate in the TIF districts. Each participating entity’s governing body sets the percentage of increment that they will contribute to the TIF fund.

The City Council, upon recommendation of the Council-appointed TIF Board for each district, can enter into economic grant agreements with developers which utilize TIF funds. Unlike other contractual obligations, TIF grants are subject to availability of TIF funds, and any balance owed to a developer at the termination of the TIF district will no longer be considered an obligation of the City.

The following table summarizes key statistics of each of the City’s TIF districts.

	District		
	1	2	3
Tax Year Established	2006	2011	2011
City's Participation	100%	66.67%	66.67%
Other Taxing Entities	Dallas County	Collin County	Collin County
Participating	65%	50%	50%
Tax Year Terminates	2031	2036	2036

An infrastructure reimbursement grant and development agreement was entered into with the City and Centennial Park Richardson, Ltd. in September 2007. This agreement provides for an economic development grant of \$3,299,865 and a construction reimbursement grant of \$5,912,299 plus 7% interest compounded annually until paid in full or termination of the agreement. The company has qualified for both grants. Funding for this grant is contingent upon the availability of tax revenues in the TIF District #1 from Sub Area No. 2. The City has previously paid the economic development grant in full. Any remaining balance is related to the construction reimbursement grant. An interest payment of \$949,716 was made during the fiscal year ended 2024.

An infrastructure reimbursement grant and development agreement was entered into with the City and Bush/75 Partners, LP in December 2012. The Agreement was subsequently assigned to BCS TIF Zone Two, LP, the ultimate developer for the project. The agreement provides for the reimbursement of infrastructure projects with an estimated value of \$76,336,000 plus 5% interest annually until paid in full or termination of the agreement. The company has qualified for grants of \$57,084,738 to date. Funding for the grants is contingent upon the availability of tax revenues in TIF District #2. Interest payments of \$1,809,343 and a principal payment of \$3,917,450 were made during the fiscal year ended 2024.

An infrastructure reimbursement grant and development agreement was entered into with the City and BC Station Partners L.P. in March 2015. This agreement provides for approximately \$49,158,000 plus 5% interest annually until paid in full or termination of the agreement. The company has qualified for grants of \$33,880,733 to date. Funding for the grants is contingent upon the availability of tax revenues in TIF District #3. An interest payment of \$1,232,198 was made during the fiscal year ended 2024.

An economic development agreement was entered into with the City and AGF Greenville II, Ltd. in April 2015. This agreement provides for a maximum grant amount of \$5,500,000 plus 4% interest annually until paid in full or termination of the agreement. The agreement provides for the reimbursement of eligible costs for the acquisition of the land and demolition of existing improvements on the land. The company has qualified for the full amount of the grant. Funding for the grant is contingent upon the availability of tax revenues in the TIF District #1 from Sub Area No. 1B and Sub Area No. 4. An interest payment of \$156,097 and a principal payment of \$279,830 was made during the fiscal year ended 2024. The agreement expires the earlier of the date of termination of the TIF Zone No.1 (December 31, 2031) or when the maximum grant amount plus interest is paid.

An economic development agreement was entered into with the City and SAF 100 N. Central Ltd in March 2017. The Agreement was subsequently assigned to Richardson Gateway, LLC. This agreement provides for a maximum grant amount of \$7,000,000 plus 5.25% interest annually until paid in full or termination of the agreement. The agreement provides for the reimbursement of eligible costs for the acquisition of the land and demolition of existing improvements on the land. The company has qualified for the full amount of the grant. Funding for the grant is contingent upon the availability of tax revenues in TIF District #1 from Sub Area No. 1A and Sub No. 1B. An interest payment of \$297,707 and a principal payment of \$119,471 was made during the fiscal year ended 2024. The agreement expires the earlier of the date of termination of the TIF Zone No.1 (December 31, 2031) or when the maximum grant amount plus interest is paid.

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

The following is a summary of the principal balance of the infrastructure reimbursement grants and development agreements associated with the Tax Increment Financing Districts:

	TIF District 1			TIF District 2	TIF District 3	Total
	Centennial Park	AGF Greenville II, Ltd.	Richardson Gateway LLC	BCS TIF Zone 2	BCP TIF LLC Zone 3	
Balance at October 1, 2023	\$ 5,912,299	\$ 4,046,552	\$ 5,624,399	\$ 37,311,312	\$ 33,880,733	\$ 86,775,295
Payments	-	(279,830)	(119,471)	(3,917,450)		(4,316,751)
Balance at September 30, 2024	<u>\$ 5,912,299</u>	<u>\$ 3,766,722</u>	<u>\$ 5,504,928</u>	<u>\$ 33,393,862</u>	<u>\$ 33,880,733</u>	<u>\$ 82,458,544</u>

RISK MANAGEMENT

The City maintains a self-insured program for workers’ compensation. The City utilizes TRISTAR Risk Management as the third party administrator for this program. During fiscal year 2023-2024, a total of \$237,259 was paid in administrative costs that were recorded as an expenditure/expense in the General Fund, Proprietary Funds and Central Services Fund. In addition, claims and benefits paid in the amounts of \$499,556 and \$278,985 have been recorded as expenditures/expenses in the Governmental Funds and Proprietary Funds, respectively.

The City also maintains a self-insured medical program known as “CORPlan” which is accounted for as an Internal Service Fund. This program provides participants with unlimited health benefit coverage. The City purchases commercial insurance for claims in excess of \$350,000 for each employee in a plan year. In fiscal year 2023-2024, the City did not receive any refunds from the commercial insurance carrier.

All funds with full-time employees participate in the program and make payments to the Insurance Fund based on estimates of the amounts needed to pay prior and current year claims. Accounting standards require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The City’s consultant estimated the liability to be \$1,104,705 for unpaid claims and claim adjustment expenses at September 30, 2024. The liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The City currently does not discount its unpaid claims liabilities.

RECONCILIATION OF UNPAID CLAIMS LIABILITIES

	2024	2023
Incurring claims and claim adjustment expenses:		
Unpaid claims and claim adjustment expenses at beginning of year	\$ 977,591	\$ 930,186
Incurring claims and claim adjustment expenses:		
Provisions for insured events of the current year	15,832,525	14,204,069
Increase (decrease) in prior year provision	(411,036)	(280,803)
Total incurred claims and claim adjustment expenses	<u>16,399,080</u>	<u>14,853,452</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	14,727,820	13,226,478
Claims and claim adjustment expenses attributable to insured events of prior years	566,555	649,383
Total payments	<u>15,294,375</u>	<u>13,875,861</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 1,104,705</u>	<u>\$ 977,591</u>

INTERFUND CHARGES

The City allocates a percentage of the salaries and wages and related costs of personnel who perform general and administrative services for various funds but are paid from the General Fund. During the year ended September 30, 2024, the City allocated \$10,143,972 for such services.

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

TAX ABATEMENTS AND ECONOMIC INCENTIVES

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes. The City’s economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has four categories of economic development agreements:

- Home Improvement Incentive Program – The purpose of this program is to provide an economic incentive under Chapter 380 of the Texas Local Government Code to encourage reinvestment in residential neighborhoods. The property owner commits to making at least \$20,000 in improvements to the residential property within 24 months of entering into the agreement. A one-time incentive payment equal to 10 times the amount of the increase in City taxes will be paid to the property owner based on the property’s pre-construction and post-construction appraised value. The City provided \$1,191,585 in incentive payments under this program in fiscal year 2024.
- Tax Abatements – Tax Abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer’s property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were \$8,112,357 in fiscal year 2024.
- General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs or other expenses. For fiscal year 2024, the City rebated \$3,322,249 in taxes, reduced fees by \$12,503,522 and made incentive payments of \$1,292,273 under these agreements.
- Tax Increment Financing – The City has adopted three Tax Increment Financing zones (TIFs) under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payment to developers and represent obligations over the life of the TIF or until all terms of the agreements have been met. These obligations are more fully described in Note 13 of the City’s Annual Financial Report. Additionally, the City enters into general economic development agreements under Chapter 380 of the Texas Local Government Code which are funded with TIF resources. In 2024, the City made \$8,761,812 in payments for TIF obligations, and \$1,155,000 in TIF incentives, from general TIF resources.

CONTINGENT LIABILITIES

Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management and the City’s attorneys, the potential loss on all claims and lawsuits will not be significant to the City’s financial statements.

Grant Audit

The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the grant agreements of the appropriate agency. In the opinion of the City management, such disallowance, if any, will not be significant to the City’s financial statements.

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – RETIREE HEALTH BENEFITS

Plan Description

The City of Richardson single-employer, defined benefit OPEB plan, CORPlan, is administered by the City and provides health-care benefits, in accordance with City policy. All employees who are vested in the City’s pension plan, Texas Municipal Retirement System, are eligible for these benefits with 20 years or more of service, regardless of age, or with 5 years of service at age 60 and above. Coverage is also available to dependents or surviving spouses of retirees. Coverage for retirees age 65 and over is provided through a separate, fully insured plan. The City subsidizes medical, dental, and hospitalization costs incurred by retirees and their dependents. Recommendations for plan benefits are presented to City Council for their approval during the annual budget process. The plan is accounted for in the City’s Insurance fund as well as the Water and Sewer, Solid Waste, and Central Services funds. A separate financial statement is not issued for the plan. As of September 30, 2024, there are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms

At the December 31, 2023 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	310
Active employees	949
	<u>1,259</u>

Contributions

Effective January 1, 2014, the City provides a \$200 per month, post-65 subsidy to retirees with 20 or more years of City service. This amount is capped at that level by council action. Sample contribution rates under the City’s high deductible health plan for retirees under age 65 and their dependents are based on the length of service of the retiree and are shown below.

	"Green Plan" - HDHP (w/HSA)		
	Under 15	15 – 19	20+
Years of service:			
Retiree only	\$ 449	\$ 780	\$ 928
Retiree/spouse	891	1,561	1,856
Surviving spouse	765	1,297	1,531
Retiree/family	1,052	2,109	2,552
	"Red Plan" - Traditional PPO		
	Under 15	15 – 19	20+
Years of service:			
Retiree only	\$ 558	\$ 962	\$ 1,103
Retiree/spouse	1,083	1,864	2,206
Surviving spouse	929	1,544	1,820
Retiree/family	1,277	2,511	3,033

Total OPEB Liability

The City’s Total OPEB Liability was determined by an actuarial valuation performed on December 31, 2022 and the measurement date of December 31, 2023.

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

Actuarial assumptions

Actuarial valuations involve the use of estimates and assumptions about the probability of events far into the future, including, but not limited to, assumptions about length of employee service, mortality rates, and future costs of healthcare. The valuation will be updated at least every two years and actual results will be compared with past expectations. As a result of these comparisons, new estimates and assumptions will be made about future results of the plan. Valuations are made based on the benefits in place at the time of the valuation. Any changes in the benefits offered or the contribution rates would impact future valuations. The demographic assumptions are based on the assumptions that were developed for the defined benefit plan in which the City participates by the Texas Municipal Retirement System (TMRS). Actuarial techniques include smoothing mechanisms that take a long-term approach in the valuation of assets and liabilities of the plan and are designed to reduce short-term volatility in the measurement of these assets and liabilities.

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.77% as of December 31, 2023
Inflation	2.50%
Salary Increases	3.60% - 11.85%
Health Care Trend Rate	7.00% declining to 4.25% after 15 years

Participation rate assumptions for retirees who choose to receive health care benefits is based on years of City service. Election rates for retirees with less than 15 years of service is 0% and from 15 to 19 years of service the election rate is 15%. For retirees with service of 20 years or greater of service, the election rate is 45% if retiring before age 50 and 70% at age 50 or above.

Demographic assumptions are based on the experience study conducted by TMRS for the four-year period ending December 31, 2022. Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate is equal to the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.77% (based on the daily rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index.)

The discount rate was 4.05% as of the prior measurement date.

Sensitivity of the Discount Rate and the Health Care Cost Trend Rate

The following table presents the sensitivity of the Total OPEB Liability to changes in the discount rate when calculating it at 1-percentage-point-lower (2.77%) and 1-percentage-point-higher (4.77%).

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

1% Decrease	Current Single Rate Assumption	1% Increase
2.77%	3.77%	4.77%
\$ 54,988,972	\$ 49,992,789	\$ 45,544,521

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

The following table presents the sensitivity of the Total OPEB Liability to changes in the health care trend rate when calculating it at 1-percentage-point-lower (6.00%) and 1-percentage-point-higher (8.00%).

**Sensitivity of the Total OPEB Liability
to Changes in the Health Care Trend
Rate**

	Current Single Rate Assumption	
1% Decrease 6.00%	7.00%	1% Increase 8.00%
\$ 45,477,869	\$ 49,992,789	\$ 55,366,553

	Total OPEB Liability
Beginning balances	\$ 49,279,894
Changes for the year:	
Service cost	2,042,904
Interest on the Total OPEB Liability	1,985,132
Differences between expected and actual experience	459,860
Changes in assumptions	(1,203,505)
Benefit payments	(2,571,496)
Net changes	712,895
Ending balance	\$ 49,992,789

OPEB Expense and Deferred Outflows/(Inflows) of Resources

For the year ended September 30, 2024 the City recognized \$3,091,751 for OPEB expense. Deferred outflows of resources and deferred inflows of resources related to OPEB are from the below sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 819,053	\$ (3,677,206)
Changes of assumptions	2,774,218	(8,208,175)
Contributions subsequent to the measurement date	944,569	-
Total	\$ 4,537,840	\$ (11,885,381)

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

Of the \$4,537,840 total for deferred outflows of resources, \$944,569 from City contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending 9/30/2025. The remainder of the total net deferred outflows/inflows of resources, \$(8,292,110) will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred outflows (inflows) of Resources</u>
2025	\$ (938,612)
2026	(1,316,287)
2027	(1,406,601)
2028	(1,761,389)
2029	(2,020,719)
Thereafter	(848,502)
Total	<u>\$ (8,292,110)</u>

COBRA Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. The federal government outlines certain requirements for this coverage. The premium plus a two percent administration fee is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for 18 months after the employee’s termination date. The City makes no contribution under this program. There were no participants in the program as of September 30, 2024.

Pension Benefits

Plan Description

The City of Richardson participates as one of more than 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a 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 (Annual Report) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

Plan provisions for the City are as follows:

Employee deposit rate	7% of Earnings
City matching rate	200%
Vesting period	5 Years
Retirement years (age/years of service)	60/5, Any/20
Updated service credit	50% (Repeating)
Annuity increase (to retirees)	50% of the change in CPI Repeating

Additional information related to the TMRS Plan is located in the TMRS ACFR.

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	954
Inactive employees entitled to but not yet receiving benefits	614
Active employees	<u>993</u>
Total	<u><u>2,561</u></u>

Contributions

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

Employees for the City of Richardson were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Richardson were 15.08% and 16.25% in calendar years 2023 and 2024, respectively. The City’s contributions to TMRS for the year ended September 30, 2024, were \$15,387,085 which matched the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following assumptions:

Inflation	2.50% per year
Overall payroll growth	3.6% to 11.85% including inflation
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor..

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is 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 to satisfy the short-term and longterm funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic) *
Global Public Equity	35.00 %	6.70%
Core Fixed Income	6.00	4.70%
Non-Core Fixed Income	20.00	8.00%
Public and Private Markets	12.00	8.00%
Real Estate	12.00	7.60%
Hedge Funds	5.00	6.40%
Private Equity	10.00	11.60%
Total	100.00 %	

* Net of inflation assumption

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 and was projected over a period of 100 years. 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.

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

Sensitivity of Discount Rate

The following table presents the sensitivity of the Net Pension Liability to changes in the discount rate when calculating it at 1-percentage-point-lower (5.75%) and 1-percentage-point-higher (7.75%).

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
<u>1% Decrease</u>	<u>Current Single Rate</u>	<u>1% Increase</u>
<u>5.75%</u>	<u>Assumption 6.75%</u>	<u>7.75%</u>
\$ 135,706,844	\$53,709,033	(\$14,616,451)

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of TMRS (including additions to/deductions from the TMRS’s Fiduciary Net Position) have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. The Pension Plan Trust Fund is maintained on the accrual basis of accounting. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmrs.com.

**Schedule of Changes in Net Pension Liability and Related Ratios
Current Period**

Total Pension Liability	Increase (Decrease)
Service Cost	\$ 13,522,658
Interest (on the Total Pension Liability)	42,463,550
Changes of benefit terms	3,412,046
Difference between expected and actual experience	(5,040,505)
Benefit payments, including refunds of employee contributions	(33,632,176)
Net Change in Total Pension Liability	20,725,573
Total Pension Liability - Beginning	639,144,394
Total Pension Liability - Ending (A)	<u>\$ 659,869,967</u>
Plan Fiduciary Net Position	
Contributions - Employer	13,660,299
Contributions - Employee	6,095,210
Net Investment Income	64,261,674
Benefit payments, including refunds of employee contributions	(33,632,176)
Administrative expense	(409,523)
Other	(2,863)
Net Change in Plan Fiduciary Net Position	49,972,621
Plan Fiduciary Net Position* - Beginning	556,188,313
Plan Fiduciary Net Position* - Ending (B)	<u>606,160,934</u>
Net Pension Liability (A) - (B)	<u>53,709,033</u>
Plan Fiduciary Net Position as Percentage of Total Pension Liability	91.86%
Covered Payroll	87,074,421
Net Pension Liability as a Percentage of Covered Payroll	61.68%

* FNP may be off a dollar due to rounding.

The net pension liability (asset) and the total pension liability were calculated by Gabriel, Roeder, Smith & Company (“GRS”). The measurement date and the actuarial valuation date was December 31, 2023.

TABLE 14 – OUTSTANDING OBLIGATIONS (AS OF SEPTEMBER 30, 2024) (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2024 the City recognized pension expense of \$10,683,058. Deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,559,427	\$ 168,520
Net difference between projected and actual earnings on pension plan investments	15,762,822	-
Difference in assumptions	-	3,774,046
Employer's Contributions to the pension plan subsequent to the measurement date	11,838,750	-
Total	<u>\$ 34,160,999</u>	<u>\$ 3,942,566</u>

Of the \$34,160,999 total for deferred outflows of resources, \$11,838,750 from City contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending 9/30/2025. The remainder of the total net deferred outflows/inflows of resources, \$18,379,63, related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net deferred outflows (inflows) of resources</u>
2025	\$ 6,277,647
2026	5,836,664
2027	11,609,163
2028	(5,343,791)
Total	<u>\$ 18,379,683</u>

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FINANCIAL INFORMATION

TABLE 15 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

Revenues	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
General Property Taxes	\$ 71,628,992	\$ 68,207,732	\$ 66,178,453	\$ 64,444,682	\$ 60,192,082
Franchise Taxes	19,293,216	19,122,638	17,793,504	16,406,687	16,969,727
Sales Tax	53,763,370	58,104,966	53,413,338	45,810,345	41,535,297
Mixed Beverage and Bingo Tax	811,149	788,481	728,925	606,898	545,439
911 Revenue	526,882	559,524	701,477	681,855	746,880
Intergovernmental Revenue	661,533	141,623	55,964	1,895,927	7,413,083
Licenses and Permits	3,427,164	3,111,881	2,629,755	3,165,909	2,766,147
Fines and Forfeitures	1,809,567	1,833,293	1,823,206	3,231,341	2,863,408
Interest Revenue	3,169,293	3,216,506	(218,476)	85,197	703,074
Civic Center Use	-	-	-	-	120,509
Recreation and Leisure	4,381,556	4,063,789	3,258,371	1,979,215	1,450,472
Public Safety	3,725,962	3,970,016	3,249,963	2,743,739	3,565,149
Contributions	34,008	67,899	68,394	19,402	168,502
Other Revenue	758,568	705,361	736,601	742,073	718,788
General Administration	10,143,972	9,558,010	8,607,956	8,404,015	8,300,368
Total Revenues	\$ 174,135,232	\$ 173,451,719	\$ 159,027,431	\$ 150,217,285	\$ 148,058,925
Expenditures					
General Government	\$ 37,306,419	\$ 37,001,486	\$ 35,401,283	\$ 34,806,225	\$ 31,259,264
Public Safety	71,024,473	62,581,152	58,880,806	56,164,274	55,163,761
Public Services	24,701,589	22,634,443	19,895,456	18,381,525	19,912,915
Library	3,891,144	3,653,206	3,348,539	3,080,978	3,363,686
Parks and Recreation	14,417,320	13,542,489	11,923,778	11,183,022	11,082,827
Public Health	2,387,250	2,120,485	1,844,498	1,754,565	1,878,152
Capital Outlay	1,545,423	1,159,003	74,538	1,034,549	90,385
Debt Service	987,077	490,194	150,693	113,351	467,917
Total Expenditures	\$ 156,260,695	\$ 143,182,458	\$ 131,519,591	\$ 126,518,489	\$ 123,218,907
Excess of Revenues over Expenditures	\$ 17,874,537	\$ 30,269,261	\$ 27,507,840	\$ 23,698,796	\$ 24,840,018
Other Financing Sources (Uses):					
Net Operating Transfers	(18,160,519)	(28,355,782)	(27,355,163)	(28,575,752)	(13,225,750)
Proceeds from Leases and Other Obligations	1,460,903	1,089,968	111,222		
Insurance Recoveries	620,546	6,844	700,000	85,460	309,872
Sale of Capital Assets	31,329	1,750	14,551	102,941	173,859
Total Other Financing Sources (Uses)	\$ (16,047,741)	\$ (27,257,220)	\$ (26,529,390)	\$ (28,387,351)	\$ (12,742,019)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,826,796	3,012,041	978,450	(4,688,555)	12,097,999
Beginning Fund Balance - October 1	44,348,436	41,336,395	40,357,945	45,046,500	32,948,501
Ending Fund Balance - September 30	\$ 46,175,232	\$ 44,348,436	\$ 41,336,395	\$ 40,357,945	\$ 45,046,500

Source: City's audited financial statements.

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TABLE 15-A – CHANGE IN NET POSITION HISTORY

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues					
Program revenues:					
Charges for services	\$ 36,911,434	\$ 24,821,076	\$ 22,279,722	\$ 22,986,209	\$ 20,776,172
Operating grants and contributions	8,363,324	16,049,303	3,876,753	4,562,409	10,896,870
Capital grants and contributions	1,624,063	111,871	4,176,557	734,864	2,912,058
General revenues:					
Property taxes	132,912,399	125,456,407	120,906,253	118,829,290	110,279,388
Sales taxes	53,763,370	58,104,966	53,413,338	45,810,345	41,535,297
Franchise taxes	19,461,836	19,287,165	17,975,152	16,601,300	17,184,334
Mixed beverage and bingo tax	811,149	788,481	728,925	606,898	545,439
Hotel/motel taxes	5,088,522	4,915,108	3,956,162	2,296,285	2,452,797
Interest earnings	17,472,986	12,484,365	140,824	304,610	2,768,763
Transfers In/Out	(569,900)	(524,919)	-	-	(206,158)
Contributions to permanent fund principal	14,222,613	7,784,321	13,987	1,250	500
Gain (Loss) on sale of assets	68,966	1,763	54,628	160,367	32,945
Total revenues	\$ 290,130,762	\$ 269,279,907	\$ 227,522,301	\$ 212,893,827	\$ 209,178,405
Expenditures					
General Government	\$ 66,931,133	\$ 55,626,292	\$ 40,752,621	\$ 45,671,700	\$ 36,981,348
Public Safety	75,591,704	73,275,926	58,295,163	62,940,276	61,902,233
Public Services	42,872,164	38,986,060	38,960,287	36,150,564	33,525,672
Library	4,455,498	4,648,517	3,626,678	3,590,497	4,472,688
Parks and Recreation	21,122,964	20,398,325	17,086,683	17,449,603	17,379,008
Public Health	2,415,114	2,392,075	1,582,825	1,644,908	2,043,170
Interest and fiscal charges	12,047,313	11,404,752	12,399,447	12,319,064	12,385,760
Total expenses	\$ 225,435,890	\$ 206,731,947	\$ 172,703,704	\$ 179,766,612	\$ 168,689,879
Increase (Decrease) in net position	64,694,872	62,547,960	54,818,597	33,127,215	40,488,526
Net position-October 1	329,983,528	267,435,568	212,616,971	179,489,756	139,001,230
Net position-September 30	\$ 394,678,400	\$ 329,983,528	\$ 267,435,568	\$ 212,616,971	\$ 179,489,756

Source: City’s audited financial statements.

TABLE 16 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, as amended, 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 City’s General Fund. 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. Revenues from this source for the past five years are as follows:

Fiscal Year Ended	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽¹⁾
2021	\$ 45,810,345	37.79%	\$ 0.2757	\$ 379.73
2022	53,413,338	43.53%	0.3019	435.78
2023	59,894,356	47.10%	0.3026	488.47
2024	54,752,794	40.24%	0.2535	446.31
2025	13,724,634 ⁽²⁾	10.85%	0.0525	111.88

(1) Based on population estimates provided by North Central Texas Council of Governments.

(2) Collections through February 1, 2025.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%). In addition to the one percent (1%) local sales and use tax referred to above, a 1% sales and use tax is collected in the City for the Dallas Area Rapid Transit (“DART”). The local sales and use taxes are not pledged to the payment of the Obligations.

FINANCIAL POLICIES

Financial Information . . . Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the City is also responsible for having an adequate internal control structure to ensure compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by the City’s management and finance department staff.

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general, debt service, water and sewer, golf, special revenue, and solid waste funds are included in the annual appropriated budget. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the City Council.

During the fiscal year, budgetary control is maintained by the review of purchase orders prior to their release to vendors. Purchase orders that exceed appropriated balances are not released until they have been further reviewed and approved by the City Manager or his representative. Departmental appropriations that have not been expended by the departments at the end of the fiscal year lapse. Funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year’s budget.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities. The commitments will be honored during the subsequent year. The City amends the budget at the end of each fiscal year to provide for additional expenditures or expenses and also to provide reductions in other expenditures or expenses, or supplemental revenues to fund such amendments.

Measurement Focus, Basis of Accounting and Basis of Presentation . . . The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all the activities of the City. Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which generally rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Activities demonstrates the extent to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers and applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program. They also include operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues.

The City segregates transactions related to certain functions or activities in separate funds in order to support financial management and to demonstrate legal compliance. Separate statements are prescribed for governmental activities and for proprietary activities. These statements present each major fund as a separate column on the fund financial statements, while all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following major governmental funds.

General Fund . . . The General Fund is the main operating fund of the City. The fund is used to account for all the financial resources that are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund . . . The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Fund . . . The Capital Fund is used to account for funds expended for capital improvements, including streets and thoroughfares, parks and other recreational facilities, buildings and public facilities, drainage improvements, and for the purchase of capital equipment. Funding sources include the proceeds of general obligation bonds and certificates of obligation issued by the City, as well as intergovernmental revenues and contributions.

Federal Grant Funds. These funds are used to account for restricted proceeds received from federal agencies for various purposes. Funds are to be utilized in accordance with the respective requirements of each program.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities of the proprietary funds are included in the Statement of Net Position. The City has presented the following major proprietary funds.

Water and Sewer Fund . . . The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, billing and collection activities, and the operations, maintenance and construction of the water and sewer systems. The fund also accounts for the accumulation of resources for and the payment of long-term principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the system.

Solid Waste Fund . . . The Solid Waste Fund is used to account for the operations of solid waste collection and disposal and recycling services provided to the residents of the City. The fund also accounts for the accumulation of resources for and the payment of long-term principal and interest for solid waste debt. All costs are financed through charges to the utility customers.

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

Additionally, the City reports the following fund types:

Internal Service Funds . . . The Internal Service Funds are used to account for warehouse, mail services, and records management operations provided to City departments, and health insurance provided to employees, dependents and retirees. Internal Service Funds are also used to account for cost of replacing technology related to legacy ERP and Traffic systems.

Permanent Fund . . . The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, support the City's specified program.

Special Revenue Funds . . . Special Revenue Funds are used by the City to account for revenues derived from specific intergovernmental grant, taxes, and proceeds that are designated to finance particular functions or activities of the City.

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statement presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, sewer and solid waste collection services. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they are “measurable and available.” “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period. The City considers all revenues available if they are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. A thirty-day availability period is used for revenue recognition for all governmental fund type revenues, except fines and forfeitures which are accrued using a forty-five day availability period. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, franchise taxes, sales taxes, drainage fees, fines and forfeitures, and interest revenue. Licenses and permits, recreation and leisure fees, public safety, and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports unavailable revenue in its governmental funds. Unavailable revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, revenue is recognized.

Grant revenue is recognized as revenue as soon as all applicable eligibility requirements have been met.

CITY FINANCIAL GOALS AND POLICIES

General Fund Balance and Debt Service Fund Balance . . . The City will strive to accumulate and maintain an unassigned balance equal to 90 days operating expenses in the General Fund and 30 days of debt service expenditures in the Debt Service Fund.

Water and Sewer Fund Net Position . . . The City will strive to accumulate and maintain 90 days of operating expenses in the Water and Sewer Fund.

Solid Waste Fund Net Position . . . The City will strive to accumulate and maintain 60 days of operating expenses and build toward 90 days of expenses in the Solid Waste Fund fund balance.

Golf Fund Balance . . . The City will stive to accumulate and maintain 30 days of operating expenses and build toward 60 days of expenses in the Golf Fund.

Capital Projects Policies . . . Capital projects will only be authorized by the City Council through identification and commitment of revenue sources sufficient to fund such improvements.

Capital Improvements Planning and Programming shall include the following categories for funding for individual projects:

- | | |
|---|---------------------------|
| Design costs | Right-of-way costs |
| Utility construction/adjustment costs | Construction costs |
| Appropriate contingency funds | Furnishings and equipment |
| Project administration services by City employees or outside forces | |

The General Fund may be reimbursed for costs associated with development, implementation and administration of debt-funded capital programs including “up-front” costs of planning and indirect costs of city employees and equipment dedicated to implementation and administration of the capital program.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year by the middle of July. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15.

The City Council sets a public hearing not less than 15 days after the budget is filed with the City Secretary. Notice of the hearing is published in the newspaper not less than ten (10) nor more than thirty (30) days before the public hearing. After the public hearing, the City Council shall adopt the budget.

Fund Investments . . . The City’s investment policy is in accordance with state law which governs investment of public funds. The City generally restricts investments to direct obligations of the United States Government, and its agencies, certificates of deposit, authorized investment pools, government money market mutual funds, and fully collateralized direct repurchase agreements with a defined termination date.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with Federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (15) for bond proceeds, guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “AAA” or “AAAm” or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; 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 PFIA. All City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each funds’ investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under 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, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

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

TABLE 17 – CURRENT INVESTMENTS

As of February 1, 2025, the City’s investable funds were invested in the following categories of investments.

Description	Percent	Book Value	Market Value
U.S. Agencies	18.6%	\$ 84,315,203	\$ 84,596,645
U.S. Treasuries	43.6%	197,121,122	197,542,031
State Pools	35.5%	160,707,015	160,707,016
Money Markets	2.2%	10,114,645	10,114,645
	<u>100.0%</u>	<u>\$ 452,257,985</u>	<u>\$ 452,960,337</u>

TAX MATTERS – THE BONDS AND THE 2025A CERTIFICATES

For purposes of this section, the Bonds and the 2025A Certificates are referred to collectively as the “Tax-Exempt Obligations”.

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

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Tax-Exempt Obligations pertaining to the use, expenditure, and investment of the proceeds of the Tax-Exempt Obligations and will assume continuing compliance by the City with the provisions of the Bond Ordinance and the 2025A Certificate Ordinance, as applicable, subsequent to the issuance of the Tax-Exempt Obligations. The Bond Ordinance and the 2025A Certificate Ordinance, as applicable, contain covenants by the City with respect to, among other matters, the use of the proceeds of the Tax-Exempt Obligations and the facilities financed or re-financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Tax-Exempt Obligations are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Tax-Exempt Obligations to be includable in the gross income of the owners thereof from the date of the issuance of the Tax-Exempt Obligations.

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

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

The Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Tax-Exempt Obligations. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Tax-Exempt Obligations.

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

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN TAX-EXEMPT OBLIGATIONS . . . The initial public offering price of certain Tax-Exempt Obligations (the "Discount Tax-Exempt Obligations") may be less than the amount payable on such Tax-Exempt Obligations at maturity. An amount equal to the difference between the initial public offering price of a Discount Tax-Exempt Obligation (assuming that a substantial amount of the Discount Tax-Exempt Obligations of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Tax-Exempt Obligation. A portion of such original issue discount allocable to the holding period of such Discount Tax-Exempt Obligation by the initial purchaser will, upon the disposition of such Discount Tax-Exempt Obligation (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Tax-Exempt Obligations described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Tax-Exempt Obligation, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Tax-Exempt Obligation and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

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

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

The purchase price of certain Tax-Exempt Obligations (the "Premium Tax-Exempt Obligations") paid by an owner may be greater than the amount payable on such Tax-Exempt Obligations at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Tax-Exempt Obligation over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Tax-Exempt Obligation in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Tax-Exempt Obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Tax-Exempt Obligation, the yield based on a call date that results in the lowest yield on the Tax-Exempt Obligation).

Purchasers of the Premium Tax-Exempt Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Tax-Exempt Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Tax-Exempt Obligations.

TAX MATTERS – THE TAXABLE 2025B CERTIFICATES

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Taxable 2025B Certificates. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Taxable 2025B Certificates in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the Taxable 2025B Certificates). The summary is therefore limited to certain issues relating to initial investors who will hold the Taxable 2025B Certificates as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and acquire such Taxable 2025B Certificates for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE 2025B CERTIFICATES.

PAYMENTS OF STATED INTEREST ON THE TAXABLE 2025B CERTIFICATES... The stated interest paid on the Taxable 2025B Certificates will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

ORIGINAL ISSUE DISCOUNT... If a substantial amount of the Taxable 2025B Certificates of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their stated redemption price at maturity by more than one quarter of one percent times the number of complete years to maturity, the Taxable 2025B Certificates of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the stated redemption price at maturity of such Taxable 2025B Certificates over its Issue Price, and the amount of the original issue discount on the Taxable 2025B Certificates will be amortized over the life of the Taxable 2025B Certificates using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Taxable 2025B Certificates, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Taxable 2025B Certificates that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Taxable 2025B Certificates each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Taxable 2025B Certificates will increase the adjusted tax basis of the Taxable 2025B Certificates in the hands of such beneficial owner.

PREMIUM... If a beneficial owner purchases a Taxable 2025B Certificate for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Taxable 2025B Certificate with "amortizable bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Taxable 2025B Certificate and may offset interest otherwise required to be included in respect of the Taxable 2025B Certificate during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Taxable 2025B Certificate held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Taxable 2025B Certificate. However, if the Taxable 2025B Certificate may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Taxable 2025B Certificate. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

MEDICARE CONTRIBUTION TAX... Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Taxable 2025B Certificates should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Taxable 2025B Certificates as well as gain on the sale of a Taxable Series 2025B Certificate.

DISPOSITION OF TAXABLE 2025B CERTIFICATES AND MARKET DISCOUNT... A beneficial owner of Taxable 2025B Certificates will generally recognize gain or loss on the redemption, sale or exchange of a Taxable 2025B Certificate equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Taxable 2025B Certificates. Generally, the beneficial owner's adjusted tax basis in the Taxable 2025B Certificates will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Taxable 2025B Certificates.

Under current law, a purchaser of a Taxable 2025B Certificate who did not purchase the Taxable 2025B Certificates in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Taxable 2025B Certificates, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the Taxable 2025B Certificates by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Taxable 2025B Certificates. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Taxable 2025B Certificates with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Taxable 2025B Certificates could have a material effect on the market value of the Taxable 2025B Certificates.

LEGAL DEFEASANCE... If the City elects to defease the Taxable 2025B Certificates by depositing in escrow sufficient cash and/or obligations to pay when due outstanding Taxable 2025B Certificates (a "legal defeasance"), under current tax law, a beneficial owner of Taxable 2025B Certificates may be deemed to have sold or exchanged its Taxable 2025B Certificates. In the event of such a legal defeasance, a beneficial owner of Taxable 2025B Certificates generally would recognize gain or loss in the manner described above. Ownership of the Taxable 2025B Certificates after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the Taxable 2025B Certificates.

BACKUP WITHHOLDING... Under section 3406 of the Code, a beneficial owner of the Taxable 2025B Certificates who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Taxable 2025B Certificates. This withholding applies if such beneficial owner of Taxable 2025B Certificates: (i) fails to furnish to payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Taxable 2025B Certificates. Beneficial owners of the Taxable 2025B Certificates should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

WITHHOLDING ON PAYMENTS TO NONRESIDENT ALIEN INDIVIDUALS AND FOREIGN CORPORATIONS... Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Taxable 2025B Certificates is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Taxable 2025B Certificates is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Taxable 2025B Certificates pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Taxable 2025B Certificates are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

FOREIGN ACCOUNT TAX COMPLIANCE ACT... Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain United States persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act (“FATCA”) imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Taxable 2025B Certificates and sales proceeds of Taxable 2025B Certificates held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

REPORTING OF INTEREST PAYMENTS... Subject to certain exceptions, interest payments made to beneficial owners with respect to the Taxable 2025B Certificates will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Taxable Series 2025B Certificate for U.S. federal income tax purposes.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Preliminary Official Statement under Tables numbered 1 through 6 and 8 through 17 and in Appendix B. The City will update and provide the information in Tables 1 through 6 and 8 through 17 within six months after the end of each fiscal year ending in and after 2025. The City will additionally provide audited financial statements within 12 months at the end of each fiscal year ending in and after 2025.

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 updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City’s current fiscal year end is September 30. Accordingly, it must provide updated financial and operating data by March 31 in each year and the audited financial statements for the preceding fiscal year must be provided by September 30 in each year (unless audited financial statements are not completed by the required time, in which case, the City will file unaudited financial statements by the required time and audited financial statements when and if prepared), unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICES OF CERTAIN EVENTS . . . The City will provide notice in a timely manner not in excess of ten business days after the occurrence of the event of any of the following events with respect to the Obligations: (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; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a 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 a Financial Obligation of the City, any of which reflect financial difficulties.

As used above in item (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the existing City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. (Neither the Obligations nor the Ordinances make any provision for debt service reserves, liquidity enhancement or credit enhancement). The City intends the words used in the immediately preceding items (15) and (16) and the definition of a Financial Obligation in this Section to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations 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 Obligations 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 Obligations. 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 . . . Over the last five years, the City believes it has complied in all material respects with its continuing disclosure undertakings pursuant to the Rule.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated “Aaa” by Moody's and “AAA” by S&P (underlying ratings). 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 prices of the Obligations.

LITIGATION

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

CYBERSECURITY

Computer networks and data transmission and collection are vital to the operations of the City. Information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for City staff and administration.

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 Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations 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

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Obligations are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the obligations by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Texas, Government Code, Chapter 2256, as amended, requires that the obligations be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states. No representation is made that the Obligations will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The City 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.

LEGAL MATTERS

The City will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the approving legal opinion of the Attorney General of the State to the effect that the Obligations are a valid and binding obligation of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel to the effect that the Obligations issued in compliance with the provisions of the respective Authorizing Ordinances are valid and legally binding obligations of the City and the interest on the Bonds and the 2025A Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein. Forms of such opinions are attached hereto as Appendix C. Bond Counsel did not take part in the preparation of the Preliminary 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 Preliminary Official Statement under the captions "INTRODUCTION," "THE OBLIGATIONS" (except for the subcaptions "Book-Entry-Only System" and "Obligationholders' Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings"), and under the subcaptions "Registration and Qualification of Obligations for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" (except for the last sentence of the first paragraph thereof) under the caption "OTHER INFORMATION" and is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the respective Ordinances. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations are 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. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, and the legal fee of such firm is contingent on delivery of the Obligations.

The various 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 the expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. The rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

Hilltop Securities Inc. 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. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 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 Preliminary Official Statement. The Financial Advisor has reviewed the information in this Preliminary 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.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public, as shown on page 2 hereof, less an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the 2025A Certificates from the City, at a price equal to the initial offering prices to the public, as shown on page 4 hereof, less an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the 2025A Certificates if any 2025A Certificates are purchased. The 2025A Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2025A Certificates into investment trusts) at prices lower than the public offering prices of such 2025A Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Taxable 2025B Certificates from the City, at a price equal to the initial offering prices to the public, as shown on page 6 hereof, less an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the Taxable 2025B Certificates if any Taxable 2025B Certificates are purchased. The Taxable 2025B Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Taxable 2025B Certificates into investment trusts) at prices lower than the public offering prices of such Taxable 2025B Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses. In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

One of the Underwriters is BOK Financial Securities, Inc. which is not a bank, and the Obligations are not deposits of any bank, and are not insured by the Federal Deposit Insurance Corporation.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Preliminary 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 Preliminary 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 Preliminary Official Statement will prove to be accurate.

The Bonds Pricing Certificate, the 2025A Certificates Pricing Certificate, and the Taxable 2025B Certificates Pricing Certificate 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 Underwriters.

Pricing Officer
City of Richardson, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY . . . The City of Richardson (the “City” or “Richardson”) is located in north central Texas in northern Dallas and southern Collin Counties. The City is approximately 15 miles north of downtown Dallas and is bound on the south and west by the City of Dallas, on the east by the City of Garland and on the north by the City of Plano. Approximately 63% of the City is in Dallas County. The City incorporates approximately 28.5 square miles and has approximately 1,079 (full-time equivalent) employees.

The City was incorporated in 1925 under the general laws of the State and became a home-rule city by vote of the electorate in 1955. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. Richardson voters simultaneously elect six Council members and a Mayor to represent them every two years. All Council members and the Mayor are elected at large, with four Council members representing each of the City’s four districts and two Council members representing the City at-large. The City Manager is the chief administrative officer for the City.

Policy-making functions are the responsibility of, and are vested in, the City Council. The City Council is required by the charter to appoint a City Manager to serve as the chief administrative and executive officer of the City. The duties of the City Manager include the appointment of City department heads and the daily conduct of the City affairs.

The City’s web address is: <http://www.cor.net/>

POPULATION . . . The City has grown rapidly since the mid-1950's when it was a small, rural farming community. A population explosion occurred during the 1960/1970 period when the City was one of the more sought-after suburban communities of the Dallas area.

Population history is as follows:

<u>Year</u>	<u>Population</u>	<u>Source</u>	<u>Year</u>	<u>Population</u>	<u>Source</u>
1990	75,596	(1)	2008	99,223	(2)
1991	74,840	(2)	2009	99,930	(2)
1992	75,451	(2)	2010	100,450	(1)
1993	76,700	(2)	2011	100,850	(2)
1994	78,000	(2)	2012	101,820	(2)
1995	78,000	(2)	2013	102,430	(2)
1996	79,800	(2)	2014	104,300	(2)
1997	83,150	(2)	2015	107,400	(2)
1998	86,700	(2)	2016	110,140	(2)
1999	89,200	(2)	2017	113,710	(2)
2000	91,050	(1)	2018	113,710	(2)
2001	92,697	(2)	2019	119,469	(2)
2002	94,529	(2)	2020	120,640	(1)
2003	95,650	(2)	2021	122,570	(2)
2004	96,000	(2)	2022	122,570	(2)
2005	96,000	(2)	2023	122,570	(2)
2006	96,000	(2)	2024	122,615	(2)
2007	96,500	(2)	2025	122,678	(2)

Source:

- (1) U.S. Census Bureau.
- (2) North Texas Council of Governments.

RICHARDSON’S PLACE IN THE LOCAL ECONOMY . . . The City of Richardson is one of several major employment centers in the Dallas-Fort Worth

Metroplex (“DFW”). Richardson is a center of economic diversity, with high-quality businesses in a variety of technology and non-technology industries including the financial services, semiconductor, telecommunications, and healthcare sectors, reflecting the area’s attractiveness for companies from a wide range of business sectors. Richardson has extensive resources in academia, a highly skilled labor pool, transportation assets, infrastructure support, lodging and meeting venues, and major corporate employers which will continue to prove beneficial in the recruitment of new businesses.

Richardson is conveniently located in DFW, with access to points in all directions via two major roadways and the Dallas Area Rapid Transit (“DART”) rail system. Central Expressway (U.S. 75), one of the main northbound and southbound arteries of the region, runs through the heart of the community. LBJ Freeway (IH-635) is to the immediate south of the City and the President George Bush Turnpike spans the northern border, giving Richardson residents easy access to the Dallas-Fort Worth International Airport. Richardson residents and businesses also benefit from the DART Light Rail line which parallels Central Expressway and has four existing stations in the City: Spring Valley, Arapaho Center, Galatyn Park and CityLine/Bush. The DART Silver Line is currently under construction with revenue service expected to begin by Fiscal Year 2026. The Silver Line follows the Cotton Belt

Regional Rail Corridor, which runs through the northwest portion of the City, running from Plano in the east, through Richardson, and connecting on to DFW Airport where it will connect to the TEXRail Line which runs to downtown Fort Worth. The Silver line will include two stations in Richardson, one at the University of Texas at Dallas and another at CityLine next to the existing Light Rail station and will also feature a hike and bike trail running the entire length of the line.

To take full advantage of these transportation assets for development and redevelopment purposes, the City has implemented three Tax Increment Financing (TIF) Districts. TIF District #1 was established in November 2006, encompassing 1,777 acres including both sides of the U.S. 75 corridor from Campbell Road south to Spring Valley Road, and then extending west from U.S. 75 along Spring Valley Road to Coit Road. The district includes an approximately 1,200-acre area east of U.S. 75 known as the Richardson Innovation Quarter which is more fully described below. TIF District #2, established in November 2011, is bounded by President George Bush Turnpike on the north, Wyndham Lane on the east, Renner Road on the south, and the DART Light Rail line on the west. TIF District #3, established in November 2011, is bounded by President George Bush Turnpike on the north, the DART Light Rail line on the east, Renner Road on the South and has its western boundary between Alma Road and U.S. 75. Dallas County participates financially in TIF District #1 and Collin County participates financially in TIF District #2 and TIF District #3.

TIF District #2 and TIF District #3 collectively include 241 acres that are better known as CityLine. The combined developments include corporate office buildings anchored by State Farm and Raytheon, over 2,500 apartment and town home units, hotels, a wellness office building and fitness center anchored by Texas Health Family Care and Children’s Health Specialty Center, 150,000 square feet of restaurants and retail space, DART Light Rail and Silver Line stations and two City parks with connectivity to regional trails and nature preserves. This unique lifestyle destination balances spaces to live, work and play while the compact layout offers easy access to all its amenities. CityLine is not fully built out, with additional acreage available for development.

TIF District #1 includes numerous developments as well as the City’s CORE District and the Richardson Innovation Quarter. The CORE District encompasses the area starting just west of U.S. 75 near Belt Line Road and continuing east as Belt Line Road transitions to Main Street, ending east of Richardson’s historic downtown. The CORE District includes five distinct destination areas that include Chinatown, Downtown, Heights, Interurban and Lockwood. Newly opened, Belt & Main is a mixed-use multi-family development in the Downtown district that adds 430 apartment and townhome units, a parking garage with public spaces, retail and commercial space. The CORE District is home to the City’s Police Headquarters and Fire Station #1. The Richardson Innovation Quarter (“The IQ®”) is a 1,200-acre urban hub with a rich heritage of innovation and entrepreneurship generally bounded by U.S. 75, Campbell Road, Plano Road and Apollo Road. With over 1,100 businesses and 20,000 workers, The IQ® is home to technology-related start-ups, manufacturers, nonprofit organizations, corporate research and development, restaurants, multifamily developments and more. The IQ® “Headquarters”, or “IQHQ”, is a 27,500-square-foot building in The IQ® that houses six UT Dallas research centers, the City’s Economic Development Department and space for programming, networking and events focused on attracting entrepreneurial activity to the area.

Outside of the City’s TIF Districts, Richardson’s highlights include Texas Instruments’ 1.1 million square foot semiconductor manufacturing facility on Renner Road that produces 300-mm analog wafer chips. A second, 300-mm wafer fab is in production and supports the future growth of semiconductors. Richardson is home to the University of Texas at Dallas, with more than 31,000 students enrolled in more than 140 academic programs including top-ranked programs in STEM, management, liberal arts and social sciences majors. The university’s STEM programs are a major draw and labor source for the City’s high-tech companies. The university continually upgrades its infrastructure through campus reinvestment, ensuring a state-of-the-art experience for students. Richardson is also home to the Methodist Richardson Medical Center (“MRMC”). This full-service medical center offers enhanced health care services to residents of Richardson and surrounding communities. MRMC includes two campuses, the primary campus on Renner Road at President George Bush Turnpike and a secondary campus on West Campbell Road near U.S. 75. Combined, the two facilities have nearly 400 beds and employ over 400 physicians.

RECENT DEVELOPMENTS

- Interurban Common: Construction of an approximately 2.5-acre linear urban park with plaza, seating, landscaping, and food truck space is underway along Interurban between Main Street and Jackson Street across from the Belt + Main development. The project is anticipated to be completed in 2025.
- Sherman Lofts: The City Council approved zoning for Sherman Lofts, located within TIF #1 on Spring Valley Road, across the street from DART’s Spring Valley Light Rail station. The proposed five-story apartment development will include 373 traditional apartment units, three live-work apartments and a 932 square foot coworking space open to the public. Construction is expected to begin on the development, located at 111 West Spring Valley Road, in 2025.
- The Caroline Eastside: Hunt Companies Inc. is developing a 384-unit apartment complex next to The Mallory Eastside, off of the Central Trail that runs along the DART rail line. The apartments will include a mix of one-, two-, and three-bedroom units and studios along with a coworking space, clubhouse, two-story gym, dog park, rooftop lounge, spa pool, lounge area and game room. The project is expected to be completed and occupied in 2025.

- Celestica: The high-tech manufacturing company located in the Shiloh Business Park area expanded its operations to produce groundbreaking, state-of-the-art equipment based on artificial intelligence learning systems for its U.S.-based customers, allowing for the production of highly complex equipment with applications across multiple industries. The process creates new manufacturing, supply chain, and engineering employment opportunities within the Richardson community.
- First Then: This early-stage technology company specializing in the development of family-centered digital solutions used to treat pediatric neurodevelopmental disorders, was selected as the inaugural recipient of the City of Richardson's Research Award Match Program (RAMP) support. The program provides funds to research-focused, for-profit, privately owned small businesses that have received federal Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) Phase I or Phase II grants. It is intended to support startup companies that have a high potential for commercial viability. This recognition highlights FirstThen's role as an upcoming leader in the vibrant Richardson business community, and their initial location is located at HEXA Coworking on Greenville Avenue, just north of Campbell Road.
- Promenade North: SHOP Development purchased the 177,000-square foot legacy retail development located along Coit Road, south of Arapaho Road in late 2023. Starting in 2024, SHOP Development commenced with the renovation of the 12-acre property, which included improvements to the interior and exterior of the buildings, as well as upgrades to landscaping, signs, lighting, and parking areas. Renovations to an 18,000-square foot building were completed in 2024, and three (3) new tenants have already occupied the space. These tenants include two (2) restaurant establishments, Civil Pour and Mr. Max, along with a retail sports apparel retailer, Hibbett Sports.
- XL Pro Staffing: The staffing and safety consulting firm relocated their corporate headquarters from Farmers Branch to the City of Richardson's CORE District along the U.S. 75 Corridor.
- Childress Engineering: The local firm is a provider of architectural design and engineering services, and they relocated from Collins Crossing at Collins Boulevard and Greenville Avenue to Lookout Park at Plano Road and Lookout Drive. The relocation includes a long-term lease and secures existing jobs with plans for the addition of new positions over next five (5) years.
- Associa: The tech-driven community association and property management firm, is moving its corporate headquarters from Dallas to Richardson and expanding its footprint within the City. The relocation included the acquisition of a two-building office complex at the southwest corner of Lookout Drive and Plano Road, totaling more than 260,000 square feet.
- UTD Open Lab at IQHQ: Under the leadership provided by AT&T and Verizon, a new research and development lab was established at The IQHQ facility as part of a nationwide collaboration to pursue research, testing, evaluation and development of the next generation of 5G Radio Access Network (RAN) products and services. The OpenLab is affiliated with The University of Texas at Dallas' Erik Jonsson School of Engineering and Computer Science. The lab is part of a recently announced Acceleration of Compatibility and Commercialization for Open RAN Deployments (ACCORD) consortium, whose work is funded by a grant of over \$42 million in federal funding from the National Telecommunications and Information Administration under the CHIPS and Science Act of 2022.
- Startup Runway at IQHQ: The City and Startup Runway entered into a strategic partnership to enhance international economic ties and foster continued innovation within The IQ® business community and throughout the city. Their program is dedicated to empowering foreign companies as they navigate new markets, providing them with the resources, mentorship, and strategic connections needed to thrive in competitive environments.
- Halff: The local infrastructure consulting firm expanded its largest firmwide office and will retain and grow its workforce, enhancing full-service engineering and related services in Richardson. Halff will be relocating from their existing office building at 1201 N. Bowser Road to the Galatyn Commons Office Park at 2380 Performance Drive, where they will be making a significant investment.

EDUCATION . . . Education for the citizens of the City is provided by the Richardson Independent School District (the "District") and, for that area located in Collin County, by the Plano Independent School District.

The District covers 38.5 square miles and includes most of the city of Richardson, and portions of the cities of Dallas and Garland (60 percent of the District is in Dallas, with 35 percent in Richardson and 5 percent in Garland). The District is comprised of 49 campuses that serve over 37,000 students. School plant facilities include 37 elementary schools for grades Pre-K through sixth, one early education elementary school (ages 3 to 4) for families that meet certain eligibility guidelines, 8 junior high schools for grades seventh and eighth, 4 high schools for grades ninth through twelfth, one alternative education school K-12, and one alternative high school. Richardson ISD closed 4 elementary campuses in the last year. Additional district facilities include two natatoriums, five athletic stadiums, one environmental studies center encompassing 23 acres, three general administration/instructional buildings, one operations center/warehouse, one transportation annex, and one Newcomer Center.

Plano Independent School District presently has four elementary schools in Richardson.

Both Districts have a long-standing reputation for educational excellence, and are continually recognized at the state level. Both Districts received a “B” rating from the Texas Education Agency in 2022 as part of the Accountability Ratings.

TRANSPORTATION . . . The major north/south artery is U.S. Highway 75, North Central Expressway, which bisects the City and is one of the most heavily traveled expressways in the State. The expressway has been widened from four to eight lanes and the frontage lanes increased to three in each direction. A managed HOV lane runs both north and south along U.S. Highway 75 connecting Loop 635 to the Cities of Richardson, Plano and Allen.

Loop 635 serves as an outer loop around the City of Dallas and runs east/west along the southern border of the City. A number of other east/west arterial streets are available within the City and increased mobility has been provided with the construction of State Highway 190, the President George Bush Turnpike, which runs along the northern border of the City. The President George Bush Turnpike provides a convenient connection to the Dallas-Fort Worth International Airport, as well as links to Interstate Highway 35E, State Highway 114, State Highway 183, and links to Interstate 30 on both the east and west sides of Dallas, as well as to Interstate 20 west of the City.

Interstate bus transportation is available from Greyhound Bus Lines. DART, a regional transportation entity, is presently providing daily public bus transportation within the City. Four DART light rail stations provide access to downtown Dallas. DART’s Silver Line is under construction and will provide passenger rail service to DFW Airport via two stations in Richardson starting in 2025.

MEDICAL FACILITIES . . . Methodist Richardson Medical Center (“MRMC”) has been offering a broad scope of medical services to the Richardson community for more than 40 years in Richardson. The Methodist Health System purchased all of the assets and operations of the Richardson Hospital Authority in 2011, after entering into a long-term partnership in 2009. Previously, MRMC has been operated as Richardson Regional Medical Center by the Richardson Hospital Authority, a local government unit and a political subdivision of the State of Texas. MRMC is committed to bringing advanced technology and quality health care to the Richardson community.

This full-service medical center offers enhanced health care services to residents of Richardson and surrounding communities. MRMC includes two campuses, the primary campus on Renner Road at President George Bush Turnpike and a secondary campus on West Campbell Road near U.S. 75. Combined, the two facilities have nearly 400 beds and employ over 400 physicians. In 2022, MRMC announced an 80,000 square foot expansion of the emergency department on its primary campus.

BUILDING PERMIT INFORMATION . . . The following table sets forth information regarding building permits in the City for the five most recently completed fiscal years:

Fiscal Year Ending	Commercial Construction ⁽¹⁾		Residential Construction ⁽¹⁾		Total Value
	Number of Units ⁽²⁾	Dollar Value	Number of Units ⁽²⁾	Dollar Value	
2020	385	\$ 965,439,351 ⁽³⁾	1,572	\$ 145,837,194	\$ 1,111,276,545
2021	307	267,025,343	1,220	249,789,646	516,814,989
2022	321	206,640,000	1,576	106,240,000	312,880,000
2023	383	253,129,262	1,421	205,090,353	458,219,615
2024	311	405,652,601	1,875	104,657,094	510,309,695
2025 ⁽⁴⁾	38	135,319,172	652	231,904,062	367,223,234

(1) Source: City’s Building Inspection records.
(2) Number of units includes new construction, additions and alterations.
(3) Includes Texas Instruments RFAB2.
(4) As of February 1, 2025

MAJOR EMPLOYERS . . . Major employers in the City of Richardson are:

Employer	Nature of Business	Estimated Number of Employees
State Farm Insurance	Insurance Provider	12,000
Richardson Independent School District	Public School District	5,500
BlueCross BlueShield of Texas	Health Insurance Provider	5,300
University of Texas at Dallas	Public University	3,700
Raytheon	Aerospace/Defense Optical Lenses	2,500
Methodist Richardson Medical Center	Healthcare	2,300
Cisco Systems	Telecom Equipment	2,000
Geico	Insurance Provider	2,000
Texas Instruments	Analog Semiconductor Wafer Fabrication	1,800
RealPage	Software Company	1,300

Source: City of Richardson Economic Development Department.

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APPENDIX B

EXCERPTS FROM THE
CITY OF RICHARDSON, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Richardson, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2024, 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.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
Richardson, Texas

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richardson (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, *Budgetary Comparison Schedule – General Fund*, *Budgetary Comparison Schedule – Hotel-Motel Fund*, *Schedule of Changes in Total OPEB Liability and Related Ratios*, *Schedule of Pension Contributions*, and *Schedule of Changes in Net Pension Liability and Related Ratios* on pages 21 – 31, 91, 92, 93, 94, and 95, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The individual and combining fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual and combining fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.


Crowe LLP

Dallas, Texas
February 27, 2025



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MANAGEMENT'S DISCUSSION AND ANALYSIS



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CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

As management of the City of Richardson (the City), we offer this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2024. In the broadest context, the financial well being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes convinced with the vision of the government's elected and appointed leadership to spend those taxes strategically so the City's tax base, service levels, City assets and the City's desirability will be maintained, not just for the current year, but well into the future.

Financial reporting is limited in its ability to provide this "big picture", but rather focuses on financial position and changes in said financial position. In other words, are revenues and/or expenses/expenditures higher or lower than the previous year? Have net position (containing both short and long-term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (starting on page 1 of this report) and the statistical section, as well as information on the Annual Budget and other community information found on the City's website at www.cor.net.

It should be noted that the Independent Auditor's Report describes the auditor's association with the various sections of this report and that all the additional information from the website and other City sources are unaudited and have not been updated for events that may have occurred subsequent to the issuance of the respective report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at September 30, 2024, by \$522,069,759 (net position). The majority of the City's net position is invested in capital assets (\$307,027,085) or restricted for specific purposes (\$150,992,649). The remaining (\$64,050,025) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's total net position increased by \$78,605,372. The primary reasons are an increase in water & sewer sales, investment earning, and property tax collections. Additional details are provided in the "Financial Analysis of the City as a Whole."
- At September 30, 2024, the City's governmental funds reported combined ending fund balances of \$322,579,994. The unassigned fund balance of \$44,410,048 in the General Fund represents 25.4% of total General Fund expenditures and transfers out.
- Principal balances of the City's total long-term debt increased by 8.2%, having a net increase of about \$41,442,000 during the current fiscal year (see Table 4). Additional information on the City's long-term debt can be found in Notes 9-13 of the financial statements.
- The deferred outflows of the City decreased by about \$23,379,000 or 37.59% during the fiscal year. This change is due to the change in the deferred outflows related to the pension liability.
- The deferred inflows of the City increased by about \$1,644,000 or 4.5% during the fiscal year. This change is due to the net changes in the deferred inflows related to the pension liability.
- The total ad valorem rate for the City was \$0.56095 for fiscal year 2024. This tax rate supports debt service, operations and maintenance, and bond programs to construct infrastructure and city facilities.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts; management's discussion and analysis (this section), basic financial statements, required supplementary information and combining statements for nonmajor governmental funds and internal service funds.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide information about both the short term and long-term financial status of the City as a whole.
- The remaining statements are Fund Financial Statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the Government-Wide statements.
 - ◊ The Governmental Fund Statements take a short-term view and demonstrate how general government services like public safety were financed during the course of the fiscal year.
 - ◊ The Proprietary Fund Statements offer both short-and-long term financial information about the activities of the government that operate like businesses, such as the water and sewer system.

The financial statements also include notes that explain information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both are prepared using the economic resources focus and the accrual basis of accounting, meaning that all the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and liabilities, including capital assets and long-term obligations. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the City's financial position should be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (i.e., roads, drainage systems, water/sewer lines, etc.), in order to more accurately assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. It focuses on both the gross and net costs of the government's various activities and thus summarizes the cost of providing specific government services. This statement includes all current year revenues and expenses.

The Statement of Net Position and the Statement of Activities divide the City's activities into two types:

- *Governmental Activities.* Most of the City's basic services are reported here, including general government, police and fire protection, emergency ambulance service, planning for future land use, traffic control, building inspection, public health, neighborhood integrity, park and recreational activities, cultural events, and library. Property taxes, sales taxes, and franchise taxes provide the majority of the financing for these activities.
- *Business-Type Activities.* Activities for which the City charges customers a fee to pay most or all of the costs of a service it provides are reported here. The City's business-type activities include water distribution and wastewater collection and solid waste collection and disposal.

Fund Financial Statements. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. These statements focus on the most significant funds and may be used to find more detailed information about the City's most significant activities. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The focus of the governmental funds financial statements is narrower than that of the government-wide financial statements. Therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison. These reconciliations explain the differences between the government's activities as reported in the government-wide statements and the information presented in the governmental funds financial statements.

The City reports 22 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund, the Capital Fund, and the Federal Grant Fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- *Proprietary Funds.* When the City charges customers for services it provides, the activities are generally reported in proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, solid waste collection and disposal services. These services are primarily provided to outside, or nongovernmental, customers.

Internal service funds accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its warehouse, mail and records management operations, for its employee health insurance program and for replacement of legacy IT systems. Because these services predominantly benefit governmental-type functions rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations and solid waste collection and disposal. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, the City adopts an annual appropriated budget for its General Fund and Hotel/Motel Tax Fund. A budgetary comparison schedule has been provided for each of these major funds to demonstrate compliance with this budget. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and healthcare benefits to its employees and retirees. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and healthcare, along with related budgetary comparison schedules for the Debt Service Fund and the nonmajor governmental funds.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position. Total assets at September 30, 2024 were \$1,269.8M, deferred outflows of resources of \$39.0M, total liabilities of \$748.5M and deferred inflows of resources were approximately \$38.2M resulting in a net position balance of \$522.1M a 17.7% increase over the previous year (see Table 1).

The largest portion of net position reflects its investment in capital assets (land and improvements, public art, buildings, infrastructure, vehicles, machinery, equipment, and right to use assets), less any related outstanding debt/liability used to acquire those assets, while taking into account unspent bond proceeds. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position represents resources that are subject to external restrictions on how they may be used. The City's unrestricted net position of \$64.1M (12.2%) reflects general resources that may be used for any lawful purpose. The government's overall net position increased approximately \$78.6M over the prior fiscal year. The reasons for the overall increase is discussed in the following sections for governmental activities and business-type activities.

Table 1
City of Richardson
Net Position
(In thousands)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2024	2023	2024	2023	2024	2023	2023-2024
Current and other assets	\$ 393,188	\$ 346,554	\$ 113,704	\$ 120,564	\$ 506,892	\$ 467,118	8.5 %
Capital assets	609,377	561,481	153,528	130,728	762,905	692,209	10.2 %
Total assets	<u>1,002,565</u>	<u>908,035</u>	<u>267,232</u>	<u>251,292</u>	<u>1,269,797</u>	<u>1,159,327</u>	9.5 %
Total deferred outflows of resources	32,611	52,553	6,374	9,811	38,985	62,364	(37.5)%
Other liabilities	43,684	43,333	25,998	33,209	69,682	76,542	(9.0)%
Long term liabilities	562,965	555,105	115,875	110,032	678,840	665,137	2.1 %
Total liabilities	<u>606,649</u>	<u>598,438</u>	<u>141,873</u>	<u>143,241</u>	<u>748,522</u>	<u>741,679</u>	0.9 %
Total deferred inflows of resources	33,848	32,166	4,342	4,380	38,190	36,546	4.5 %
Net Position:							
Net investment in capital assets	246,251	258,618	60,776	51,381	307,027	309,999	(1.0)%
Restricted	110,896	61,655	40,097	27,726	150,993	89,381	68.9 %
Unrestricted	37,532	9,711	26,518	34,374	64,050	44,085	45.3 %
Total net position	<u>\$ 394,679</u>	<u>\$ 329,984</u>	<u>\$ 127,391</u>	<u>\$ 113,481</u>	<u>\$ 522,070</u>	<u>\$ 443,465</u>	17.7 %

CITY OF RICHARDSON, TEXAS
 Management's Discussion and Analysis (Unaudited)
 September 30, 2024

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Changes in net position. The City's total revenues increased by 6.9% to approximately \$422.2M (see Table 2). The State of Texas only provides limited support to municipalities, so the majority of the City's revenues are generated through local taxes and fees. Approximately 48.8% of the City's revenue comes from local property and sales tax receipts while fees charged for services makes up 38.9% of revenue collected (see Figure 1).

The total cost of all programs and services increased 7.5% to \$343.6M (see Table 2). The City's functional expenses cover a range of services with over a third (34.3%) attributed to operations of the City's public utilities and 22.0% attributed to public safety (see Figure 2).

Figure 1 - Sources of Revenue for FY 2024

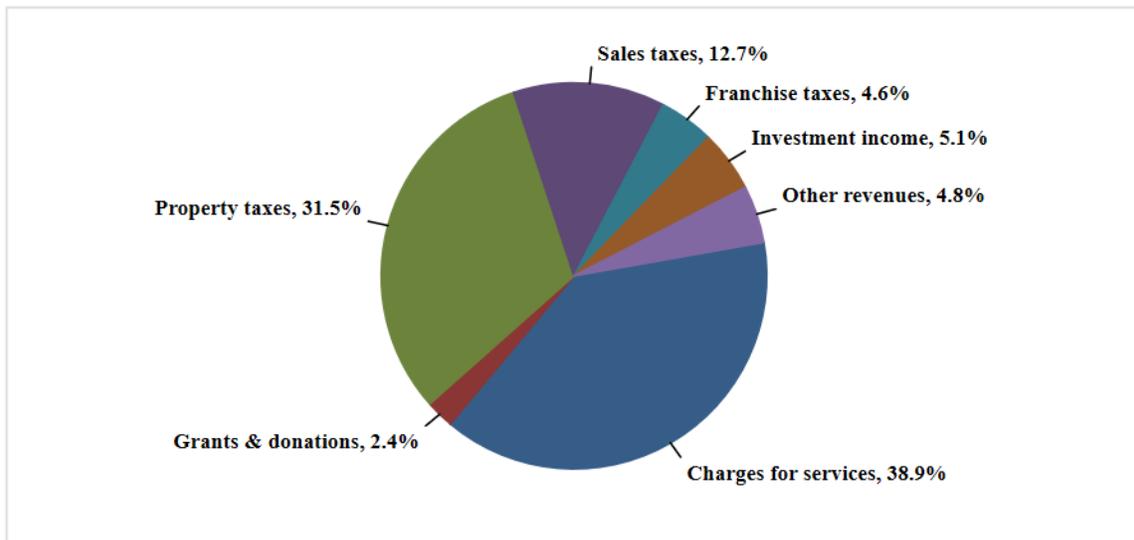
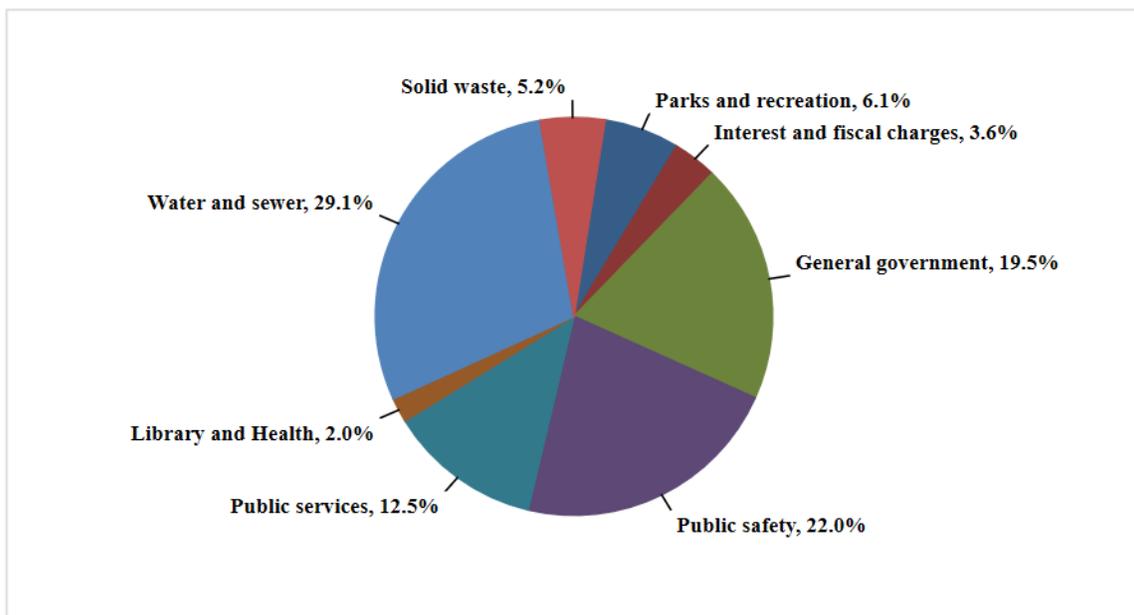


Figure 2 - Functional Expenses for FY 2024



CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Governmental Activities. Net position increased approximately \$64.7M. Key revenue and expense transactions are as follows:

- Major revenue increases over the previous year were property tax revenue of approximately \$7.5M and investment earnings of \$6.4M, due to a year-over-year increase in the assessed value of taxable property from \$19.8B to \$21.6B and steady increases in our return on investments.
- However, the City did experience a \$4.3M decrease in sales tax or 7.5%. Analysis shows it was related to office rentals/vacancies and not retail driven. The City is expecting stability during fiscal year 2025 and it not becoming a trend.
- General government expenses increased approximately \$11.3M, primarily due to increases in compensation and benefits.

Business-Type Activities. Business type activities increased net position by approximately \$13.4M.

Key elements to the change in net position are as follows:

- Water sales were \$1.3M greater than the prior year. In FY2024, similar to FY2003, the area continued to see drought conditions during the summer months, leading to increased residential usage.
- Total operating revenues in the Water and Sewer Fund of \$108.7M are \$3.6M greater than prior year's actual, with Water Sales having the largest increase from the prior year as described above. Total operating expenses of about \$97.7M ended the year \$4.1M greater than prior year's actual, with personal services and purchase of water & sewer treatment showing the largest increases from the prior year.
- Total operating revenues in the the Solid Waste Fund finished the year approximately \$1.2M greater than the prior year's actual. Total expenses ended the year \$.6M greater than the prior year's actual, with personal services showing the largest increase.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table 2
City of Richardson
Changes in Net Position
(In thousands)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2023-2024
	2024	2023	2024	2023	2024	2023	
Revenues:							
Program revenues:							
Charges for services	\$ 36,911	\$ 24,821	\$ 127,177	\$ 121,672	\$ 164,088	\$ 146,493	12.0 %
Operating grants and contributions	8,363	16,049	-	-	8,363	16,049	(47.9)%
Capital grants and contributions	1,624	112	-	627	1,624	739	119.8 %
General revenues:							
Property taxes	132,912	125,456	-	-	132,912	125,456	5.9 %
Sales taxes	53,763	58,105	-	-	53,763	58,105	(7.5)%
Franchise taxes	19,462	19,287	-	-	19,462	19,287	0.9 %
Mixed beverage tax	811	788	-	-	811	788	2.9 %
Hotel/motel taxes	5,089	4,915	-	-	5,089	4,915	3.5 %
Insurance and other recoveries	14,222	7,784	-	-	14,222	7,784	82.7 %
Unrestricted interest earnings	17,473	12,484	4,247	2,804	21,720	15,288	42.1 %
Other	70	-	65	-	135	-	- %
Total revenues	290,700	269,801	131,489	125,103	422,189	394,904	6.9 %
Expenses:							
General government	66,931	55,626	-	-	66,931	55,626	20.3 %
Public safety	75,592	73,276	-	-	75,592	73,276	3.2 %
Public services	42,872	38,986	-	-	42,872	38,986	10.0 %
Library	4,455	4,649	-	-	4,455	4,649	(4.2)%
Parks and recreation	21,123	20,398	-	-	21,123	20,398	3.6 %
Public health	2,415	2,392	-	-	2,415	2,392	1.0 %
Interest and fiscal charges	12,047	11,405	-	-	12,047	11,405	5.6 %
Water and sewer	-	-	100,168	95,681	100,168	95,681	4.7 %
Solid waste	-	-	17,981	17,283	17,981	17,283	4.0 %
Total expenses	225,435	206,732	118,149	112,964	343,584	319,696	7.5 %
Increase in net position before transfers, contributions and gains	65,265	63,069	13,340	12,139	78,605	75,208	4.5 %
Contributions to permanent fund principal	-	2	-	-	-	2	(100.0)%
Gain on sale of assets	69	(525)	65	107	134	(418)	(132.1)%
Increase in net position	65,334	62,546	13,405	12,246	78,739	74,792	5.3 %
Net position - beginning	329,982	267,436	113,482	101,236	443,464	368,672	20.3 %
Net position - ending	\$ 395,316	\$ 329,982	\$ 126,887	\$ 113,482	\$ 522,203	\$ 443,464	17.8 %

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds. The focus of the City's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of approximately \$322.6M. Approximately 13.8%, or \$44.4M, constitutes unassigned fund balance, which is reported in the General Fund. The remainder of fund balance, \$278.2M or 86.2% is not available for general spending.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents approximately 25.3% of total General Fund expenditures and transfers out, while total fund balance represents 26.4% of total General Fund expenditures and transfers out.

The General Fund's fund balance had an increase of approximately \$1.8M. Overall, revenues in the General Fund increased by about \$683K, or less than 1%. Although property taxes showed \$3.4M (5%) increase, sales tax had an approximately \$4.3M (7.5%) decrease. Total expenditures increased by approximately \$13.0M or 9.1%. The City continued its emphasis on Public Safety initiatives with increased spending over the prior year of about \$8.4M out of the \$13.0M total increase.

The Debt Service Fund has a fund balance of approximately \$3.6M, all of which is restricted for the payment of debt. The City's financial policy is to maintain an ending fund balance each year of 30 days of expenditures in the Debt Service Fund.

The fund balance in the Capital Fund ended the year with approximately \$227.2M. Restricted fund balance of \$142.3M is for future capital equipment purchases and construction projects. The fund balance increased \$38.0M due to the timing of acquisition/construction of capital assets, the issuance of debt, and transfers \$18.7M including from the General Fund (\$16.9M), Hotel/Motel Fund (\$1.5M) and Other Governmental Funds (\$.3M) for budgeted cash-financed capital projects and additional community capital needs or future special maintenance initiatives.

On May 28, 2024, the City was impacted by a significant windstorm. The storm lead to the area becoming part of a federal disaster area. Although no City owned facilities had significant damage, the City incurred costs in the Capital Fund of approximately \$3.8M of emergency debris removal and other clean up costs. Clean up efforts were completed by the end of July.

The Hotel/Motel Fund has been consistent year to year. The Fund's ending fund balance of approximately \$5.5M has been assigned by City Council to be used for the support of its performing arts center and related capital outlay needs. The primary funding source of this fund is taxes collected for lodging, which increased by approximately \$173K to \$5.1M.

The Other Governmental Funds had a fund balance increase of approximately \$6.2M. The TIF Fund represents a \$3.5M increase, Drainage Fund a \$1.2M increase, and Economic Development Fund a \$1.6M increase. These funds are the largest contributors of the non-major funds.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City's business-type activities.

Unrestricted net position in the Water and Sewer Fund and the Solid Waste Fund at the end of the year amounted to \$26M and \$(1.7)M respectively. A negative unrestricted net position in the Solid Waste Fund is primarily due to the cost of recording the full value of post-employment benefits that will be funded in future years. The total net position increase of approximately \$12.9M in the Water and Sewer Fund is primarily related to strong water sales made possible by the amounts and timing of rainfall. The net position increase in the Solid Waste Fund of \$1.1M is the result of an increase of solid waste fees related to a slight increase in commercial rates as well as the ability to keep expenses relatively flat year over year.

General Fund Budgetary Highlights: General Government revenues finished the year approximately \$.6M or less than 1.0% below the year-end estimate. Below are the General Government revenue highlights:

- Property Taxes were consistent to the final budgets, only a \$.39M variance of the final budget.
- Sales and other business tax revenue finished the year \$.65M over the year-end estimate of \$54.1M on a budgetary basis. However, during the year the budget was decreased by approximately \$3.6M. The City expects the decrease to be isolated to FY2024 and is not anticipating the decrease in sales and other business tax to become a trend.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

General Government expenditures, including amounts encumbered prior to year-end but excluding transfers out, finished the year \$2.1M below year-end estimates. The overall variance in General Government expenditures was due to the following:

- The largest savings came in public safety at \$1.1M, followed by \$.84M in public services and \$0.12M in parks and recreation. The majority of these savings can be attributed to staffing challenges with various positions open throughout the fiscal year.

CAPITAL, INTANGIBLE RIGHT-TO-USE & SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT (SBITA) ASSETS AND DEBT ADMINISTRATION

Capital, Intangible right-to-use and SBITA Assets: The City's investment in capital assets (net of depreciation when applicable) for its governmental and business-type activities as of September 30, 2024, is approximately \$762.9M, as shown in Table 3. This investment in capital assets includes land, public art, buildings, improvements, vehicles, machinery and equipment, infrastructure, intangible right-to-use, SBITA and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was approximately \$70.7M (9.1%) .

Major capital asset events during the current fiscal year included the following:

- Equipment and vehicle assets acquired totaled \$4.7M and completed \$7.1M in improvements other than buildings. The improvements made include about \$6.5M to improvements made at the Eisemann Performing Arts Center and parking facility.
- Right to use assets (leases and SBITA) of \$2.9M were added this year, the largest being \$1.4M with Microsoft for software needs and \$.5M for golf carts.
- The City's Construction in Progress as of year end was over \$138M. Ongoing projects include \$7.7M at the Golf Course (\$9M estimated total), \$7.5M for Citywide Radio System (\$17M estimated total), and \$6.1M for the Library (\$46.7M estimated total).
- The Water and Sewer Fund acquired \$3.6M in vehicles and equipment. The fund also completed over \$26M of Construction in Progress, leaving an ending Construction in Progress of over \$53.7M. On going projects include \$27.2M for the North Side Pump Station (Water and Sewer's total estimated portion is \$35.3M).

Table 3
City of Richardson
Capital Assets, net of Accumulated Depreciation/Amortization
(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 95,143	\$ 93,645	\$ 424	\$ 424	\$ 95,567	\$ 94,069
Public Art	4,237	4,237	-	-	4,237	4,237
Buildings	124,314	128,850	3,160	3,285	127,474	132,135
Improvements other than buildings	49,240	45,483	1,217	1,334	50,457	46,817
Infrastructure	171,495	182,105	85,894	90,604	257,389	272,709
Vehicles, machinery and equipment	14,611	15,989	8,843	6,976	23,454	22,965
Intangible right-to-use assets	6,129	9,287	58	148	6,187	9,435
SBITA	5,914	5,752	171	-	6,085	5,752
Construction in progress	138,294	76,133	53,761	27,957	192,055	104,090
Total capital assets, net	<u>\$ 609,377</u>	<u>\$ 561,481</u>	<u>\$ 153,528</u>	<u>\$ 130,728</u>	<u>\$ 762,905</u>	<u>\$ 692,209</u>

Additional information on the City's capital assets can be found in Note 6 to the financial statements.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

CAPITAL, INTANGIBLE RIGHT-TO-USE & SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT (SBITA) ASSETS AND DEBT ADMINISTRATION

Long-Term Debt: At the end of the current fiscal year, the City of Richardson had total debt outstanding of approximately \$549.1M as shown in Table 4. Of this amount, approximately \$234.1M represents tax-supported bonds, approximately \$179.6M represents self-supported bonds and \$35.0M represents discounts/premiums. The other obligations of \$100.5M in the governmental activities relates to direct financed purchases (vehicle, golf carts, and EMS equipment), notes payable for a police training facility, TIF economic development grants, a tax note, arbitrage, lease, and SBITA obligations.

Table 4
City of Richardson
Outstanding Debt
(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 224,310	\$ 186,655	\$ 7,850	\$ 10,165	\$ 232,160	\$ 196,820
Certificates of obligation	98,150	99,805	81,410	70,240	179,560	170,045
General obligation bonds from direct borrowings	1,935	2,285	-	-	1,935	2,285
Bond discounts/premium	26,794	24,195	8,200	7,811	34,994	32,006
Total bonds payable	351,189	312,940	97,460	88,216	448,649	401,156
Tax anticipation notes from direct borrowing	1,920	5,340	-	-	1,920	5,340
Financed purchases & other contractual obligations	1,118	1,503	-	-	1,118	1,503
Arbitrage	4,052	554	803	133	4,855	687
Lease obligations	3,752	6,022	60	148	3,812	6,170
SBITA obligations	6,147	6,048	161	-	6,308	6,048
TIF obligations	82,459	86,775	-	-	82,459	86,775
Total outstanding debt	\$ 450,637	\$ 419,182	\$ 98,484	\$ 88,497	\$ 549,121	\$ 507,679

In May 2024, the City issued \$88.4M in total debt (excluding premiums), including \$67.5M in GO bonds, to facilitate its ongoing capital program. Details of these transactions, including the purposes of each issue, can be found in Notes 9-13 to the financial statements.

Fiscal year 2024 was the first year the City was required to pay an Arbitrage rebate to the US Treasury in over seventeen years. In July 2024, the City paid approximately \$31K. Even with conservative investing strategies, the estimated liability has grown to over \$4.8M, with approximately \$389K due during the next fiscal year.

Table 5
City of Richardson
Authorized but Unissued Debt
September 30, 2024

Election Date	Purpose	Amount	Amount	Amount	Authorized But Unissued
		Authorized	Previously Issued	Issued 2024 (1)	
November 2, 2021	Streets	\$102,000,000	\$ 43,980,000	\$ 47,330,000	\$ 10,690,000
	Public Facility	64,000,000	14,600,000	4,065,000	45,335,000
	Sidewalks	8,500,000	6,090,000	2,410,000	-
	Drainage	8,000,000	7,000,000	1,000,000	-
	Parks & Recreation	7,500,000	5,955,000	725,000	820,000
	Remaining	190,000,000	77,625,000	55,530,000	56,845,000
May 2, 2023	Public Buildings	46,000,000	-	12,000,000	34,000,000
	Total Remaining	\$236,000,000	\$ 77,625,000	\$ 67,530,000	\$ 90,845,000

(1) Includes premium.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2024

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following indicators were taken into consideration when adopting the FY2024-2025 budgets.

- The city's budget presentation for the 2024-2025 fiscal year budget was developed with a focus of continuing the implementation of key City Council tactics, expanded efforts for recruitment and retention, additional funding for public safety personnel and initiatives and continued focus on infrastructure reinvestment. The highlights for select funds are as follows:
- General Fund: The General Fund budget included a decrease to the City's tax rate from \$0.56095 to \$0.54218 per \$100 of valuation. A strong housing market has continued to lead to increased taxable values for both General Fund and Debt Service needs. The budget for property tax revenues has been increased \$2.6M to \$77.8M. Sales/other taxes was budgeted at \$53.2M million, which is \$5.2M less than the original FY24 budget and \$.9M less than the FY24 adjusted budget. The expenditures and transfers in the General Fund budget for FY25 totals \$180.3M, an increase of .9% from the FY24 adjusted budget, and includes transfers totaling \$17.2M for cash-based capital initiatives. Key focus areas for the FY25 General Fund budget include employee recruitment and retention, enhanced public safety initiatives, a focus on the City's infrastructure, and economic development.
- Water & Sewer Fund: The North Texas Municipal Water District (NTMWD) wholesale water rate was increased from \$3.69 to \$3.89 (5.7% increase) per 1,000 gallons and wastewater treatment rates also increased from the City's service providers. The City's total cost for wholesale water was \$37.8M and the total cost for wastewater treatment was \$26.2M for the fiscal year ended September 30, 2024. The budgeted costs for wholesale water are \$42.2M (FY24 costs were \$37.8M) and \$29.0M (\$26.2M in FY24) for wastewater treatment in fiscal year 2024-2025, which makes up about 63.2% of the total budgeted expenses of the Water and Sewer Fund. A rate increase of 3% on water and sewer charges was implemented due to increasing maintenance and capital needs along with increased wholesale costs. Total revenues of the fund are budgeted at \$113.3M and total expenses and transfers are budgeted at \$112.7M.
- Solid Waste Fund: The Solid Waste Fund budget includes \$19.4M in revenues and \$19.2M of expenses. Total revenues are increasing about 5.1% due to a \$2 a month increase on residential rates, while there were no increase to commercial rates. Landfill expenses account for \$2.5M (13.7%) of the total expenses.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, P. O. Box 830309, Richardson, Texas 75083-0309.



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BASIC FINANCIAL STATEMENTS

CITY OF RICHARDSON, TEXAS
Statement of Net Position
September 30, 2024

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 112,416,137	\$ 5,975,999	\$ 118,392,136
Investments	247,955,382	38,972,342	286,927,724
Receivables (net of allowances)	15,428,049	16,422,643	31,850,692
Lease receivables	18,304,255	1,851,192	20,155,447
Inventories	1,069,471	1,387,369	2,456,840
Prepaid items	157,990	-	157,990
Deposits	127,280	-	127,280
Property held for redevelopment and resale	274,020	-	274,020
Restricted assets:			
Cash and cash equivalents	-	46,546,675	46,546,675
Receivables (net of allowances)	-	3,409	3,409
Internal balances	(2,544,632)	2,544,632	-
Capital and intangible right to use:			
Nondepreciable	237,674,585	54,184,271	291,858,856
Depreciable/amortizable (net)	371,702,300	99,343,519	471,045,819
Total assets	<u>1,002,564,837</u>	<u>267,232,051</u>	<u>1,269,796,888</u>
Deferred outflows of resources			
Pension contributions, investment experience and assumptions	28,615,953	5,545,046	34,160,999
Deferred loss on refundings	159,026	126,629	285,655
OPEB contributions, investment experience and assumptions	3,835,959	701,881	4,537,840
Total deferred outflows of resources	<u>32,610,938</u>	<u>6,373,556</u>	<u>38,984,494</u>

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS

Statement of Net Position

September 30, 2024

	Governmental Activities	Business-type Activities	Total
Liabilities:			
Accounts payable	\$ 18,579,827	\$ 2,180,543	\$ 20,760,370
Retainage payable	3,332,546	-	3,332,546
Accrued liabilities	7,864,630	734,939	8,599,569
Accrued interest	12,962,030	521,108	13,483,138
Payable from restricted assets:			
Accounts payable	-	4,560,559	4,560,559
Retainage payable	-	2,374,589	2,374,589
Customer deposits	-	4,134,383	4,134,383
Unearned revenue	650,802	-	650,802
Money held in escrow	294,273	11,491,429	11,785,702
Non-current liabilities:			
Due within one year:			
Bonds, leases, SBITA, and contractual obligations	39,563,670	7,950,498	47,514,168
Arbitrage liability	312,129	76,737	388,866
OPEB liability	1,923,159	317,556	2,240,715
Compensated absences	1,968,336	191,391	2,159,727
Workers' compensation	585,322	204,233	789,555
Unpaid claims liability	1,104,705	-	1,104,705
Due in more than one year:			
Bonds, leases, SBITA, and contractual obligations	407,020,641	89,730,925	496,751,566
Arbitrage liability	3,740,314	725,984	4,466,298
OPEB liability	40,984,625	6,767,449	47,752,074
Compensated absences	15,925,627	1,548,523	17,474,150
Workers' compensation	4,488,856	-	4,488,856
Net pension liability	45,347,820	8,361,213	53,709,033
Total liabilities	<u>606,649,312</u>	<u>141,872,059</u>	<u>748,521,371</u>
Deferred inflows of resources			
Deferred gain on refundings	2,554,729	36,665	2,591,394
Pension actuarial experience	3,311,756	630,810	3,942,566
OPEB assumptions	10,146,068	1,739,313	11,885,381
Deferred inflows related to leases	17,835,510	1,935,401	19,770,911
Total deferred inflows of resources	<u>33,848,063</u>	<u>4,342,189</u>	<u>38,190,252</u>
Net position:			
Net investment in capital assets	246,250,591	60,776,494	307,027,085
Restricted for:			
Capital projects	82,413,505	39,584,611	121,998,116
Debt service	-	512,511	512,511
General government	26,492,715	-	26,492,715
Public safety	1,738,061	-	1,738,061
Endowment			
Expendable	166	-	166
Nonexpendable	251,080	-	251,080
Unrestricted	37,532,282	26,517,743	64,050,025
Total net position	<u>\$ 394,678,400</u>	<u>\$ 127,391,359</u>	<u>\$ 522,069,759</u>

See accompanying notes to basic financial statements.



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CITY OF RICHARDSON, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2024

	Program revenues			Net (expense) revenue and changes in net position			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Function/programs:							
Governmental activities:							
General government	\$ 66,931,133	\$ 14,084,445	\$ 7,854,514	\$ -	\$ (44,992,174)	\$ -	\$ (44,992,174)
Public safety	75,591,704	8,262,651	508,810	-	(66,820,243)	-	(66,820,243)
Public services	42,872,164	6,520,144	-	112,263	(36,239,757)	-	(36,239,757)
Library	4,455,498	16,246	-	-	(4,439,252)	-	(4,439,252)
Parks and recreation	21,122,964	6,977,185	-	1,511,800	(12,633,979)	-	(12,633,979)
Public health	2,415,114	1,050,763	-	-	(1,364,351)	-	(1,364,351)
Interest	12,047,313	-	-	-	(12,047,313)	-	(12,047,313)
Total governmental activities	<u>225,435,890</u>	<u>36,911,434</u>	<u>8,363,324</u>	<u>1,624,063</u>	<u>(178,537,069)</u>	<u>-</u>	<u>(178,537,069)</u>
Business-type activities:							
Water and sewer	100,167,547	108,658,555	-	-	-	8,491,008	8,491,008
Solid waste	17,981,470	18,518,932	-	-	-	537,462	537,462
Total business-type activities	<u>118,149,017</u>	<u>127,177,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,028,470</u>	<u>9,028,470</u>
Total primary government	<u>\$ 343,584,907</u>	<u>\$ 164,088,921</u>	<u>\$ 8,363,324</u>	<u>\$ 1,624,063</u>	<u>(178,537,069)</u>	<u>9,028,470</u>	<u>(169,508,599)</u>
General Revenues:							
Property tax					132,912,399	-	132,912,399
Sales tax					53,763,370	-	53,763,370
Franchise tax					19,461,836	-	19,461,836
Mixed beverage and bingo tax					811,149	-	811,149
Hotel/motel tax					5,088,522	-	5,088,522
Unrestricted interest earnings					17,472,986	4,247,475	21,720,461
Gain on sale of assets					68,966	64,655	133,621
Insurance and other recoveries					14,222,447	-	14,222,447
Contributions to permanent fund principal					166	-	166
Total revenues					<u>243,801,841</u>	<u>4,312,130</u>	<u>248,113,971</u>
Transfers					(569,900)	569,900	-
Change in net position					64,694,872	13,910,500	78,605,372
Net position - beginning					<u>329,983,528</u>	<u>113,480,859</u>	<u>443,464,387</u>
Net position - ending					<u>\$ 394,678,400</u>	<u>\$ 127,391,359</u>	<u>\$ 522,069,759</u>

See accompanying notes to basic financial statements

CITY OF RICHARDSON, TEXAS
Balance Sheet - Governmental Funds
September 30, 2024

	General Fund	Debt Service Fund	Capital Project Funds	Hotel/Motel Tax Fund	Other Governmental Funds	Total
Assets:						
Cash & cash equivalents	\$ 787,853	\$ 3,629,945	\$ 83,615,291	\$ 786,144	\$ 17,807,415	\$ 106,626,648
Investments	46,267,741	-	157,026,963	4,996,796	23,842,860	232,134,360
Receivables (net of allowances)	10,339,539	673,108	1,533,070	433,054	2,449,278	15,428,049
Lease receivables	-	-	-	17,512,302	791,953	18,304,255
Inventories	400,407	-	-	-	205,499	605,906
Prepaid items	1,382	-	-	88,750	21,600	111,732
Deposits	127,280	-	-	-	-	127,280
Property held for redevelopment	-	-	274,020	-	-	274,020
Total assets	<u>\$ 57,924,202</u>	<u>\$ 4,303,053</u>	<u>\$ 242,449,344</u>	<u>\$ 23,817,046</u>	<u>\$ 45,118,605</u>	<u>\$ 373,612,250</u>
Liabilities:						
Accounts payable	\$ 2,166,328	\$ -	\$ 12,185,253	\$ 342,286	\$ 3,141,120	\$ 17,834,987
Retainage payable	-	-	2,770,919	-	561,627	3,332,546
Accrued liabilities	7,353,535	-	4,286	348,591	125,807	7,832,219
Unearned revenue	-	-	-	431,517	219,285	650,802
Money held in escrow	-	-	294,273	-	-	294,273
Total liabilities	<u>9,519,863</u>	<u>-</u>	<u>15,254,731</u>	<u>1,122,394</u>	<u>4,047,839</u>	<u>29,944,827</u>
Deferred inflows of resources:						
Unavailable revenue	2,229,107	673,108	-	-	349,704	3,251,919
Deferred inflows related to leases	-	-	-	17,192,480	643,030	17,835,510
Total deferred inflows of resources	<u>2,229,107</u>	<u>673,108</u>	<u>-</u>	<u>17,192,480</u>	<u>992,734</u>	<u>21,087,429</u>
Fund balances:						
Nonspendable:						
Inventory	400,407	-	-	-	205,499	605,906
Deposits	127,280	-	-	-	-	127,280
Prepaid items	1,382	-	-	88,750	21,600	111,732
Permanent fund principal	-	-	-	-	251,080	251,080
Restricted for:						
Debt service	-	3,629,945	-	-	-	3,629,945
Parks and recreation projects	-	-	1,343,349	-	-	1,343,349
Public services	-	-	41,990,049	-	-	41,990,049
Capital projects	-	-	84,747,124	-	-	84,747,124
General government	-	-	14,114,732	-	25,853,462	39,968,194
Public safety	-	-	105,996	-	1,542,451	1,648,447
Committed for:						
General government	-	-	-	-	7,112,590	7,112,590
Public services	-	-	-	-	4,366,967	4,366,967
Parks and recreation	-	-	-	-	703,083	703,083
Assigned:						
General government	94,976	-	21,818,723	5,413,422	-	27,327,121
Public services	904,908	-	18,619,547	-	-	19,524,455
Public safety	143,094	-	503,643	-	-	646,737
Parks and recreation	63,137	-	2,316,206	-	21,300	2,400,643
Library	30,000	-	-	-	-	30,000
Other capital projects	-	-	41,635,244	-	-	41,635,244
Unassigned	44,410,048	-	-	-	-	44,410,048
Total fund balances	<u>46,175,232</u>	<u>3,629,945</u>	<u>227,194,613</u>	<u>5,502,172</u>	<u>40,078,032</u>	<u>322,579,994</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 57,924,202</u>	<u>\$ 4,303,053</u>	<u>\$ 242,449,344</u>	<u>\$ 23,817,046</u>	<u>\$ 45,118,605</u>	<u>\$ 373,612,250</u>

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 September 30, 2024

Total fund balances - governmental funds balance sheet	\$ 322,579,994
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, financed purchases, intangible right-to-use assets, and SBITA assets (excluding Internal Service funds) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	604,764,403
Other amounts are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	35,283,638
Some amounts will not be recognized as revenue until future periods and therefore are deferred in the funds.	(13,328,637)
A portion of the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	16,790,890
Long-term liabilities, including bonds payable, leases, accrued interest, and related deferred charges, are not due and payable in the current period and, therefore, are not reported in the fund. (Note 2(A))	<u>(571,411,888)</u>
Net position of governmental activities	<u>\$ 394,678,400</u>

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended September 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Funds</u>	<u>Hotel/Motel Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:						
Property taxes	\$ 71,628,992	\$ 47,022,788	\$ -	\$ -	\$ 14,084,608	\$ 132,736,388
Franchise taxes	19,293,216	-	-	-	168,620	19,461,836
Sales tax	53,763,370	-	-	-	-	53,763,370
Mixed beverage and bingo tax	811,149	-	-	-	-	811,149
Hotel/motel taxes	-	-	-	5,088,522	-	5,088,522
Drainage fees	-	-	-	-	3,222,028	3,222,028
911 revenue	526,882	-	-	-	660,172	1,187,054
Intergovernmental revenue	661,533	-	1,511,800	-	8,968,811	11,142,144
Licenses and permits	3,427,164	-	-	-	-	3,427,164
Fines and forfeitures	1,809,567	-	-	-	176,241	1,985,808
Interest revenue	3,169,293	215,443	13,046,596	736,323	2,604,617	19,772,272
Eisemann center revenue	-	-	188,914	2,764,112	-	2,953,026
Recreation and leisure	4,381,556	-	-	-	2,424,076	6,805,632
Public safety	3,725,962	-	-	-	-	3,725,962
Contributions	34,008	-	179,905	5,000	166	219,079
Other	758,568	-	-	66,493	185,382	1,010,443
General administration charges	10,143,972	-	-	-	-	10,143,972
Total revenues	<u>174,135,232</u>	<u>47,238,231</u>	<u>14,927,215</u>	<u>8,660,450</u>	<u>32,494,721</u>	<u>277,455,849</u>
Expenditures:						
General government	37,306,419	-	9,281,999	8,934,542	2,646,281	58,169,241
Public safety	71,024,473	-	65,926	-	289,507	71,379,906
Public services	24,701,589	-	3,449,187	-	1,129,846	29,280,622
Library	3,891,144	-	525,550	-	-	4,416,694
Parks and recreation	14,417,320	-	684,629	-	2,704,825	17,806,774
Public health	2,387,250	-	-	-	-	2,387,250
General administration	-	-	-	-	1,352,556	1,352,556
Capital outlay	1,545,423	-	66,894,640	284,250	10,235,806	78,960,119
Debt service:						
Principal retirement	-	35,020,000	-	-	-	35,020,000
Interest and fiscal charges	18,609	12,258,767	119,769	-	4,447,532	16,844,677
Payments for other obligations	968,468	240,804	1,338,994	-	4,413,616	6,961,882
Issuance costs	-	-	594,532	-	-	594,532
Total expenditures	<u>156,260,695</u>	<u>47,519,571</u>	<u>82,955,226</u>	<u>9,218,792</u>	<u>27,219,969</u>	<u>323,174,253</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,874,537</u>	<u>(281,340)</u>	<u>(68,028,011)</u>	<u>(558,342)</u>	<u>5,274,752</u>	<u>(45,718,404)</u>
Other financing sources (uses):						
Transfers in	700,000	12,358	18,610,258	-	2,000,261	21,322,877
Transfers out	(18,860,519)	-	(12,358)	(1,450,000)	(1,569,900)	(21,892,777)
Issuance of certificates of obligation	-	-	4,731,569	-	481,306	5,212,875
Issuance of general obligation bonds	-	-	62,915,000	-	-	62,915,000
Issuance of other obligations	1,460,903	-	240,562	-	-	1,701,465
Premium/discount on bonds	-	-	5,498,091	-	-	5,498,091
Insurance and other recoveries	620,546	-	14,222,450	-	-	14,842,996
Proceeds from sale of capital assets	31,329	-	38,937	-	-	70,266
Total other financing sources (uses)	<u>(16,047,741)</u>	<u>12,358</u>	<u>106,244,509</u>	<u>(1,450,000)</u>	<u>911,667</u>	<u>89,670,793</u>
Net change in fund balances	1,826,796	(268,982)	38,216,498	(2,008,342)	6,186,419	43,952,389
Fund balances - October 1	44,348,436	3,898,927	188,978,115	7,510,514	33,891,613	278,627,605
Fund balances - September 30	<u>\$ 46,175,232</u>	<u>\$ 3,629,945</u>	<u>\$ 227,194,613</u>	<u>\$ 5,502,172</u>	<u>\$ 40,078,032</u>	<u>\$ 322,579,994</u>

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended September 30, 2024

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

Net change in fund balances - total governmental funds	\$ 43,952,389
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization expense in the current period. (Note 2(B))	49,686,307
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(380,612)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is originally issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note 2(B))	(31,617,370)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Note 2(B))	2,062,282
Internal service funds are used by management to charge the costs of central services and insurance to individual funds. The net expense of certain activities of the Internal Service Funds is reported with governmental activities.	<u>991,876</u>
Change in net position of governmental activities	<u><u>\$ 64,694,872</u></u>

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
Statement of Net Position - Proprietary Funds
September 30, 2024

	<u>Business-type activities-enterprise funds</u>			Governmental Activities- Internal Service Funds
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 3,775,062	\$ 2,200,937	\$ 5,975,999	\$ 5,789,489
Investments	33,583,548	5,388,794	38,972,342	15,821,022
Receivables (net of allowances)	14,604,185	1,818,458	16,422,643	-
Lease receivable	1,851,192	-	1,851,192	-
Inventories	1,387,369	-	1,387,369	463,565
Prepaid items	-	-	-	46,258
Restricted assets:				
Restricted cash	45,523,901	1,022,774	46,546,675	-
Other receivables	3,409	-	3,409	-
Total current assets:	<u>100,728,666</u>	<u>10,430,963</u>	<u>111,159,629</u>	<u>22,120,334</u>
Noncurrent assets:				
Capital assets:				
Land	357,950	65,560	423,510	56,011
Improvements	2,291,282	298,352	2,589,634	23,023
Buildings	9,585,126	405,247	9,990,373	259,990
Water and sewer system	246,285,062	-	246,285,062	-
Vehicles, machinery and equipment	19,639,939	20,447,210	40,087,149	436,173
Intangible right-to-use	181,236	-	181,236	254,743
SBITA assets	246,263	-	246,263	5,785,559
Construction in progress	52,770,008	990,753	53,760,761	-
Less: accumulated depreciation	(185,973,134)	(13,864,966)	(199,838,100)	(613,857)
Less: leases accumulated amortization	(122,851)	-	(122,851)	(59,376)
Less: SBITA accumulated amortization	(75,247)	-	(75,247)	(1,529,784)
Total noncurrent assets	<u>145,185,634</u>	<u>8,342,156</u>	<u>153,527,790</u>	<u>4,612,482</u>
Total assets	<u>245,914,300</u>	<u>18,773,119</u>	<u>264,687,419</u>	<u>26,732,816</u>
Deferred outflows of resources				
Pension contributions investment experience and assumptions	3,074,873	2,470,173	5,545,046	396,476
Deferred charge on refunding	126,629	-	126,629	-
OPEB contributions, investment experience and assumptions	383,967	317,914	701,881	23,717
Total deferred outflows of resources	<u>3,585,469</u>	<u>2,788,087</u>	<u>6,373,556</u>	<u>420,193</u>

CITY OF RICHARDSON, TEXAS
Statement of Net Position - Proprietary Funds
September 30, 2024

	<u>Business-type activities-enterprise funds</u>			Governmental Activities- Internal Service Funds
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
Liabilities:				
Current liabilities:				
Accounts payable	\$ 2,014,416	\$ 166,127	\$ 2,180,543	\$ 744,841
Accrued liabilities	555,919	179,020	734,939	32,411
Accrued interest	477,524	43,584	521,108	62,696
Unpaid claims liabilities	-	-	-	1,104,705
Current maturities of bonds, leases and contractual obligations	6,444,970	1,505,528	7,950,498	851,269
Arbitrage liability	76,737	-	76,737	-
OPEB liability	174,884	142,672	317,556	12,512
Compensated absences	107,540	83,851	191,391	12,538
Workers' compensation liability	96,590	107,643	204,233	-
Current liabilities payable from restricted assets:				
Accounts payable	4,155,118	405,441	4,560,559	-
Retainage payable	2,374,589	-	2,374,589	-
Deposits	4,134,383	-	4,134,383	-
Money held in escrow	11,491,429	-	11,491,429	-
Total current liabilities	<u>32,104,099</u>	<u>2,633,866</u>	<u>34,737,965</u>	<u>2,820,972</u>
Noncurrent liabilities:				
Bonds, leases and contractual obligations	84,144,452	5,586,473	89,730,925	3,936,420
OPEB liability	3,726,962	3,040,487	6,767,449	266,654
Net pension liability	4,542,050	3,819,163	8,361,213	562,812
Compensated absences	870,092	678,431	1,548,523	101,442
Arbitrage payable	672,537	53,447	725,984	-
Total noncurrent liabilities	<u>93,956,093</u>	<u>13,178,001</u>	<u>107,134,094</u>	<u>4,867,328</u>
Total liabilities	<u>126,060,192</u>	<u>15,811,867</u>	<u>141,872,059</u>	<u>7,688,300</u>
Deferred inflows of resources				
Deferred inflows related to leases	1,935,401	-	1,935,401	-
Pension actuarial experience	343,003	287,807	630,810	39,426
OPEB assumptions	943,577	795,736	1,739,313	89,761
Deferred inflows - gain on refunding	34,658	2,007	36,665	-
Total deferred inflows of resources	<u>3,256,639</u>	<u>1,085,550</u>	<u>4,342,189</u>	<u>129,187</u>
Net position (deficit):				
Net investment in capital assets	55,724,698	5,051,796	60,776,494	(175,207)
Restricted for:				
Capital projects	38,349,822	1,234,789	39,584,611	-
Debt service	406,240	106,271	512,511	-
Unrestricted	25,702,178	(1,729,067)	23,973,111	19,510,729
Total net position	<u>\$ 120,182,938</u>	<u>\$ 4,663,789</u>	124,846,727	<u>\$ 19,335,522</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			<u>2,544,632</u>	
Net position of business-type activities			<u>\$ 127,391,359</u>	

See accompanying notes to basic financial statements.



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CITY OF RICHARDSON, TEXAS

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	<u>Business-type activities-enterprise funds</u>			Governmental
	Water and	Solid Waste		Activities-
	Sewer Fund	Fund	Total	Internal Service
				Funds
Operating revenues:				
Water sales	\$ 65,166,865	\$ -	\$ 65,166,865	\$ -
Sewer service	40,855,288	-	40,855,288	-
Service fees (other)	99,883	-	99,883	-
Antenna rentals	337,350	-	337,350	-
Meter fees	41,470	-	41,470	-
Solid waste fees	-	17,821,743	17,821,743	-
Charges for services	-	-	-	3,018,269
City and employee contributions - insurance fund	-	-	-	17,345,628
Miscellaneous	2,157,699	697,189	2,854,888	1,309,588
Total operating revenues	<u>108,658,555</u>	<u>18,518,932</u>	<u>127,177,487</u>	<u>21,673,485</u>
Operating expenses:				
Personal services	6,967,114	6,676,316	13,643,430	2,921,548
Professional and technical services	3,463,711	751,949	4,215,660	1,013,163
Property services	2,862,851	125,135	2,987,986	1,299,241
Other purchases services	2,033,925	598,068	2,631,993	123,050
Insurance claims	-	-	-	15,294,375
Purchase of water	37,791,668	-	37,791,668	-
Purchase of sewage treatment	26,235,486	-	26,235,486	-
Solid waste charges	-	4,078,571	4,078,571	-
General administration	5,234,430	3,048,481	8,282,911	-
Franchise fees	5,292,476	891,378	6,183,854	-
Supplies	1,375,834	334,329	1,710,163	187,425
Depreciation	6,260,477	1,335,512	7,595,989	14,792
Amortization	164,807	-	164,807	815,847
Total operating expenses	<u>97,682,779</u>	<u>17,839,739</u>	<u>115,522,518</u>	<u>21,669,441</u>
Operating income	<u>10,975,776</u>	<u>679,193</u>	<u>11,654,969</u>	<u>4,044</u>
Nonoperating revenues (expenses):				
Interest revenue	3,793,931	453,544	4,247,475	1,219,409
Transfers in	569,900	-	569,900	-
Interest expense and fiscal charges	(2,332,721)	(125,024)	(2,457,745)	(230,982)
Issuance costs	(145,594)	(16,054)	(161,648)	-
Other non-operating charges	(6,726)	(975)	(7,701)	-
Proceeds from sale of capital assets	-	64,655	64,655	-
Total nonoperating revenues	<u>1,878,790</u>	<u>376,146</u>	<u>2,254,936</u>	<u>988,427</u>
Income before contributions and transfers	<u>12,854,566</u>	<u>1,055,339</u>	<u>13,909,905</u>	<u>992,471</u>
Change in net position	12,854,566	1,055,339	13,909,905	992,471
Total net position - October 1	<u>107,328,372</u>	<u>3,608,450</u>		<u>18,343,051</u>
Total net position - September 30	<u>\$ 120,182,938</u>	<u>\$ 4,663,789</u>		<u>\$ 19,335,522</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			<u>595</u>	
Change in net position of business-type activities			<u>\$ 13,910,500</u>	

CITY OF RICHARDSON, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 106,191,621	\$ 17,574,025	\$ 123,765,646	\$ -
Cash received from service users	-	-	-	3,018,269
Cash received from City, employee, and other contributions	-	-	-	18,655,216
Cash payments to employees	(7,516,212)	(6,780,326)	(14,296,538)	(2,963,561)
Cash payments for claims	-	-	-	(15,167,261)
Cash payments for goods and services	(88,940,971)	(9,490,399)	(98,431,370)	(2,598,882)
Cash received from miscellaneous revenue	1,054,759	984,822	2,039,581	-
Net cash provided by (used in) operating activities	<u>10,789,197</u>	<u>2,288,122</u>	<u>13,077,319</u>	<u>943,781</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(25,535,429)	(3,908,858)	(29,444,287)	(56,792)
Net proceeds from sale of capital assets	-	64,655	64,655	-
Bond proceeds and accrued interest	14,946,442	1,664,845	16,611,287	27,607
Principal paid on debt	(5,313,659)	(1,300,000)	(6,613,659)	(789,659)
Interest paid on debt	(3,069,463)	(299,377)	(3,368,840)	(168,385)
Fiscal charges and bond escrow payments	(6,726)	(975)	(7,701)	-
Construction escrow	(3,886,143)	-	(3,886,143)	-
Transfers to/from other funds	569,900	-	569,900	-
Net cash provided by (used in) capital and related financing activities	<u>(22,295,078)</u>	<u>(3,779,710)</u>	<u>(26,074,788)</u>	<u>(987,229)</u>
Cash flows from investing activities:				
Purchase of investment securities	(3,583,548)	(5,388,794)	(8,972,342)	(821,022)
Interest received on investments	4,422,991	499,148	4,922,139	1,219,409
Net cash provided by (used in) investing activities	<u>839,443</u>	<u>(4,889,646)</u>	<u>(4,050,203)</u>	<u>398,387</u>
Net increase (decrease) in cash, restricted cash, and cash equivalents	(10,666,438)	(6,381,234)	(17,047,672)	354,939
Cash, restricted cash, and cash equivalents, October 1	<u>59,965,401</u>	<u>9,604,945</u>	<u>69,570,346</u>	<u>5,434,550</u>
Cash, restricted cash, and cash equivalents, September 30	<u>\$ 49,298,963</u>	<u>\$ 3,223,711</u>	<u>\$ 52,522,674</u>	<u>\$ 5,789,489</u>

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income and loss	\$ 10,975,776	\$ 679,193	\$ 11,654,969	\$ 4,044
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	6,425,284	1,335,512	7,760,796	830,639
Changes in assets and liabilities:				
(Increase)/Decrease in accounts receivable	(1,319,688)	39,915	(1,279,773)	-
(Increase)/Decrease in inventory of supplies	59,446	-	59,446	(131,744)
Increase/(Decrease) in deposits payable from restricted assets	98,531	-	98,531	-
Increase/(Decrease) in accounts payable	(4,154,272)	449,763	(3,704,509)	136,771
Increase/(Decrease) in unpaid claims liabilities	-	-	-	127,114
Increase/(Decrease) in compensated absences	(183,539)	117,483	(66,056)	24,347
Increase/(Decrease) in workers compensation	59,697	61,776	121,473	-
Increase/(Decrease) in post-employment benefits	57,058	47,877	104,935	5,247
Increase/(Decrease) in pension liability (asset)	(2,340,840)	(1,964,153)	(4,304,993)	(215,250)
Increase/(Decrease) in accrued liabilities	(654,295)	(112,251)	(766,546)	18,970
Increase/(Decrease) in deferred inflows/outflows	1,766,039	1,633,007	3,399,046	143,643
Total adjustments	(186,579)	1,608,929	1,422,350	939,737
Net cash provided by (used in) operating activities	\$ 10,789,197	\$ 2,288,122	\$ 13,077,319	\$ 943,781
Noncash investing capital and financing activities:				
Noncash-interest	(4,484)	19,323	14,839	-
Reconciliation of cash, restricted cash, and cash equivalents to the statement of net position:				
Total unrestricted cash and investments per the statement of net position	\$ 3,775,062	\$ 2,200,937	\$ 5,975,999	\$ 5,789,489
Total restricted cash and investments per the statement of net position	45,523,901	1,022,774	46,546,675	-
Cash, restricted cash and cash equivalents as of September 30, 2024	\$ 49,298,963	\$ 3,223,711	\$ 52,522,674	\$ 5,789,489
Footnote 1 - The following are noncash financing activities:				
Acquisition of asset and liability utilizing lease agreement	-	-	-	27,607
Acquisition of asset and liability utilizing SBITA	246,263	-	246,263	-

See accompanying notes to basic financial statements.



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CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

1 Summary of Significant Accounting Policies

A. Reporting Entity

The City of Richardson, Texas (the City) is a municipal corporation governed by an elected governing board consisting of a mayor and six council members. As required by accounting principles generally accepted in the United States of America, these financial statements present the financial condition and results of operations and activities of the City for which it is considered to be financially accountable.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America and applicable to state and local governments. These include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants as published in Audits of State and Local Governments.

Blended Component Unit. The Richardson Improvement Corporation (RIC) is a nonprofit corporation that serves the citizens of the City by improving municipal parks and recreational functions, facilitating real estate transactions and serving as an independent foundation for acceptance of corporate donations. The City provides all financial support to RIC and all members of its governing board are appointed by the City Council. Because the services that RIC provides exclusively benefits the City and the RIC operations are so intertwined with those of the City, RIC is in substance a department of the City and has been blended into the City's financial statements in the Other Governmental Funds category and reported as a Special Revenue Fund. Audited financial statements for RIC may be obtained by writing City of Richardson, Attn: Finance Director, PO Box 830309, Richardson, TX 75083-0309.

B. Implementation of New Accounting Statement

For fiscal year 2023-24, the City has implemented the following new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB).

The objective of Statement No. 100, Accounting Changes and Error Corrections- an Amendment of GASB Statement No. 62, is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice.

C. Basis of Presentation

Government-Wide Statements

The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all the activities of the City. Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which generally rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Activities demonstrates the extent to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers and applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program. They also include operating grants, capital grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements. The City segregates transactions related to certain functions or activities in separate funds in order to support financial management and to demonstrate legal compliance. Separate statements are prescribed for governmental activities and for proprietary activities. These statements present each major fund as a separate column on the fund financial statements, while all nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. Governmental funds are accounted for using the current financial resource measurement focus and the modified accrual basis of accounting. The City has presented the following major governmental funds:

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

General Fund. The General Fund is the main operating fund of the City. The fund is used to account for financial resources that are not accounted for in other funds. General tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund. The Debt Service Funds are used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted to signify the amounts are exclusively for debt service expenditures.

Capital Project Funds. The Capital Project Funds are used to account for funds expended for capital improvements, including streets and thoroughfares, parks and other recreational facilities, buildings and public facilities, drainage improvements, and for the purchase of capital equipment. Funding sources include the proceeds of general obligation bonds and certificates of obligation issued by the City, as well as intergovernmental revenues and contributions.

Hotel/Motel Tax Fund. This fund is used to account for the hotel/motel room tax and the operations of the Eisemann Center for the Performing Arts and Corporate Presentations. State law requires that hotel/motel room tax revenues be utilized for advertising and promotion of the City, tourism, and other specified activities.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. Assets and liabilities of the proprietary funds are included in the Statement of Net Position. The City has presented the following major proprietary funds:

Water and Sewer Fund. The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, billing and collection activities, and the operations, maintenance, and construction of the water and sewer systems. The fund also accounts for the accumulation of resources for the payment of long-term principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the system.

Solid Waste Fund. The Solid Waste Fund is used to account for the operations of solid waste collection and disposal and recycling services provided to the residents of the City. The fund also accounts for the accumulation of resources for the payment of long-term principal and interest for solid waste debt. All costs are financed through charges to the utility customers.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the City reports the following fund types:

Internal Service Funds. The Internal Service Funds are used to account for warehouse, mail services, and records management operations provided to City departments, and health insurance provided to employees, dependents and retirees. Internal Service Funds are also used to account for the cost of replacing technology related to legacy ERP and Traffic systems. Internal Service Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

Permanent Fund. The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, support the City's specified program. The Permanent Fund is accounted for using the current financial resource measurement focus and the modified accrual basis of accounting.

Special Revenue Funds. Special Revenue Funds are used by the City to account for revenues derived from specific intergovernmental grants, taxes, and proceeds that are designated to finance particular functions or activities of the City. Special Revenue Funds are accounted for using the current financial resource measurement focus and the modified accrual basis of accounting.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Enterprise and Internal Service Funds consider all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents. Because the City, at its option, can withdraw amounts on a daily basis from TexPool, TexSTAR, Texas Range, and the Federated Money Market Mutual Fund, these investments are also considered to be cash equivalents.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statement presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, sewer, and solid waste collection services. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they are “measurable and available.” “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period. The City considers all revenues available if they are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 30-day availability period is used for revenue recognition for all governmental fund type revenues, except fines and forfeitures, which are accrued using a 45-day availability period, and for grants, which are accrued as revenue as soon as all applicable eligibility requirements have been met.

Expenditures are recorded when the related fund liability is incurred, except for outstanding principal and interest on general long-term debt which is recognized when due, and certain leases, compensated absences, postemployment benefits, and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, franchise fees, sales tax revenues, fines and forfeitures, drainage fees, and interest revenue. Licenses and permits, recreation and leisure fees, public safety, and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports unavailable revenue in its governmental funds. Unavailable revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when the City receives resources before it has a legal claim to them, as when grant moneys are received prior to the incidence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, revenue is recognized.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds.

The Legislature for the state of Texas has enacted and regularly amends the Public Funds Investment Act (Investment Act) that governs items such as investment strategies and policies, training for investment officers, quarterly reporting, and types of investments allowed. The City has developed an Investment Policy that is annually reviewed and approved through resolution by the City Council that is in compliance with the Investment Act. Accordingly, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the state of Texas or its agencies and instrumentalities; (3) obligations of state agencies, 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, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by the state of Texas, or the United States, or its instrumentalities; (4) Joint Investment Pools of political subdivisions in the state of Texas, which comply with the guidelines stated in the City’s investment policy; (5) Certificates of Deposit issued by state or national banks and credit unions domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or secured by obligations mentioned above; (6) fully collateralized direct repurchase agreements having a defined termination date; and (7) no-load money market mutual funds regulated by the Securities and Exchange Commission.

The City is not authorized by its investment policy to invest in banker’s acceptances, “bond” mutual funds, collateralized mortgage obligations of any type, and commercial paper, with the exception that the City may invest in local government investment pools and money market mutual funds that have commercial paper as authorized investments.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Investment transactions are conducted through the depository bank. The City's safekeeping agent holds all securities in the City's name.

For fiscal year 2024, the City invested in U.S. Agencies, U.S. Treasuries, TexPool, TexSTAR, Texas Daily and Federated Money Market Funds. The City records all interest revenue related to investment activities in the respective funds.

Investments that have a remaining maturity at the time of purchase of over one year are recorded at fair value based on quoted market prices. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. Investments with a remaining maturity at time of purchase of one year or less are recorded at amortized cost. For these investments, amortized cost approximates fair value.

TexPool and TexSTAR were created to conform to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The fair value of positions in TexPool or TexSTAR is the same as the value of the pool shares. Texas Daily was created in 2000 to allow Texas local governments and school districts to pool their funds for investment.

For TexPool, the State's Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool participation agreement, administrative and investment services to TexPool are provided by Federated. The Comptroller maintains oversight of the services provided by TexPool. The TexPool Advisory Board, composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool, acts as advisor on TexPool's Investment Policy.

J.P. Investment Management, Inc. and HilltopSecurities serve as coadministrators for TexSTAR under an agreement with the TexSTAR board of directors (the Board). The Board is composed of five members, three are representatives of participants in TexSTAR and the other two members are designated by each of the coadministrators. The Board manages the business and affairs of TexSTAR in accordance with its bylaws.

Receivables and Payables

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. City property taxes are billed and collected by Dallas County or Collin County depending on the county in which the property is located. City property tax revenues are recognized in the period for which they are collected. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

The Statutes of the State of Texas do not prescribe a legal debt limit; however, Article XI, Section 5 of the Texas Constitution applicable to cities with a population of more than 5,000, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the year ended September 30, 2024, the City's tax rate was \$0.56095 per \$100 assessed valuation.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Inventories and Prepaid Items

Inventories

Inventory consists primarily of supplies, valued at cost, which approximates market. Cost is determined using a weighted-average method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased. Accordingly, fund balance is classified as nonspendable for an amount equal to inventory to signify those funds are not available for expenditure.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Property Held for Redevelopment

The City records all property held for redevelopment at net realizable value. During FY 2012 the City acquired land which is being held for future economic development. Total land was recorded at a net realizable value of \$274,020.

Capital Assets

Property, plant, equipment and public domain (infrastructure) capital assets such as roads, bridges, curbs, gutters, streets and sidewalks, drainage systems, and water and sewer systems are recorded in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements of the proprietary funds. All assets are recorded at historical cost or estimated historical cost if actual historical cost is not available (except for intangible right-to-use assets, the measurement of which is discussed under the Leases section of this footnote). Donated capital assets are recorded at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized, but are recorded as expenditures/expenses as incurred.

Assets are capitalized that have an original cost of \$5,000 or more and an estimated useful life of more than two years. Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition and one-half year in the final year of life or upon disposal which ever event occurs first. Intangible right-to-use assets are discussed in further detail under the Leases section of this footnote.

Estimated useful lives are as follows:

Land improvements	10 - 50 years
Buildings	10 - 50 years
Other improvements	5 - 50 years
Infrastructure	30 years
Vehicles, machinery and equipment	3 - 20 years
Intangible right-to-use land and equipment	2 - 5 years
Subscription based information technology agreements	3 - 10 years

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Leases

Lessee

The City recognizes a lease liability and an intangible right-to-use asset in the government-wide and proprietary fund statements.

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the City initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease right-to-use asset was initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the right-to-use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments. The City uses the interest rate charged by the lessor as the discount rate if it has been provided. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of the fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Intangible right-to-use assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Lessor

The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental, and proprietary funds financial statements.

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the City initially measured the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgements include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts. The City uses the stated rate, implicit (estimated) rate, lessor incremental borrowing rate, or the rate disclosed in the agreement. If the rate is not readily available, the City uses its estimated incremental borrowing rate as the discount rate. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstance that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of lease receivable.

Subscription Based Information Technology Agreements

The City recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide fund financial statements.

At implementation of GASB Statement No. 86 and the commencement of SBITA beginning after October 1, 2022, the City initially measured the liability at the present value of payments expected to be made during the remaining agreement term. Subsequently, the SBITA liability is reduced by the principal portion of payments made. The SBITA right-to-use asset was initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the SBITA right-to use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITA include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term and (3) agreement payments. The City uses the interest rate charged by the provider as the discount rate if it has been provided. When the interest rate charged by the provider is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITA. The agreement term includes the noncancellable period of the agreement. Agreement payments included in the measurement of the SBITA liability are composed of

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the Statement of Net Position.

Asset Impairments and Insurance Recoveries

The City has recorded insurance recoveries related to the impairment of capital assets as program revenue at the government-wide level, as other financing sources in the Governmental Funds and as other nonoperating revenues in the Enterprise Funds. For the year ended September 30, 2024, the City received \$14,842,996 in insurance recoveries. There were no recoveries in the Enterprise Funds.

Money Held in Escrow

During FY 2023, the City received \$15,716,125 from the North Texas Municipal Water District for the construction of a 30 inch water line and metering station that is being built in conjunction with a City water project. The funds will be applied against construction costs as they are incurred. During FY 2024 the City incurred costs of \$3,846,143 that were applied to the escrow, leaving a balance of \$11,491,429.

The City also holds \$294,273 in escrow deposits to be used for various projects throughout the city.

Compensated Absences

The City allows employees to accumulate unlimited unused sick leave. Earned vacation time is generally required to be used within one year of accrual, although the City allows employees to carry up to 20 days of vacation time into the next year. Upon termination, the City pays nonretirees up to 22 days of accumulated sick leave and pays retirees up to 90 days of accumulated sick leave. Sick leave in excess of the 22-day maximum is not paid upon termination to nonretirees and will be paid only upon illness while in the employment of the City. Any accumulated vacation that was not taken due to work-related assignments is paid upon termination, with authorization by the City Manager or his designee, based on years of service. Compensated absences are only reported in Governmental Funds if they are pending maturities owed to separated employees at the end of the reporting period.

Postemployment Benefits

The City provides postemployment healthcare benefits to all employees who retire from the City. All employees who are vested in the City's pension plan, Texas Municipal Retirement System (TMRS), are eligible for these benefits with 20 years or more of service, regardless of age, or with 5 years or more of service at age 60 and above. Coverage is also available to dependents or surviving spouses of retirees. The City subsidizes medical, dental, and hospitalization costs incurred by retirees and their dependents. Recommendations for plan benefits are presented to City Council for their approval during the annual budget process. The City's plan qualifies as a single-employer, defined benefit plan. Complete details of the plan are listed in Note 18.

Long-Term Obligations

General Obligation Bonds and other debt issued for general government capital projects and acquisitions that are to be repaid from tax revenues of the City are recorded in the governmental activities column in the government-wide Statement of Net Position. Debt issued to fund capital projects in the proprietary funds is recorded in the business-type activities column in the government-wide Statement of Net Position and in the proprietary fund Statement of Net Position. Bond premiums and discounts as well as deferred charges on refunded debt obligations are amortized over the life of the bonds using the effective interest method in the government-wide financial statements and in the proprietary funds. Bonds payable are reported net of the applicable bond premiums and discounts.

In the governmental funds, bond premiums and discounts are recognized in the period the bonds are issued. Bond proceeds are reported as other financing sources, as are any applicable premium or discount. Issuance costs are expensed in the period the bonds are issued.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Classifications of Fund Balance

Restricted fund balances in the governmental funds are restricted to specific purposes that are externally imposed by creditors, grantors, contributors or laws or regulations of other governments. Committed fund balances are amounts that can only be used for specific purposes with constraints imposed by the formal action of the City Council's adoption of an ordinance. Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assigned fund balances are determined by City management based on City Council direction, in accordance with financial policies adopted by resolution. Unassigned fund balance represents the amount that does not meet the criteria for restricted, committed, or assigned. Nonspendable fund balances represent amounts that cannot be spent because they are legally or contractually required to be maintained.

The City considers an expenditure to be made from the most restrictive resources/funds when more than one classification is available. This may result in certain special revenue funds reporting assigned residual balances if restricted or committed balances, which make up the majority of the fund's resources, have been exhausted.

The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section of deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until the appropriate time period. The deferred outflows of resources are reported in the government-wide statement of net position for governmental and business activities and the fund level for the proprietary statement of net position. In addition to liabilities, the Statement of Net Position and Balance Sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

There are several financial statement transactions that qualify for reporting as a deferred outflow or inflow of resources. First, the City's contributions to its pension and OPEB plans made from the measurement date of the respective plans to the current fiscal year end are classified as deferred outflows and will be recognized in the subsequent fiscal year. Second, at the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are classified as deferred inflows and recognized as revenue in the period they become available to the City. Finally, the value of future lease payments due to the City is reported as a deferred inflow of resources and will be recognized as revenue in future periods as lease payments are received.

Several financial statement transactions may be reported as either a deferred outflows or inflows of resources. First, the deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Second, the actual versus projected investment earnings for the pension plan, the changes in assumptions for the pension and OPEB plans and difference between the actual versus projected actuarial experience for the pension and OPEB plans may qualify as a deferred outflow or inflow of resources. These amounts are deferred and recognized as pension or OPEB expense or reduction of expense as appropriate based over a closed five-year period (investment experience) or the estimated average remaining services lives of employees that are provided with the respective benefits, both active and inactive employees, as calculated by the respective plans (all other pension/OPEB deferrals).

Minimum Fund Balance Policy

It is the desire of the City to maintain adequate fund balance in the General Fund in order to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial policy to maintain a minimum fund balance of 90 days of budgeted expenditures in the General Fund.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used for the acquisition, construction or improvements of those assets, plus any unspent debt proceeds. The government-wide statement of net position reports \$150,992,649 of restricted net position. These resources are limited in their use by external parties such as bondholders and granting agencies. Unrestricted net position may be used for any lawful purpose.

2 Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds Balance Sheet includes reconciliation between fund balances – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, leases, accrued interest, and related deferred charges, are not due and payable in the current period and therefore are not reported in the funds.”

The details of the \$571,411,888 are as follows:

Bonds payable	\$ 324,395,000
Notes payable, leases and other contractual obligations	90,607,576
Less issuance discount (to be amortized as interest expense)	(60,176)
Add issuance premium (to be amortized as interest expense)	26,854,221
Less deferred charges on refunding, net (to be amortized as interest expense)	2,395,703
Accrued interest payable	12,899,334
TMRS pension liability/(asset)	44,785,008
Postemployment liability	42,628,618
Compensated absences	17,779,983
Workers' compensation liability	5,074,178
Arbitrage liability	4,052,443
Net adjustment to reduce fund balances - total governmental	<u>\$ 571,411,888</u>

B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of this reconciliation explains that the “Governmental funds report capital outlay and lease expenditure outlays as expenditures. However, in the Statement of Activities, the cost of those capital and intangible right-to-use assets is allocated over their estimated useful lives and reported as depreciation or amortization expense.” The details of this \$49,686,307 difference are as follows:

Capital Outlay	\$ 76,380,777
Lease Expenditure Outlay	769,981
SBITA Expenditure Outlay	1,809,361
Governmental Depreciation and Amortization Expense	<u>(29,273,812)</u>
Net adjustment to increase fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 49,686,307</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Another element of the reconciliation states “The issuance of long-term debt (e.g., bonds, leases, and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is originally issued, whereas these amounts are amortized in the Statement of Activities.”

The details of the \$31,617,370 are as follows:

Debt issued or incurred:

General obligations, certificates of obligation, and refunding bonds	\$ (67,250,000)
Lease obligations	(769,981)
SBITA obligations	(1,809,361)
Add premium and discount	(5,498,091)

Principal repayments:

General obligation bonds	25,610,000
Tax Anticipation Notes	3,420,000
Certificates of obligation	5,990,000
Notes payable and other contractual obligations	4,702,101
Lease obligations	3,009,871
SBITA obligations	<u>978,091</u>

Net adjustment to decrease fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (31,617,370)</u></u>
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Another element of the reconciliation states, “Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of the \$2,062,282 are as follows:

Amortization of bond premium	\$ 2,902,103
Amortization of bond discount	(3,185)
Amortization of deferred charge on refunded bonds	357,565
Accrued interest	563,274
Change in arbitrage	(3,498,456)
Pension expenses	24,726,805
Other postemployment benefits	(602,713)
Compensated absences	(757,276)
Workers compensation	169,093
Change in deferred inflows	1,015,656
Change in deferred outflows	<u>(22,810,584)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 2,062,282</u></u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

3 Deposits and Investments

	<u>Bank balance</u>	<u>Book balance</u>
Financial Institution:		
Bank of America - City	\$ 5,760,134	\$ 5,658,534
Bank of America - RIC	23,634	23,634
Frost - City	122,333	122,333
Petty Cash - City	-	8,805
Total	<u>\$ 5,906,101</u>	<u>\$ 5,813,306</u>

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets. These types of investments primarily include common stock and equities traded on public exchanges.
- Level 2 - Significant observable inputs for the asset other than quoted prices included within Level 1 that are observable for similar securities, but not exact. These types of investments include US Government obligations and obligations of government agencies.
- Level 3 - Significant unobservable inputs for an asset, as they trade infrequently or not at all. (The City does not value any investments using Level 3 inputs).

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

The City has the following recurring fair value measurements as of September 30, 2024:

	<u>9/30/2024</u>	<u>Inputs</u>			<u>Weighted average maturity (days) (1)</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Investments by fair value level					
Debt securities					
Federal Home Loan Bank	\$ 27,953,013	-	\$ 27,953,013	-	40
Federal Farm Credit Bank	41,290,833	-	41,290,833	-	63
Federal Home Loan Mortgage Corporation	7,726,936	-	7,726,936	-	12
Federal National Mortgage Association-Bonds	12,611,226	-	12,611,226	-	21
Total debt securities	<u>89,582,008</u>	<u>-</u>	<u>89,582,008</u>	<u>-</u>	
U.S. Treasuries	<u>197,345,716</u>	<u>-</u>	<u>197,345,716</u>	<u>-</u>	262
Total investment by fair value level	<u>286,927,724</u>	<u>\$ -</u>	<u>\$ 286,927,724</u>	<u>\$ -</u>	
Investments measured at net asset value					
Federated Money Market Fund	<u>10,068,290</u>				1
Total investments measured at net asset value	<u>10,068,290</u>				
Investments measured at amortized cost					
Texas Range LGIP	35,875,885				3
TexStar LGIP	21,498,267				3
TexPool LGIP	<u>91,683,063</u>				6
Total investments at amortized cost	<u>149,057,215</u>				
Total investments	<u>\$ 446,053,229</u>				
Portfolio weighted average maturity					<u>411</u>

(1) Amounts shown as zero are less than one day.

The amounts for the Investment Pools (Texpool, TexStar and Texas Range) and the Federated Money Market Fund are included for financial reporting purposes in cash and cash equivalents.

The City's Local Government Investment Pools (LGIPs) listed above qualify to be valued at amortized cost and have no limitations or restrictions on withdrawals.

Debt securities classified as Level 2 of the fair value hierarchy are valued by SVC, a subsidiary of SS&C Technologies. SVC uses a number of sources for their pricing data, with most government securities pricing provided by Interactive Data Corp (IDC), an independent third-party pricing service which is the largest provider of fixed income pricing. Security values are determined through matrix pricing, which values securities based on their relationship to benchmark quoted prices.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Credit Risk – Investments. The City’s investment policy requires that joint investment pools maintain a continuous rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating agency, and that obligations of states, agencies, cities, or other political subdivisions of any state be rated no less than A or an equivalent rating by at least one nationally recognized rating agency. The City’s investment policy has no other restrictions relating to credit ratings that would limit its investment options. Moody’s has rated investments in Federal Home Loan Bank and Federal Farm Credit Bank, as AAA as of September 30, 2024. Standard & Poor’s has rated investments in TexPool, TexSTAR, Texas Range, and Federated Money Market Funds as AAA-m as of September 30, 2024.

Custodial Credit Risk – Deposits and Investments. For deposits, custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. The City’s investment policy follows state statutes, which require that all deposits in financial institutions be fully collateralized or insured. For investments, custodial credit risk is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that all investments held by outside parties for safekeeping be held in the name of the City. The City was not exposed to any custodial credit risk during the year.

Interest Rate Risk – Investments. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its operating portfolio to one year or less. The maximum weighted average maturity for the City’s composite portfolio is three years.

Concentration of Credit Risk – Investments. The City’s investment policy does not place a limit on the amount the City may invest in a single issuer, except that the City may not invest more than 25% in an individual investment pool or money market mutual fund. At September 30, 2024, the City’s direct investments are in the U.S. Treasuries, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments are 44%, 6%, 9%, 2% and 3% respectively, of the City’s total investments.

4 Restricted Assets

Enterprise Funds

At year-end, the following were the restricted assets in the Enterprise Funds:

	Water and Sewer Fund	Solid Waste Fund	Total
Debt Service - Sinking Fund	\$ 786,369	\$ 151,862	\$ 938,231
Customer Deposits	4,230,835	-	4,230,835
Rate Stabilization	2,484,035	-	2,484,035
Capital Project and Equipment Funds	38,022,662	870,912	38,893,574
Total Restricted Cash	45,523,901	1,022,774	46,546,675
Other Receivables	3,409	-	3,409
Total Restricted Assets	\$ 45,527,310	\$ 1,022,774	\$ 46,550,084

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

5 Receivables

Amounts other than leases receivable at September 30, 2024, for the government’s individual major governmental funds, nonmajor funds, and internal service funds in the aggregate, and for individual major business-type funds, including the applicable allowances for uncollectible accounts, consist of the following:

Governmental Receivables

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Funds</u>	<u>Hotel/ Motel Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:						
Taxes - property	\$ 1,397,634	\$ 912,419	\$ -	\$ -	\$ -	\$ 2,310,053
Taxes - sales	3,861,896	-	-	-	-	3,861,896
Trade accounts	5,307,041	-	-	407,924	501,590	6,216,555
Interest	895,383	-	1,533,070	25,130	1,020	2,454,603
Intergovernmental	334,044	-	-	-	1,958,505	2,292,549
Gross receivable	11,795,998	912,419	1,533,070	433,054	2,461,115	17,135,656
Less allowance for uncollectibles	<u>(1,456,459)</u>	<u>(239,311)</u>	<u>-</u>	<u>-</u>	<u>(11,837)</u>	<u>(1,707,607)</u>
Net receivables	<u>\$ 10,339,539</u>	<u>\$ 673,108</u>	<u>\$ 1,533,070</u>	<u>\$ 433,054</u>	<u>\$ 2,449,278</u>	<u>\$ 15,428,049</u>

Business-Type Receivables

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Business-Type Activities</u>
Receivables:			
Unrestricted			
Trade accounts	\$ 13,623,454	\$ 1,869,167	\$ 15,492,621
Other receivables	1,416,065	28,687	1,444,752
Interest	8,744	-	8,744
Gross receivable	15,048,263	1,897,854	16,946,117
Less allowance for uncollectibles	<u>(444,078)</u>	<u>(79,396)</u>	<u>(523,474)</u>
Net unrestricted receivables	<u>\$ 14,604,185</u>	<u>\$ 1,818,458</u>	<u>\$ 16,422,643</u>

The Water and Sewer and Solid Waste trade accounts receivable include unbilled charges for services rendered through September 30, 2024.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Leases Receivables

The City has entered into multiple lease agreements for land and cell sites as lessor. During the year ended September 30, 2024, \$93,460 and \$305,930 were received in principal and interest for governmental activities, and \$316,231 and \$42,152 were received in principal and interest for business-type activities. The City initially measures the lease receivable at the present value of payments expected to be received during the remaining lease term. The lease rate, term and ending lease receivables are as follows:

	<u>Interest Rates</u>	<u>Receivable at Commencement</u>	<u>Lease Term in Years</u>	<u>Ending Balance</u>
Governmental Type				
Facility Lease (TIF #1 Fund)	0.74%	\$ 462,730	7	\$ 469,626
Facility Lease (TIF #1 Fund)	2.72%	322,327	8	322,327
Parking Structure (Hotel/Motel Fund)	1.72%	<u>17,823,675</u>	85	<u>17,512,302</u>
Total Governmental Type		<u>\$ 18,608,732</u>		<u>\$ 18,304,255</u>
Business Type				
Cell Sites (Water/Sewer Fund)	0.30% - 3.18%	<u>\$ 2,659,912</u>	3 - 15	<u>\$ 1,851,192</u>

The future principal and interest payments as of September 30, 2024, were as follows:

Fiscal Year	<u>Governmental Activity</u>			<u>Business-Type Activity</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payment</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payment</u>
2025	\$ 142,112	\$ 312,578	\$ 454,690	\$ 300,638	\$ 35,668	\$ 336,306
2026	255,298	309,392	564,690	319,413	28,939	348,352
2027	258,954	305,736	564,690	334,354	21,835	356,189
2028	262,676	302,014	564,690	306,244	14,278	320,522
2029	256,464	298,226	554,690	131,964	7,754	139,718
2030 - 2034	683,179	1,445,896	2,129,075	327,200	21,565	348,765
2035 - 2039	606,277	1,390,673	1,996,950	131,379	2,771	134,150
2040 - 2044	660,750	1,336,200	1,996,950	-	-	-
2045 - 2049	720,117	1,276,833	1,996,950	-	-	-
2050 - 2054	784,818	1,212,132	1,996,950	-	-	-
2055 - 2059	855,333	1,141,617	1,996,950	-	-	-
2060 - 2064	932,183	1,064,767	1,996,950	-	-	-
2065 - 2069	1,015,938	981,013	1,996,951	-	-	-
2070 - 2074	1,107,218	889,732	1,996,950	-	-	-
2075 - 2079	1,206,699	790,251	1,996,950	-	-	-
2080 - 2084	1,315,118	681,832	1,996,950	-	-	-
2085 - 2089	1,433,279	563,671	1,996,950	-	-	-
2090 - 2094	1,562,057	434,893	1,996,950	-	-	-
2095 - 2099	1,702,404	294,546	1,996,950	-	-	-
2100 - 2104	1,855,362	141,588	1,996,950	-	-	-
2105 - 2106	688,019	10,912	698,931	-	-	-
Total	<u>\$ 18,304,255</u>	<u>\$ 15,184,502</u>	<u>\$ 33,488,757</u>	<u>\$ 1,851,192</u>	<u>\$ 132,810</u>	<u>\$ 1,984,002</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

6 Capital and Intangible Right-To-Use Assets

Capital and intangible right-to-use asset activity for the year ended September 30, 2024 was as follows:

	October 1, 2023	Increases	Decreases	September 30, 2024
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 93,644,816	\$ 1,498,184	\$ -	\$ 95,143,000
Public Art	4,237,208	-	-	4,237,208
Construction in Progress	76,133,301	76,409,967	(14,248,891)	138,294,377
Total capital assets, not being depreciated	<u>174,015,325</u>	<u>77,908,151</u>	<u>(14,248,891)</u>	<u>237,674,585</u>
Capital assets, being depreciated:				
Buildings	213,506,800	-	-	213,506,800
Improvements other than buildings	117,391,332	7,119,648	(3,854)	124,507,126
Vehicles, machinery and equipment	69,588,484	4,726,559	(1,268,781)	73,046,262
Infrastructure	571,078,145	706,886	-	571,785,031
Total	971,564,761	12,553,093	(1,272,635)	982,845,219
Less accumulated depreciation for:				
Buildings	84,656,421	4,536,578	-	89,192,999
Improvements other than buildings	71,908,621	3,362,425	(3,551)	75,267,495
Vehicles, machinery, and equipment	53,599,112	6,104,203	(1,267,778)	58,435,537
Infrastructure	388,973,537	11,316,801	-	400,290,338
Total	599,137,691	25,320,007	(1,271,329)	623,186,369
Total assets being depreciated, net	<u>372,427,070</u>	<u>(12,766,914)</u>	<u>(1,306)</u>	<u>359,658,850</u>
Intangible right-to-use assets:				
Lease vehicle and equipment	493,178	508,913	(266,042)	736,049
Lease buildings	8,260,766	288,675	(817,195)	7,732,246
Lease land	2,688,559	-	-	2,688,559
Total	11,442,503	797,588	(1,083,237)	11,156,854
Less accumulated amortization for:				
Lease vehicles and equipment	212,146	132,957	(266,042)	79,061
Lease buildings	375,489	2,220,065	-	2,595,554
Lease land	1,568,688	784,344	-	2,353,032
Total	2,156,323	3,137,366	(266,042)	5,027,647
Total intangible right-to-use assets, net	<u>9,286,180</u>	<u>(2,339,778)</u>	<u>(817,195)</u>	<u>6,129,207</u>
SBITA assets:				
	6,875,528	1,809,361	-	8,684,889
Less accumulated amortization:	<u>1,123,566</u>	<u>1,647,078</u>	<u>-</u>	<u>2,770,644</u>
Total SBITA, net	<u>5,751,962</u>	<u>162,281</u>	<u>-</u>	<u>5,914,243</u>
Total capital assets being depreciated or amortized	<u>387,465,212</u>	<u>(14,944,411)</u>	<u>(818,501)</u>	<u>371,702,300</u>
Governmental capital assets, net	<u>\$ 561,480,537</u>	<u>\$ 62,963,740</u>	<u>\$ (15,067,392)</u>	<u>\$ 609,376,885</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

	October 1, 2023	Increases	Decreases	September 30, 2024
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 423,510	\$ -	\$ -	\$ 423,510
Construction in progress	27,956,800	26,086,052	(282,091)	53,760,761
Total capital assets, not being depreciated	<u>28,380,310</u>	<u>26,086,052</u>	<u>(282,091)</u>	<u>54,184,271</u>
Capital assets, being depreciated:				
Buildings	9,958,837	31,536	-	9,990,373
Improvements other than buildings	2,605,705	-	(16,071)	2,589,634
Vehicles, machinery and equipment	37,668,608	3,637,297	(1,218,756)	40,087,149
Infrastructure	245,430,138	871,124	(16,200)	246,285,062
Total	295,663,288	4,539,957	(1,251,027)	298,952,218
Less accumulated depreciation for:				
Building	6,673,376	156,611	-	6,829,987
Improvements other than buildings	1,271,483	101,170	-	1,372,653
Vehicles, machinery and equipment	30,693,188	1,769,306	(1,218,756)	31,243,738
Infrastructure	154,825,709	5,568,902	(2,889)	160,391,722
Total	<u>193,463,756</u>	<u>7,595,989</u>	<u>(1,221,645)</u>	<u>199,838,100</u>
Total assets being depreciated, net	<u>102,199,532</u>	<u>(3,056,032)</u>	<u>(29,382)</u>	<u>99,114,118</u>
Intangible right-to-use assets:				
Lease equipment	13,221	-	-	13,221
Lease land	168,015	-	-	168,015
Total	181,236	-	-	181,236
Less accumulated amortization for:				
Lease equipment	5,288	5,554	-	10,842
Lease land	28,003	84,006	-	112,009
Total	<u>33,291</u>	<u>89,560</u>	<u>-</u>	<u>122,851</u>
Total intangible right-to-use asset, net	<u>147,945</u>	<u>(89,560)</u>	<u>-</u>	<u>58,385</u>
SBITA assets	-	246,263	-	246,263
Less accumulated amortization	-	75,247	-	75,247
Total SBITA, net	<u>-</u>	<u>171,016</u>	<u>-</u>	<u>171,016</u>
Total capital assets being depreciated or amortized	<u>102,347,477</u>	<u>(2,974,576)</u>	<u>(29,382)</u>	<u>99,343,519</u>
Business-type activities capital assets, net	<u>\$ 130,727,787</u>	<u>\$ 23,111,476</u>	<u>\$ (311,473)</u>	<u>\$ 153,527,790</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Depreciation and amortization expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 7,613,928
Public safety	5,768,268
Public service	11,764,126
Library	325,364
Parks and recreation	3,746,092
Health	56,034
Total governmental funds	<u>29,273,812</u>
Internal service fund	<u>830,639</u>
Depreciation/amortization expense - governmental activities	<u>\$ 30,104,451</u>
Business-type activities:	
Water and sewer	\$ 6,425,284
Solid waste	<u>1,335,512</u>
Depreciation/amortization expense - business activities	<u>\$ 7,760,796</u>

7 Construction and Purchase Commitments

Outstanding commitments as of September 30, 2024, under authorized construction and purchase contracts as follows.

Governmental activities:	
Capital funds	\$ 63,249,476
General fund	1,236,116
Hotel/motel tax fund	388,261
Other governmental funds	<u>14,253,969</u>
Total governmental activities	<u>\$ 79,127,822</u>
Business-type activities:	
Water and sewer	\$ 25,250,241
Solid waste	674,261
Internal service	<u>57,667</u>
Total business-type activities	<u>\$ 25,982,169</u>

Outstanding commitments will be financed by proceeds from annual appropriations, bond issues, federal grants, and from revenues such as participation revenue from other governments or developers and operating revenues dedicated to specific purposes.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

8 Interfund Receivables, Payables and Transfers

There were no interfund balances at September 30, 2024.

Individual fund transfers for the fiscal year were as follows:

	Transfers Out				Total
	Governmental Funds			Other Governmental Funds	
	General Fund	Capital Projects	Hotel / Motel Tax		
Transfers in:					
General	\$ -	\$ -	\$ -	\$ 700,000	\$ 700,000
Debt Service	-	12,358	-	-	12,358
Capital Project	16,860,258	-	1,450,000	300,000	18,610,258
Other Governmental	2,000,261	-	-	-	2,000,261
Business-Type Activities	-	-	-	569,900	569,900
Total	<u>\$ 18,860,519</u>	<u>\$ 12,358</u>	<u>\$ 1,450,000</u>	<u>\$ 1,569,900</u>	<u>\$ 21,892,777</u>

General Fund Transfers Out:

- \$16,860,258 to the Capital Project Fund to be used for future capital improvements and street rehabilitation.
- \$2,000,261 to the Other Governmental Funds for funding of economic development (\$1,997,766) projects and law enforcement activities (\$2,495).

Capital Projects Fund Transfers Out:

- \$12,358 to the Debt Service Fund to account for unspent bond proceeds for project funding.

Hotel / Motel Tax Fund Transfers Out:

- \$1,450,000 to the Capital Projects Fund to be used for future capital improvements at the performing arts center.

Other Governmental Funds Transfers Out:

- \$50,000 to the General Fund from the Child Safety Fund to support the school crossing guard program.
- \$650,000 to the General Fund from the Wireless Fund to support the expenses of the 911 Call Center.
- \$300,000 to the Capital Project Fund from the Golf Fund for future capital improvements.
- \$569,900 to the Water Sewer Fund (BTA) from the Federal Grants Fund for capital improvements.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

9 Long-Term Obligations

The following is a summary of financial obligations for the fiscal year ended September 30, 2024:

	Balance beginning of year	Increases	Decreases	Balance end of year	Due within one year
Governmental-type activities:					
General obligation bonds	\$ 186,655,000	\$ 62,915,000	\$ (25,260,000)	\$ 224,310,000	\$ 26,595,000
Certificates of obligation	99,805,000	4,335,000	(5,990,000)	98,150,000	6,270,000
General obligation bonds from direct borrowings	2,285,000	-	(350,000)	1,935,000	285,000
Bond discounts/premiums (1)	24,194,872	5,498,091	(2,898,918)	26,794,045	2,877,069
Total bonds payable	<u>312,939,872</u>	<u>72,748,091</u>	<u>(34,498,918)</u>	<u>351,189,045</u>	<u>36,027,069</u>
Tax anticipation notes from direct borrowings	5,340,000	-	(3,420,000)	1,920,000	270,000
Financed purchases and other contractual obligations	1,503,014	-	(385,349)	1,117,665	396,662
Lease obligations	6,021,634	797,588	(3,067,229)	3,751,993	1,124,034
SBITA obligations	6,048,098	1,809,361	(1,710,395)	6,147,064	1,745,905
TIF obligations	86,775,295	-	(4,316,751)	82,458,544	-
Arbitrage liability	553,987	3,522,447	(23,991)	4,052,443	312,129
Other postemployment benefits	42,299,824	3,827,304	(3,219,344)	42,907,784	1,923,159
TMRS - pension liability	70,289,875	46,243,735	(71,185,790)	45,347,820	-
Compensated absences	17,112,340	2,248,831	(1,467,208)	17,893,963	1,968,336
Workers' compensation	5,243,271	578,592	(747,685)	5,074,178	585,322
Unpaid claims liability	977,591	14,854,934	(14,727,820)	1,104,705	1,104,705
Total governmental-type long-term liabilities	<u>\$555,104,801</u>	<u>\$146,630,883</u>	<u>\$ (138,770,480)</u>	<u>\$562,965,204</u>	<u>\$ 45,457,321</u>
Business-type activities:					
General obligation refunding bonds	\$ 10,165,000	\$ -	\$ (2,315,000)	\$ 7,850,000	\$ 2,235,000
Certificates of obligation	70,240,000	15,295,000	(4,125,000)	81,410,000	4,780,000
Bond discount/premiums (1)	7,810,811	1,216,833	(827,179)	8,200,465	796,593
Total bonds payable	<u>88,215,811</u>	<u>16,511,833</u>	<u>(7,267,179)</u>	<u>97,460,465</u>	<u>7,811,593</u>
Lease obligations	148,356	-	(88,659)	59,697	59,697
SBITA obligations	-	246,263	(85,002)	161,261	79,208
Arbitrage liability	133,284	677,117	(7,680)	802,721	76,737
Other postemployment benefits	6,980,070	660,592	(555,657)	7,085,005	317,556
TMRS - pension liability	12,666,206	8,526,398	(12,831,391)	8,361,213	-
Compensated absences	1,805,970	105,282	(171,338)	1,739,914	191,391
Workers' compensation	82,760	204,233	(82,760)	204,233	204,233
Total business-type long-term liabilities	<u>\$110,032,457</u>	<u>\$ 26,931,718</u>	<u>\$ (21,089,666)</u>	<u>\$115,874,509</u>	<u>\$ 8,740,415</u>

The City has no unused lines of credit.

(1) All bond discounts/premiums are related to public borrowings.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Governmental Activities:

Bonds issued for the General Government are payable from the levy of property taxes assessed against taxable property within the City.

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding @ 9/30/2024	Due Within One Year
General Obligation Bonds						
2024 General Obligation	4.00 - 5.00	5/22/2024	2/15/2044	\$ 62,915,000	\$ 62,915,000	\$ 10,885,000
2023 General Obligation	5.00	5/24/2023	2/15/2043	43,885,000	33,250,000	1,075,000
2022 General Obligation	3.25-5.00	5/25/2022	2/15/2042	28,915,000	16,955,000	625,000
2021 Refunding	2.00 - 4.00	5/26/2021	2/15/2041	12,630,000	11,180,000	525,000
2020 Refunding	5.00	2/26/2020	2/15/2030	40,425,000	24,885,000	3,935,000
2019 General Obligation	2.62 - 4.00	4/25/2019	2/15/2039	16,790,000	13,785,000	710,000
2018 General Obligation	3.00 - 5.00	4/25/2018	2/15/2038	38,525,000	30,605,000	1,640,000
2017 General Obligation	3.00 - 4.00	5/04/2017	2/15/2037	19,725,000	15,110,000	900,000
2016A Ref. & Imp.	2.00 - 5.00	4/15/2016	2/15/2036	16,815,000	4,290,000	1,270,000
2015 Refunding	4.00 - 5.00	3/15/2015	2/15/2026	39,185,000	6,090,000	3,270,000
2013 Refunding	1.50 - 5.00	3/15/2013	2/15/2025	18,000,000	1,500,000	1,500,000
Total general obligation bonds - tax exempt					<u>220,565,000</u>	<u>26,335,000</u>
General Obligations - direct borrowings						
2020A General Obligation	Adjustable	2/26/2020	6/15/2029	15,015,000	<u>1,935,000</u>	<u>285,000</u>
Total general obligation bonds - direct borrowings					<u>1,935,000</u>	<u>285,000</u>
Taxable General Obligation Bonds						
2016B Taxable	3.00 - 3.77	4/15/2016	2/15/2036	5,470,000	<u>3,745,000</u>	<u>260,000</u>
Total general obligation bonds - taxable					<u>3,745,000</u>	<u>260,000</u>
Total governmental-type general obligation, taxable and tax exempt bonds					<u>226,245,000</u>	<u>26,880,000</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

	<u>Interest Rate</u> <u>%</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Issue</u>	<u>Outstanding</u> <u>@ 9/30/2024</u>	<u>Due Within</u> <u>One Year</u>
Certificates of Obligations						
2024 Certificates	3.00 - 5.00	5/22/2024	2/15/2044	\$ 4,335,000	\$ 4,335,000	\$ 200,000
2023 Certificates	5.00	5/24/2023	2/15/2043	24,450,000	23,640,000	1,135,000
2023A Certificates	4.25-5.25	5/24/2023	2/15/2043	9,130,000	8,940,000	300,000
2022 Certificates	4.0	5/25/2022	2/15/2030	1,305,000	1,020,000	155,000
2021 Certificates	2.00 - 4.00	5/26/2021	2/15/2041	14,565,000	11,820,000	1,015,000
2020 Certificates	4.00 - 5.00	2/26/2020	2/15/2040	6,055,000	3,845,000	270,000
2019 Certificates	3.00 - 5.00	4/25/2019	2/15/2039	20,990,000	8,245,000	745,000
2018 Certificates	3.13 - 5.00	4/25/2018	2/15/2038	26,290,000	16,470,000	1,025,000
2017 Certificates	2.00 - 5.00	5/04/2017	2/15/2037	20,930,000	13,165,000	960,000
2015A Certificates	2.00 - 5.00	3/15/2015	2/15/2035	3,695,000	325,000	25,000
2013 Certificates	1.50 - 4.00	3/15/2013	2/15/2033	4,290,000	395,000	40,000
2012B Certificates	2.00 - 4.00	3/15/2012	2/15/2032	5,775,000	<u>1,040,000</u>	<u>115,000</u>
Total certificates of obligation- tax exempt					<u>93,240,000</u>	<u>5,985,000</u>
Taxable Certificates of Obligation						
2021A Certificates	Adjustable	5/26/2021	2/15/2041	4,045,000	3,550,000	180,000
2015B Certificates	0.90 - 4.00	3/15/2015	2/15/2035	2,150,000	<u>1,360,000</u>	<u>105,000</u>
Total certificates - taxable					<u>4,910,000</u>	<u>285,000</u>
Total governmental-type certificates of obligation, taxable and tax exempt bonds					<u>98,150,000</u>	<u>6,270,000</u>
Add: unamortized premium					26,854,221	2,880,340
Less: unamortized discount					<u>(60,176)</u>	<u>(3,271)</u>
Total general government bonds and certificates of obligation					<u>\$ 351,189,045</u>	<u>\$ 36,027,069</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Business-Type Activities

Bonds issued for business-type activities are secured by a pledge of the property tax levy of the City, but are self-supporting Obligations which are paid from the respective net revenues of each activity.

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding @ 9/30/2024	Due Within One Year
Water and Sewer:						
General Obligation Bonds						
2021 Refunding	2.00 - 4.00	5/26/2021	2/15/2041	\$ 1,935,000	\$ 1,425,000	\$ 180,000
2020 Refunding	5.00	2/26/2020	2/15/2030	5,880,000	3,130,000	675,000
2016A Refunding	3.00 - 5.00	4/15/2016	2/15/2028	6,185,000	2,395,000	705,000
2015 Refunding	3.00 - 5.00	3/15/2015	2/15/2026	2,480,000	520,000	295,000
2013 Refunding	1.50 - 5.00	3/15/2013	2/15/2025	2,720,000	205,000	205,000
Total water and sewer general obligation bonds					<u>7,675,000</u>	<u>2,060,000</u>
Certificates of Obligations						
2024 Certificates	3.00 - 5.00	5/24/2024	2/15/2044	13,740,000	13,740,000	295,000
2023 Certificates	5.00	5/24/2023	2/15/2043	13,495,000	13,205,000	465,000
2022 Certificates	4.00	5/25/2022	2/15/2042	12,490,000	11,550,000	555,000
2021 Certificates	2.00 - 4.00	5/26/2021	2/15/2041	13,015,000	11,480,000	580,000
2020 Certificates	4.00-5.00	2/26/2020	2/15/2040	7,920,000	6,715,000	380,000
2019 Certificates	3.00 - 5.00	4/25/2019	2/15/2039	8,240,000	6,650,000	370,000
2018 Certificates	3.125 - 5.00	4/25/2018	2/15/2038	5,940,000	4,390,000	315,000
2017 Certificates	2.00 - 5.00	5/04/2017	2/15/2037	4,440,000	3,065,000	235,000
2016 Certificates	2.00 - 4.00	4/15/2016	2/15/2036	1,900,000	1,165,000	110,000
2015A Certificates	2.00 - 5.00	3/15/2015	2/15/2035	2,305,000	1,500,000	115,000
2013 Certificates	1.50 - 4.00	3/15/2013	2/15/2033	3,025,000	1,575,000	155,000
Total water and sewer certificates of obligation					<u>75,035,000</u>	<u>3,575,000</u>
Total water and sewer general obligation refunding bonds and certificates of obligation					<u>82,710,000</u>	<u>5,635,000</u>
Solid Waste:						
General Obligation Refunding Bonds						
2020 Refunding	5.00	2/26/2020	2/15/2025	765,000	175,000	175,000
Certificates of Obligations						
2024 Certificates	3.00 - 5.00	5/22/2024	2/15/2044	1,555,000	1,555,000	150,000
2023 Certificates	5.00	5/24/2023	2/15/2043	1,930,000	1,750,000	215,000
2022 Certificates	4.00	5/25/2022	2/15/2042	1,175,000	920,000	140,000
2021 Certificates	2.00 - 4.00	5/26/2021	2/15/2041	1,060,000	705,000	130,000
2020 Certificates	4.00 - 5.00	2/26/2020	2/15/2028	720,000	405,000	95,000
2019 Certificates	3.00 - 5.00	4/25/2019	2/15/2039	1,335,000	555,000	175,000
2018 Certificates	4.00 - 5.00	4/25/2018	2/15/2026	1,240,000	360,000	175,000
2017 Certificates	2.00 - 5.00	5/04/2017	2/15/2025	875,000	125,000	125,000
Total solid waste certificates of obligation					<u>6,375,000</u>	<u>1,205,000</u>
Total solid waste general obligation refunding bonds and certificates of obligation					<u>6,550,000</u>	<u>1,380,000</u>
Add unamortized premium					8,209,450	797,696
Less: unamortized discount					(8,985)	(1,103)
Total business-type general obligation refunding bonds and certificates of obligation					<u>\$ 97,460,465</u>	<u>\$ 7,811,593</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Debt Service Requirements

Debt service requirements at September 30, 2024 for General Obligation Bonds and Certificates of Obligation are as follows:

	Governmental Activities				Business-type Activities	
	Bonds		Bonds Direct Borrowing		Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending September 30:						
2025	\$ 32,865,000	\$ 13,709,226	\$ 285,000	\$ 101,588	\$ 7,015,000	\$ 3,708,901
2026	21,600,000	11,657,475	295,000	86,625	6,690,000	3,225,829
2027	18,250,000	10,714,725	315,000	71,138	6,450,000	2,921,754
2028	18,705,000	9,851,506	330,000	54,600	6,160,000	2,635,544
2029	19,370,000	8,978,648	345,000	37,275	6,025,000	2,374,799
2030-2034	86,665,000	33,794,597	365,000	19,163	26,040,000	8,569,008
2035-2039	83,180,000	17,134,444	-	-	20,190,000	4,144,134
2040-2044	41,825,000	4,216,985	-	-	10,690,000	993,700
Totals	<u>\$ 322,460,000</u>	<u>\$110,057,606</u>	<u>\$ 1,935,000</u>	<u>\$ 370,389</u>	<u>\$ 89,260,000</u>	<u>\$ 28,573,669</u>

General Obligation Bonds

General Obligation bonds are secured by ad valorem taxes levied by the City. As part of the City's debt management practices, the City defeases certain debt issues and places the proceeds in an irrevocable trust for all future debt service payments on the previously issued bonds. Accordingly, the related trust assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2024 there were no defeased bonds outstanding.

On May 22, 2024, the City issued \$62,915,000 of General Obligation Bonds, Series 2024 with a true interest cost of 3.86%. The proceeds from the sale of the Bonds will be used for (i) acquiring, constructing, improving and maintaining streets, thoroughfares and alleyways within the City, traffic signalization and signage and traffic management equipment; (ii) constructing, improving, renovating, expanding and equipping municipal public buildings and the acquisition of land therefore, to-wit: renovating City Hall, the Richardson Public Library, Fire Station 5 and the Richardson Animal Shelter; (iii) constructing, improving, extending, repairing sidewalks and related improvements, (iv) planning, designing, constructing, improving, renovating, repairing, replacing, and expanding flood protection and storm drainage facilities and improvements, erosion control, including necessary and appropriate relocation of utilities and the acquisition of land related thereto, (v) designing, acquiring, constructing, renovating, improving, and equipping the City parks (including passive parks and open space improvements), and acquiring lands, interests in lands, and rights-of-way related thereto, and (vi) paying the costs of issuance in connection with issuing the Bonds.

Certificates of Obligation

Certificates of Obligation are secured by ad valorem taxes levied by the City and from a limited pledge of the net revenues of the City's Waterworks and Sewer System. On May 22, 2024, the City issued \$19,630,000 of Series 2024 Combination Tax and Revenue Certificates of Obligation with a true interest cost of 3.81% (\$1,525,000 for fire equipment, \$2,810,000 for library renovations, \$13,740,000 for Water/Sewer, and \$1,555,000 for Solid Waste). Proceeds from the sale of the Series 2024 Certificates will be used for (i) acquiring vehicles and equipment for the fire and solid waste departments, (ii) improving and extending the City's water and sewer system, and (iii) renovating the Public Library.

General Obligations and Certificates of Obligation - Direct Borrowings

The City's outstanding General Obligation Bonds and Certificates of Obligation from direct borrowings related to governmental activities of \$1,935,000 are balloon instruments with the entire principal due on the final maturity date. They are subject to optional redemption in whole or in part, at the City's discretion, on any date at the redemption price of par plus accrued interest to the date of redemption. Amortization shown in the preceding table is based on the City's current debt issuance plan and all payments made to date.

Tax Anticipation Note - Direct Borrowing

On May 26, 2021 the City issued a \$5,855,000 Tax Anticipation Note (Taxable) with a true interest cost of 1.15%. The Note was

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

issued for the benefit of the Capital Fund to provide proceeds for constructing and equipping a parking facility for the City's performing arts center. The Note matures on February 15, 2028 and has stated maturities over the life of the note, with the majority of the principal due at final maturity. Similar to the City's direct borrowings, the Note is subject to redemption prior to maturity, at the option of the City, in whole or in part, on February 15, 2023, or any day thereafter at the redemption price of par plus accrued interest to the date of redemption. The Note is not callable by the lender. The outstanding balance as September 30, 2024 is \$1,920,000.

The following is a schedule of future debt maturities relating to the tax anticipation note as of September 30, 2024:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30, 2024:			
2025	\$ 270,000	\$ 20,528	\$ 290,528
2026	275,000	17,394	292,394
2027	280,000	14,203	294,203
2028	<u>1,095,000</u>	<u>6,296</u>	<u>1,101,296</u>
Totals	<u>\$ 1,920,000</u>	<u>\$ 58,421</u>	<u>\$ 1,978,421</u>

Ratings

Standard and Poor's Ratings Services assigned its "AAA" rating with a stable outlook, to the City's Combination Tax and Revenue Certificates of Obligation Series 2024 and the City's General Obligation Bonds Series 2024. Moody's Investors Service (Moody's) also assigned it "AAA" rating, with a stable outlook to each of these issues.

Bondholder Remedies

In an event of default in connection with (i) failure to make payment of the principal of or interest on any of the bonds when due and payable or (ii) the performance or observance of any other covenants, conditions or obligations in the Ordinance, the Holder of any of the City's bonded debt shall be entitled to a writ of mandamus issued by a court of proper jurisdiction against the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the Ordinance. The City's bonded debt does not contain any acceleration provisions in the event of default or termination.

Compensated Absences, Workers' Compensation, Post-Employment Benefits, and Arbitrage Rebate Liability

Governmental-type activities record liabilities for compensated absences, workers' compensation claims, retiree post-employment costs, and arbitrage rebate at the government-wide statement level. Generally, the liabilities for compensated absences, workers' compensation claims, and retiree postemployment costs are paid from the General Fund. Liabilities for the Business-type activities are recorded and liquidated in the fund that incurs the liability.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

10. Direct Financed Purchases and Other Contractual Obligations

The following is a summary of other contractual obligation transactions of the City for the fiscal year ended September 30, 2024:

	<u>Governmental-type Activities</u>					<u>Total</u>
	<u>Stryker</u>	<u>Utility Vehicle</u>	<u>Gas Golf Carts</u>	<u>Police Academy</u>	<u>Texas Comptroller of Public Accounts</u>	
Balance at October 1, 2023	\$ 960,612	\$ 33,742	\$ 183,096	\$ 30,278	\$ 295,286	\$ 1,503,014
Payments	(225,989)	(10,664)	(21,069)	(14,815)	(112,812)	(385,349)
Balance at September 30, 2024	<u>\$ 734,623</u>	<u>\$ 23,078</u>	<u>\$ 162,027</u>	<u>\$ 15,463</u>	<u>\$ 182,474</u>	<u>\$ 1,117,665</u>

Financed Purchases

The City has entered into the following financed purchases:

Agreement with Stryker in July 2020, amended in August 2022, for fire/EMT equipment. The final annual payment of \$265,069 is scheduled to be made in October 2027. The cost of the asset is \$1,110,646. Accumulated depreciation is \$609,685 and the related book value is \$500,961 at September 30, 2024.

Agreement with GM Financial in February 2022, for a utility vehicle. The final annual payment of \$12,477 is scheduled to be made in February 2026. The cost of the asset is \$56,339. Accumulated depreciation is \$35,212 and the related book value is \$21,127 at September 30, 2024.

Agreement with Yamaha in January 2022, for gas golf carts. Annual payments of \$28,320 with a final balloon payment of \$107,712 scheduled for March 2027. The cost of the asset is \$214,719 per agreement. Accumulated depreciation is \$16,401 and the related book value is \$195,318 at September 30, 2024.

The following is a schedule of the payments required under financed purchases at September 30, 2024:

<u>Fiscal year ending, September 30</u>	<u>Stryker</u>	<u>Utility Vehicle</u>	<u>Gas Golf Carts</u>
2025	\$ 265,069	\$ 12,476	\$ 28,321
2026	265,069	12,477	28,320
2027	265,069	-	119,512
Total minimum lease payments	795,207	24,953	176,153
Less amount representing interest	(60,584)	(1,875)	(14,126)
Present value of minimum lease payments	<u>\$ 734,623</u>	<u>\$ 23,078</u>	<u>\$ 162,027</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Police

The City entered into an agreement with the City of Plano to develop a police academy to be used as a joint training facility. The City of Richardson and the City of Plano share in the costs of improvements to the facilities.

The following is a schedule of future debt maturities relating to these contractual obligations as of September 30, 2024:

	Principal	Interest	Total
Fiscal year ending September 30:			
2025	\$ 15,463	\$ 773	\$ 16,236

Other Obligations

During FY 2009 the Texas Comptroller of Public Accounts notified the City regarding an error in sales tax payments made to the City. This error was the result of a local business reporting and paying taxes incorrectly to the State Comptroller from January 1998 through December 2005. The local sales tax overpayment to the City in the amount of \$2,143,331 was recorded as a liability and a reduction of sales tax revenue. The Comptroller's office had set up a 20-year payout arrangement, but the life of the obligation has been reduced by additional payments and adjusted due to the Comptroller suspending payments from April 2020 through January 2021 to help Texas cities deal with the COVID-19 pandemic and potential negative impacts on the economy. Payments of \$112,812 were made during the fiscal year, and the balance at September 30, 2024 was \$182,474.

11 Lease Obligations

The City has entered into multiple lease agreements as lessee. The leases allow the right-to-use of buildings, land, vehicles, and equipment over the term of the lease. The City is required to make periodic principal and interest payments using either its incremental borrowing rate or the interest rate stated/implied within the leases. Effective October 1, 2021, the City implemented GASB Statement No. 87, Leases. At implementation of this statement and the commencement of leases beginning after October 1, 2021, the City initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. The lease rate, term and ending lease liability are as follows:

Governmental Activities				
	Interest Rate %	Beginning Balance	Lease Term in Months	Ending Balance
Governmental activities:				
Vehicle	0.31	\$ 2,998	24	\$ -
Electric golf carts	0.298-6.16	56,014	31-61	461,525
Land	0.298	897,326	41	-
Buildings	2.26	4,847,361	50	3,102,281
Internal service funds:				
Postal equipment	2.186	28,500	60	21,126
Copiers	0.193-0.298	189,435	16-18	167,061
Total governmental activities		\$ 6,021,634		\$ 3,751,993
Business Type Activities				
	Interest Rate %	Beginning Balance	Lease Term in Months	Ending Balance
UTD Land	2.43	\$ 140,594	24	\$ 57,411
Computer equipment	0.2980	7,762	29	2,286
Total business type activities		\$ 148,356		\$ 59,697

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

The future principal and interest payments as of September 30, 2024, were as follows:

		Governmental Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments	
2025	\$ 1,124,034	\$ 101,090	\$ 1,225,124	
2026	1,197,886	65,827	1,263,713	
2027	1,272,040	28,287	1,300,327	
2028	149,695	4,207	153,902	
2029	8,338	237	8,575	
Total	<u>\$ 3,751,993</u>	<u>\$ 199,648</u>	<u>\$ 3,951,641</u>	

		Business Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments	
2025	\$ 59,697	\$ 526	\$ 60,223	
Total	<u>\$ 59,697</u>	<u>\$ 526</u>	<u>\$ 60,223</u>	

12 SBITA

The City has entered into multiple Subscription-Based Information Technology (SBITA) agreements as lessee. The SBITAs allow the right-to-use of subscription-based software over the term of the lease. The City is required to make periodic principal and interest payments using either its incremental borrowing rate or the interest rate stated/implied within the SBITAs. The City initially measures the SBITA liability at the present value of payments expected to be made during the remaining SBITA term. The SBITA rate, term and ending SBITA liability are as follows:

		Governmental Activities		
	Interest Rate %	Liability at Commencement	Ending Balance	
Governmental Activities:				
Axon Enterprise	3.12 - 3.71 %	\$ 1,089,968	\$ 423,147	
Flock Safety	2.33	269,762	194,862	
Microsoft - SHI	3.59	1,419,510	929,552	
Internal Service Funds				
Tyler Technologies	3.12	5,645,202	4,599,503	
Total		<u>\$ 8,424,442</u>	<u>\$ 6,147,064</u>	

		Business Type Activities		
	Interest Rate %	Liability at Commencement	Ending Balance	
Environmental Systems Research Institute	3.59 %	\$ 246,263	\$ 161,261	
Total		<u>\$ 246,263</u>	<u>\$ 161,261</u>	

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

The future principal and interest payments as of September 30, 2024, were as follows:

		Governmental Activities		
		Principal Payments	Interest Payments	Total Payments
2025		\$ 1,745,906	\$ 194,742	\$ 1,940,648
2026		1,443,810	138,552	1,582,362
2027		1,000,623	91,781	1,092,404
2028		963,328	61,076	1,024,404
2029		993,397	31,007	1,024,404
	Total	\$ 6,147,064	\$ 517,158	\$ 6,664,222

		Business Type Activities		
		Principal Payments	Interest Payments	Total Payments
2025		\$ 79,208	\$ 5,791	\$ 84,999
2026		82,053	2,947	85,000
	Total	\$ 161,261	\$ 8,738	\$ 169,999

13 TIF Obligations

The City has established three tax increment financing districts to facilitate new development and redevelopment within the community. Each district has a base year, and incremental property tax revenues exceeding the base year amount are collected into a special revenue fund. Additionally, other taxing entities may participate in the TIF districts. Each participating entity's governing body sets the percentage of increment and terms that they will contribute to the TIF fund.

The City Council, upon recommendation of the Council-appointed TIF Board for each district, can enter into economic grant agreements with developers which utilize TIF funds. Unlike other contractual obligations, TIF grants are subject to availability of TIF funds, and any balance owed to a developer at the termination of the TIF district will no longer be considered an obligation of the City.

The following table summarizes key statistics of each of the City's TIF districts.

	DISTRICT		
	1	2	3
Tax Year Established	2006	2011	2011
City's Participation	100%	66.67%	66.67%
Other Tax Entities Participating	Dallas County	Collin County	Collin County
Tax Year Terminates	2031	2036	2036

An infrastructure reimbursement grant and development agreement was entered into with the City and Centennial Park Richardson, Ltd. in September 2007. This agreement provides for an economic development grant of \$3,299,865 and a construction reimbursement grant of \$5,912,299 plus 7% interest compounded annually until paid in full or termination of the agreement. The company has qualified for both grants. Funding for this grant is contingent upon the availability of tax revenues in the TIF District #1 from Sub Area No. 2. The City has previously paid the economic development grant in full. Any remaining balance is related to the construction reimbursement grant. An interest payment of \$949,716 was made during the fiscal year.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

An infrastructure reimbursement grant and development agreement was entered into with the City and Bush/75 Partners, LP in December 2012. The Agreement was subsequently assigned to BCS TIF Zone Two, LP, the ultimate developer for the project. The agreement provides for the reimbursement of infrastructure projects with an estimated value of \$76,336,000 plus 5% interest annually until paid in full or termination of the agreement. The company has qualified for grants of \$57,084,738 to date. Funding is contingent upon the availability of tax revenues in TIF District #2. Interest payments of \$1,809,343 and a principal payment of \$3,917,450 were made during the fiscal year.

An infrastructure reimbursement grant and development agreement was entered into with the City and BC Station Partners, L.P. in March 2015. This agreement provides for approximately \$49,158,000 plus 5% interest annually until paid in full or termination of the agreement. The company has qualified for grants of \$33,880,733 to date. Funding is contingent upon the availability of tax revenues in TIF District #3. An interest payment of \$1,232,198 was made during the fiscal year.

An economic development agreement was entered into with the City and AGF Greenville II, Ltd. in April 2015. This agreement provides for a maximum grant amount of \$5,500,000 plus 4% interest annually until paid in full or termination of the agreement. The agreement provides for the reimbursement of eligible costs for the acquisition of the land and demolition of existing improvements on the land. The company has qualified for the full amount of the grant. Funding is contingent upon the availability of tax revenues in the TIF District #1 from Sub Area No. 1B and Sub Area No. 4. An interest payment of \$156,097 and a principal payment of \$279,830 were made during the fiscal year.

An economic development agreement was entered into with the City and SAF 100 N. Central Ltd in March 2017. The Agreement was subsequently assigned to Richardson Gateway, LLC. This agreement provides for a maximum grant amount of \$7,000,000 plus 5.25% interest annually until paid in full or termination of the agreement. The agreement provides for the reimbursement of eligible costs for the acquisition of the land and demolition of existing improvements on the land. The company has qualified for the full amount of the grant. Funding is contingent upon the availability of tax revenues in TIF District #1 from Sub Area No. 1A and Sub No. 1B. An interest payment of \$297,707 and a principal payment of \$119,471 were made during the fiscal year.

The following is a summary of the principal balance of the infrastructure reimbursement grants and development agreements associated with the Tax Increment Financing Districts:

	TIF DISTRICT 1			TIF DISTRICT 2	TIF DISTRICT 3	Total
	Centennial Park	AGF Greenville II, Ltd.	Richardson Gateway LLC	BCS TIF Zone 2	BC Station Partners, L.P.	
	Balance at October 1, 2023	\$ 5,912,299	\$ 4,046,552	\$ 5,624,399	\$ 37,311,312	
Additions/adjustments	-	(279,830)	(119,471)	(3,917,450)	-	(4,316,751)
Balance at September 30, 2024	\$ 5,912,299	\$ 3,766,722	\$ 5,504,928	\$ 33,393,862	\$ 33,880,733	\$ 82,458,544

14 Risk Management

The City maintains a self-insured program for workers' compensation. The City utilizes TRISTAR Risk Management as the third party administrator for this program. During fiscal year 2023-2024, a total of \$237,259 was paid in administrative costs that were recorded as an expenditure/expense in the General Fund, Proprietary Funds and Central Services Fund. In addition, claims and benefits paid in the amounts of \$499,556 and \$278,985 have been recorded as expenditures/expenses in the Governmental Funds and Proprietary Funds, respectively.

The City also maintains a self-insured medical program known as "CORPlan" which is accounted for as an Internal Service Fund. This program provides participants with health benefit coverage. The City purchases commercial insurance for claims in excess of \$350,000 for each employee in a plan year. In fiscal year 2023-2024, the City did not receive any refunds from the commercial insurance carrier.

All funds with full-time employees participate in the program and make payments to the Insurance Fund based on estimates of the amounts needed to pay prior and current year claims. Accounting standards require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The City's consultant estimated the liability to be \$1,104,705 for unpaid claims and claim adjustment expenses at September 30, 2024. The liability for unpaid claims includes

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The City currently does not discount its unpaid claims liabilities.

Reconciliation of Unpaid Claims Liabilities

	2024	2023
Incurring claims and claim adjustment expenses:		
Unpaid claims and claim adjustment expenses at beginning of year	\$ 977,591	\$ 930,186
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	15,832,525	14,204,069
Increase (decrease) in prior year provision	(411,036)	(280,803)
Total incurred claims and claim adjustment expenses	16,399,080	14,853,452
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	14,727,820	13,226,478
Claims and claim adjustment expenses attributable to insured events of prior years	566,555	649,383
Total payments	15,294,375	13,875,861
Total unpaid claims and claim adjustment expenses at end of year	\$ 1,104,705	\$ 977,591

15 Interfund Charges

The City allocates a percentage of the salaries and wages and related costs of personnel who perform general and administrative services for various funds but are paid from the General Fund. During the year ended September 30, 2024, the City allocated \$10,143,972 for such services.

16 Tax Abatement and Economic Incentives

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code, Chapter 311 (Tax Increment Financing Act), and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has four categories of economic development agreements:

- Home Improvement Incentive Program – The purpose of this program is to provide an economic incentive under Chapter 380 of the Texas Local Government Code to encourage reinvestment in residential neighborhoods. The property owner commits to making at least \$20,000 in improvements to the residential property within 24 months of entering into the agreement. A one-time incentive payment equal to 10 times the amount of the increase in City taxes will be paid to the property owner based on the property's pre-construction and post-construction appraised value. The City provided \$1,191,585 in incentive payments under this program in fiscal year 2024.
- Tax Abatements – Tax Abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were \$8,112,357 in

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

fiscal year 2024.

- **General Economic Development** – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs or other expenses. For fiscal year 2024, the City rebated \$3,322,249 in taxes, reduced fees by \$12,503,522 and made incentive payments of \$1,292,273 under these agreements.
- **Tax Increment Financing** – The City has adopted three Tax Increment Financing zones (TIFs) under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payment to developers and represent obligations over the life of the TIF or until all terms of the agreements have been met. These obligations are more fully described in Note 13. Additionally, the City enters into general economic development agreements under Chapter 380 of the Texas Local Government Code which are funded with TIF resources. The City made \$8,761,812 in payments for TIF obligations, and \$1,155,000 in TIF incentives, from general TIF resources.

17 Contingent Liabilities

Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management and the City’s attorneys, the potential loss on all claims and lawsuits will not be significant to the City’s financial statements.

Grant Audit

The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the grant agreements of the appropriate agency. In the opinion of the City management, such disallowance, if any, will not be significant to the City’s financial statements.

18 Other Postemployment Benefits (OPEB)

Retiree Health Benefits

Plan Description

The City of Richardson single-employer, defined benefit OPEB plan, CORPlan, is administered by the City and provides health-care benefits, in accordance with City policy. All employees who are vested in the City’s pension plan, Texas Municipal Retirement System, are eligible for these benefits with 20 years or more of service, regardless of age, or with 5 years of service at age 60 and above. Coverage is also available to dependents or surviving spouses of retirees. Coverage for retirees age 65 and over is provided through a separate, fully insured plan. The City subsidizes medical, dental, and hospitalization costs incurred by retirees and their dependents. Recommendations for plan benefits are presented to City Council for their approval during the annual budget process. The plan is accounted for in the City’s Insurance fund as well as the Water and Sewer, Solid Waste, and Central Services funds. A separate financial statement is not issued for the plan. As of September 30, 2024 there are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms

At the December 31, 2023 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	310
Active employees	949
	<hr/>
	1,259
	<hr/> <hr/>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Contributions

Effective January 1, 2014, the City provides a \$200 per month, post-65 subsidy to retirees with 20 or more years of City service. This amount is capped at that level by council action. Sample contribution rates under the City's health plans for retirees under age 65 and their dependents are based on the length of service of the retiree as shown below.

Years of service	"Green Plan" - HDHP (w/HSA)		
	Under 15	15 - 19	20+
Retiree only	\$ 449	\$ 780	\$ 928
Retiree/spouse	891	1,561	1,856
Surviving spouse	765	1,297	1,531
Retiree/family	1,052	2,109	2,552
Years of service	"Red Plan" - Traditional PPO		
	Under 15	15 - 19	20+
Retiree only	\$ 558	\$ 962	\$ 1,103
Retiree/spouse	1,083	1,864	2,206
Surviving spouse	929	1,544	1,820
Retiree/family	1,277	2,511	3,033

Total OPEB Liability

The City's Total OPEB Liability was determined by an actuarial valuation performed on December 31, 2022 and the measurement date of December 31, 2023.

Actuarial assumptions

Actuarial valuations involve the use of estimates and assumptions about the probability of events far into the future, including, but not limited to, assumptions about length of employee service, mortality rates, and future costs of healthcare. The valuation will be updated at least every two years and actual results will be compared with past expectations. As a result of these comparisons, new estimates and assumptions will be made about future results of the plan. Valuations are made based on the benefits in place at the time of the valuation. Any changes in the benefits offered or the contribution rates would impact future valuations. The demographic assumptions are based on the assumptions that were developed for the defined benefit pension plan in which the City participates, the Texas Municipal Retirement System (TMRS). Actuarial techniques include smoothing mechanisms that take a long-term approach in the valuation of assets and liabilities of the plan and are designed to reduce short-term volatility in the measurement of these assets and liabilities.

The actuarial assumptions used to value the liabilities are summarized below:

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	3.77% as of December 31, 2023
Inflation	2.50%
Salary Increases	3.60% - 11.85%
Health Care Trend Rate	7.00%, declining to 4.25% after 15 years

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Participation rate assumptions for retirees who choose to receive health care benefits is based on years of City service. The election rate for retirees with less than 15 years of service is 0%, and from 15 to 19 years of service the election rate is 15%. For retirees with 20 years or greater of service, the election rate is 45% if retiring before age 50 and 70% at age 50 or above.

Demographic assumptions are based on the experience study conducted by TMRS for the four-year period ending December 31, 2022. Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.77% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”).

The discount rate was 4.05% as of the prior measurement date.

Sensitivity of the Discount Rate and the Health Care Cost Trend Rate

The following table presents the sensitivity of the Total OPEB Liability to changes in the discount rate when calculating it at 1-percentage-point-lower (2.77%) and 1-percentage-point-higher (4.77%).

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

1% Decrease	Current Single Rate Assumption	1% Increase
2.77%	3.77%	4.77%
\$ 54,988,972	\$ 49,992,789	\$ 45,544,521

The following table presents the sensitivity of the Total OPEB Liability to changes in the health care trend rate when calculating it at 1-percentage-point-lower (6.00%) and 1-percentage-point-higher (8.00%).

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rate

1% Decrease	Current Single Rate Assumption	1% Increase
6.00%	7.00%	8.00%
\$ 45,477,869	\$ 49,992,789	\$ 55,366,553

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Schedule of Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balances	\$ 49,279,894
Changes for the year:	
Service cost	2,042,904
Interest on the Total OPEB Liability	1,985,132
Differences between expected and actual experience	459,860
Changes in assumptions	(1,203,505)
Benefit payments	<u>(2,571,496)</u>
Net changes	<u>712,895</u>
Ending balance	\$ <u><u>49,992,789</u></u>

OPEB Expense and Deferred Outflows/(Inflows) of Resources

For the year ended September 30, 2024, the City recognized \$3,091,751 for OPEB expense. Deferred outflows of resources and deferred inflows of resources related to OPEB are from the below sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 819,053	\$ (3,677,206)
Changes of assumptions	2,774,218	(8,208,175)
Contributions subsequent to the measurement date	944,569	-
Total	\$ <u><u>4,537,840</u></u>	\$ <u><u>(11,885,381)</u></u>

Of the \$4,537,840 total for deferred outflows of resources, \$944,569 from City contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending 9/30/2025. The remainder of the total net deferred outflows/inflows of resources, \$(8,292,110) will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred outflows (inflows) of resources</u>
2025	\$ (938,612)
2026	(1,316,287)
2027	(1,406,601)
2028	(1,761,389)
2029	(2,020,719)
Thereafter	<u>(848,502)</u>
Total	\$ <u><u>(8,292,110)</u></u>

COBRA Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. The federal government outlines certain requirements for this coverage. The premium plus a two percent administration fee is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for 18 months after the employee's termination date. The City makes no contribution under this program. There were no participants in the program as of September 30, 2024.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

19 Pension Benefits

Plan Description

The City of Richardson participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a 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 TMRS 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 (Annual Report) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

Plan provisions for the City are as follows:

Employee deposit rate	7% of Earnings
City matching rate	200%
Vesting period	5 Years
Retirement years (age/years of service)	60/5, Any/20
Updated service credit	50% (Repeating)
Annuity increase (to retirees)	50% of the change in CPI (Repeating)

Additional information related to the TMRS Plan is located in the TMRS ACFR.

tmrs.com/uploads/files/general/down/pubs/ACFR_2023/ACFR_2023.pdf.

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	954
Inactive employees entitled to but not yet receiving benefits	614
Active employees	993
Total	<u><u>2,561</u></u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Contributions

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

Employees for the City of Richardson were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Richardson were 15.08% and 16.25% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$15,387,085 which matched the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following assumptions:

Inflation	2.50% per year
Overall payroll growth	3.6% to 11.85% including inflation
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is 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 to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)*
Global Public Equity	35.00 %	6.70
Core Fixed Income	6.00	4.70
Non-Core Fixed Income	20.00	8.00
Public and Private Markets	12.00	8.00
Real Estate	12.00	7.60
Hedge Funds	5.00	6.40
Private Equity	10.00	11.60
Total	100.00 %	

*Net of inflation assumption.

Discount Rate

The discount rate used to measure the Total Pension Liability (Asset) 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, and was projected over a period of 100 years. 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.

Sensitivity of Discount Rate

The following table presents the sensitivity of the Net Pension Liability (Asset) to changes in the discount rate when calculating it at 1-percentage-point-lower (5.75%) and 1-percentage-point-higher (7.75%).

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$135,706,844	\$53,709,033	\$(14,616,451)

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of TMRS (including additions to/deductions from the TMRS’s Fiduciary Net Position) have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. The Pension Plan Trust Fund is maintained on the accrual basis of accounting. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmrs.com.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Current Period**

	Increase / (Decrease)
Total pension liability:	
Service Cost	\$ 13,522,658
Interest (on the Total Pension Liability)	42,463,550
Difference between expected and actual experience	3,412,046
Change of assumptions	(5,040,505)
Benefit payments, including refunds of employee contributions	<u>(33,632,176)</u>
Net Change in Total Pension Liability	20,725,573
Total Pension Liability - Beginning	<u>639,144,394</u>
Total Pension Liability - Ending (A)	<u><u>\$ 659,869,967</u></u>
Plan Fiduciary Net Position:	
Contributions - Employer	13,660,299
Contributions - Employee	6,095,210
Net Investment Income	64,261,674
Benefit payments, including refunds of employee contributions	(33,632,176)
Administrative expense	(409,523)
Other	<u>(2,863)</u>
Net Change in Plan Fiduciary Net Position	49,972,621
Plan Fiduciary Net Position - Beginning	<u>556,188,313</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 606,160,934</u></u>
Net Pension Liability (Asset) - Ending (A-B)	<u><u>\$ 53,709,033</u></u>
Plan Fiduciary Net Position as Percentage of Total Pension Liability (Asset)	91.86 %
Covered Payroll	87,074,421
Net Pension Liability (Asset) as a Percentage of Covered Payroll	61.68 %

*FNP may be off a dollar due to rounding

The net pension liability (asset) and the total pension liability were calculated by Gabriel, Roeder, Smith & Company ("GRS"). The measurement date and the actuarial valuation date was December 31, 2023.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2024

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2024, the City recognized pension expense of 10,683,058. Deferred outflows of resources and deferred inflows of resources related to pensions are from the below sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,559,427	\$ 168,520
Net difference between projected and actual earnings on pension plan investments	15,762,822	-
Difference in assumptions	-	3,774,046
Employers' Contributions to the pension plan subsequent to the measurement date	<u>11,838,750</u>	<u>-</u>
Total	<u>\$ 34,160,999</u>	<u>\$ 3,942,566</u>

Of the \$34,160,999 total for deferred outflows of resources, \$11,838,750 from City contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending 9/30/2025. The remainder of the total net deferred outflows/inflows of resources, \$18,379,683, related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources
2025	\$ 6,277,647
2026	5,836,664
2027	11,609,163
2028	<u>(5,343,791)</u>
Total	<u>\$ 18,379,683</u>



REQUIRED SUPPLEMENTARY INFORMATION



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CITY OF RICHARDSON, TEXAS
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended September 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual GAAP</u>	<u>Adjustments</u>	<u>Actual Budget</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Budget Basis</u>	<u>Basis</u>	<u>Final Budget- Positive (Negative)</u>
Revenues						
Property taxes	\$ 75,193,587	\$ 74,352,699	\$ 71,628,992	\$ 2,332,826	\$ 73,961,818	\$ (390,881)
Franchise fees	19,065,596	19,547,515	19,293,216	-	19,293,216	(254,299)
Sales tax	57,670,586	54,098,542	53,763,370	989,424	54,752,794	654,252
Mixed beverage and bingo tax	758,751	821,119	811,149	-	811,149	(9,970)
911 revenue	570,778	543,210	526,882	-	526,882	(16,328)
Intergovernmental revenue	71,880	604,170	661,533	-	661,533	57,363
Licenses and permits	3,355,499	3,772,656	3,427,164	-	3,427,164	(345,492)
Fines and forfeitures	1,851,238	1,734,796	1,809,567	(185,402)	1,624,165	(110,631)
Interest revenue	2,292,074	2,707,727	3,169,293	350,204	3,519,497	811,770
Recreation and leisure	3,959,867	4,406,382	4,381,556	-	4,381,556	(24,826)
Public safety	2,446,000	3,180,437	3,725,962	-	3,725,962	545,525
Other	1,538,051	2,276,403	758,568	-	758,568	(1,517,835)
General administration	10,839,972	10,143,972	10,143,972	-	10,143,972	-
Contributions	-	-	34,008	-	34,008	34,008
Total revenues	<u>179,613,879</u>	<u>178,189,628</u>	<u>174,135,232</u>	<u>3,487,052</u>	<u>177,622,284</u>	<u>(567,344)</u>
Expenditures						
Current:						
General government	41,773,094	40,649,726	37,306,419	3,417,225	40,723,644	(73,918)
Public safety	70,435,138	72,311,808	71,024,473	143,094	71,167,567	1,144,241
Public services	26,870,896	26,449,431	24,701,589	904,908	25,606,497	842,934
Library	3,951,604	3,923,805	3,891,144	30,000	3,921,144	2,661
Parks and recreation	14,764,678	14,603,380	14,417,320	63,137	14,480,457	122,923
Public health	2,396,877	2,479,447	2,387,250	-	2,387,250	92,197
Capital outlay	-	58,655	1,545,423	(1,460,903)	84,520	(25,865)
Debt service						
Interest and fiscal charges	-	-	18,609	(18,609)	-	-
Payments for other obligations	-	-	968,468	(968,468)	-	-
Total expenditures	<u>160,192,287</u>	<u>160,476,252</u>	<u>156,260,695</u>	<u>2,110,384</u>	<u>158,371,079</u>	<u>2,105,173</u>
Excess of revenues over expenditures	<u>19,421,592</u>	<u>17,713,376</u>	<u>17,874,537</u>	<u>1,376,668</u>	<u>19,251,205</u>	<u>1,537,829</u>
Other financing sources (uses)						
Transfers in	-	700,000	700,000	-	700,000	-
Transfers out	(17,933,024)	(18,261,024)	(18,860,519)	-	(18,860,519)	(599,495)
Proceeds from sale of capital assets	-	-	31,329	-	31,329	31,329
Insurance and other recoveries	-	-	620,546	-	620,546	620,546
Issuance of other obligations	-	-	1,460,903	(1,460,903)	-	-
Total other financing sources (uses)	<u>(17,933,024)</u>	<u>(17,561,024)</u>	<u>(16,047,741)</u>	<u>(1,460,903)</u>	<u>(17,508,644)</u>	<u>52,380</u>
Net change in fund balance	1,488,568	152,352	1,826,796	(84,235)	1,742,561	1,590,209
Fund balances, October 1	<u>42,345,927</u>	<u>44,348,436</u>	<u>44,348,436</u>	<u>(1,655,640)</u>	<u>42,692,796</u>	<u>(1,655,640)</u>
Fund balances, September 30	<u>\$ 43,834,495</u>	<u>\$ 44,500,788</u>	<u>\$ 46,175,232</u>	<u>\$ (1,739,875)</u>	<u>\$ 44,435,357</u>	<u>\$ (65,431)</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Hotel/Motel Tax Fund
 For the Fiscal Year Ended September 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Hotel/motel taxes	\$ 4,678,847	\$ 5,186,478	\$ 5,088,522	\$ (97,956)
Parking Fees	383,551	400,528	66,493	(334,035)
Eisemann center revenue	3,561,364	3,026,834	2,764,112	(262,722)
Interest revenue	276,100	398,855	736,323	337,468
Contributions	-	-	5,000	5,000
Total revenues	<u>8,899,862</u>	<u>9,012,695</u>	<u>8,660,450</u>	<u>(352,245)</u>
Expenditures				
General government	8,286,939	8,537,787	8,934,543	(396,756)
Capital outlay	530,000	530,000	284,250	245,750
General administration	505,843	505,843	-	505,843
Total expenditures	<u>9,322,782</u>	<u>9,573,630</u>	<u>9,218,793</u>	<u>354,837</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(422,920)</u>	<u>(560,935)</u>	<u>(558,343)</u>	<u>2,592</u>
Other financing sources (uses)				
Transfers out	-	(1,450,000)	(1,450,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(1,450,000)</u>	<u>(1,450,000)</u>	<u>-</u>
Net change in fund balance	(422,920)	(2,010,935)	(2,008,343)	2,592
Fund balances, October 1	<u>7,129,861</u>	<u>7,510,514</u>	<u>7,510,514</u>	<u>-</u>
Fund balances, September 30	<u>\$ 6,706,941</u>	<u>\$ 5,499,579</u>	<u>\$ 5,502,171</u>	<u>\$ 2,592</u>

CITY OF RICHARDSON, TEXAS
 Required Supplementary Information
 Year ended September 30, 2023

**Schedule of Changes in Total OPEB Liability and Related Ratios
 Last 10 Calendar Years***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:						
Service cost	\$ 2,042,904	\$ 3,023,443	\$ 2,805,395	\$ 2,513,572	\$ 1,979,670	\$ 1,981,275
Interest (on the total OPEB liability)	1,985,132	1,140,456	1,176,485	1,445,329	1,871,002	1,568,415
Differences between expected and actual experience	459,860	(4,871,675)	(71,716)	(139,592)	(72,942)	1,906,943
Change of Assumptions	(1,203,505)	(9,563,999)	1,022,921	4,123,289	(173,959)	(660,122)
Benefit Payments, Including Refunds of Employee Contributions	(2,571,496)	(1,835,797)	(1,934,353)	(1,709,027)	(1,780,176)	(1,716,882)
Net change in total OPEB liability	<u>712,895</u>	<u>(12,107,572)</u>	<u>2,998,732</u>	<u>6,233,571</u>	<u>1,823,595</u>	<u>3,079,629</u>
Total OPEB liability - beginning	<u>49,279,894</u>	<u>61,387,466</u>	<u>58,388,734</u>	<u>52,155,163</u>	<u>50,331,568</u>	<u>47,251,939</u>
Total OPEB liability - ending	<u>\$ 49,992,789</u>	<u>\$ 49,279,894</u>	<u>\$ 61,387,466</u>	<u>\$ 58,388,734</u>	<u>\$ 52,155,163</u>	<u>\$ 50,331,568</u>
Covered employee payroll	87,080,321	77,545,305	76,826,799	75,577,640	76,353,079	73,564,399
Total OPEB liability as a percentage of covered employee payroll	57.41 %	63.62 %	79.90 %	77.26 %	69.31 %	68.42 %

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate in each period. The discount rate changed from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023.

*Note: The City implemented GASB 75 in FY 2018 with actuarial data as of December 31, 2017, therefore the required information for this schedule will be built over the next five calendar years.

As of September 30, 2021 there are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF RICHARDSON, TEXAS
Required Supplementary Information
Year ended September 30, 2024

Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 15,387,086	\$ 13,612,611	\$ 11,114,342	\$ 11,364,819	\$ 11,036,813	\$ 10,981,704	\$ 10,828,353	\$ 10,000,938	\$ 8,960,805
Contributions in relation to the actuarially determined contribution	<u>(15,387,086)</u>	<u>(13,071,266)</u>	<u>(11,655,687)</u>	<u>(11,490,448)</u>	<u>(12,704,395)</u>	<u>(11,146,767)</u>	<u>(10,828,353)</u>	<u>(10,000,938)</u>	<u>(8,960,805)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 541,345</u>	<u>\$ (541,345)</u>	<u>\$ (125,629)</u>	<u>\$ (1,667,582)</u>	<u>\$ (165,063)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 94,689,755	\$ 84,552,900	\$ 77,964,464	\$ 76,858,905	\$ 75,768,351	\$ 75,570,212	\$ 72,840,621	\$ 70,066,638	\$ 67,329,906
Contributions as a percentage of covered payroll	16.25 %	16.10 %	14.26 %	14.79 %	14.57 %	14.53 %	14.87 %	14.27 %	14.31 %

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen months later.
Notes	
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	10 Year smoothed market, 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale MP-2021 (with immediate convergence).
Other Information:	
Notes	There were no benefit changes during the year.

CITY OF RICHARDSON, TEXAS
 Required Supplementary Information
 Year ended September 30, 2024

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Last 10 Calendar Years***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:									
Service cost	\$ 13,522,658	\$ 11,995,305	\$ 11,524,130	\$ 11,321,609	\$ 11,430,056	\$ 11,005,234	\$ 10,613,618	\$ 10,202,479	\$ 9,282,442
Interest (on the Total Pension Liability)	42,463,550	40,825,471	38,939,714	37,728,817	36,261,004	34,850,859	33,439,920	31,995,989	31,310,006
Changes of benefit terms	-	2,679,847	-	-	-	-	-	-	-
Differences between expected and actual experience	3,412,046	4,412,563	6,716,536	(2,342,984)	1,280,146	243,478	(313,905)	648,556	(1,241,285)
Change of assumptions	(5,040,505)	-	-	-	56,972	-	-	-	7,343,227
Benefit payments, including refunds of employee contributions	(33,632,176)	(33,826,183)	(30,491,141)	(27,247,853)	(27,209,284)	(23,632,610)	(22,432,659)	(20,889,414)	(19,961,687)
Net change in Total Pension Liability	20,725,573	26,087,003	26,689,239	19,459,589	21,818,894	22,466,961	21,306,974	21,957,610	26,732,703
Total Pension Liability - Beginning	639,144,394	613,057,391	586,368,152	567,208,565	545,389,671	522,922,710	501,615,736	479,358,126	452,625,423
Total Pension Liability - Ending (A)	<u>\$ 659,869,967</u>	<u>\$ 639,144,394</u>	<u>\$ 613,057,391</u>	<u>\$ 586,668,154</u>	<u>\$ 567,208,565</u>	<u>\$ 545,389,671</u>	<u>\$ 522,922,710</u>	<u>\$ 501,315,736</u>	<u>\$ 479,358,126</u>
Plan fiduciary Net Position									
Contributions - Employer	\$ 13,660,299	\$ 11,656,337	\$ 11,485,650	\$ 12,568,995	\$ 11,399,536	\$ 10,887,470	\$ 10,342,735	\$ 9,073,163	\$ 9,067,267
Contributions - Employee	6,095,210	5,424,864	5,377,928	5,291,206	5,479,173	5,149,508	4,967,489	4,767,618	4,599,369
Net Investment Income	64,261,674	(45,060,193)	72,835,182	40,100,443	72,190,327	(14,664,558)	60,507,332	28,105,129	622,684
Benefit payments, including refunds of employee contributions	(33,632,176)	(33,826,183)	(30,491,141)	(27,247,853)	(27,209,284)	(23,632,610)	(22,432,659)	(20,889,414)	(19,961,687)
Administrative expense	(409,523)	(390,319)	(337,211)	(259,633)	(408,090)	(283,512)	(313,643)	(317,470)	(379,292)
Other	(2,861)	465,766	2,309	(10,130)	(12,259)	(14,812)	(15,895)	(17,105)	(18,735)
Net change in plan fiduciary net position	49,972,623	(61,729,728)	58,872,717	30,443,028	61,439,403	(22,558,514)	53,055,359	20,721,921	(6,070,394)
Plan Fiduciary Net Position - Beginning	556,188,314	617,918,041	559,045,324	528,602,296	467,162,893	489,721,409	436,066,048	415,944,127	422,014,521
Plan Fiduciary Net Position - Ending (B)	<u>\$ 606,160,937</u>	<u>\$ 556,188,313</u>	<u>\$ 617,918,041</u>	<u>\$ 559,045,324</u>	<u>\$ 528,602,296</u>	<u>\$ 467,162,895</u>	<u>\$ 489,121,407</u>	<u>\$ 436,666,048</u>	<u>\$ 415,944,127</u>
Net Pension Liability (Asset)- Ending (A-B)	<u>\$ 53,709,030</u>	<u>\$ 82,956,081</u>	<u>\$ (4,860,650)</u>	<u>\$ 27,622,830</u>	<u>\$ 38,606,269</u>	<u>\$ 78,226,776</u>	<u>\$ 33,801,303</u>	<u>\$ 64,649,688</u>	<u>\$ 63,413,999</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	91.86 %	87.02 %	100.79 %	95.29 %	93.19 %	85.66 %	93.54 %	87.10 %	86.77 %
Covered payroll	\$ 87,074,421	\$ 77,439,024	\$ 76,827,535	\$ 75,578,149	\$ 76,353,079	\$ 73,564,399	\$ 70,946,642	\$ 68,061,898	\$ 65,693,151
Net Pension Liability (Asset) as a Percentage of Covered Payroll	61.68 %	107.12 %	(6.33)%	36.55 %	50.56 %	106.34 %	47.64 %	94.99 %	(96.53)%

* The City implemented GASB 68 in FY 2015 with actuarial data as of December 31, 2014, therefore the required information for this schedule will be built over time.

CITY OF RICHARDSON, TEXAS
Notes to the Required Supplementary Information
For the Fiscal Year Ended September 30, 2024

(A) Budgetary Information

As set forth in the City Charter, the City Council adopts annual budgets for the General Fund, the Debt Service Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds. These annual budget adoptions are prepared in accordance with the basis of accounting utilized by each fund, with certain exceptions made for non-cash GAAP adjustments such as accruals for court fines or mark to market interest revenue adjustments. The budgets for the Enterprise Funds are prepared under a basis consistent with accounting principles generally accepted in the United States, except that depreciation, certain capital expenses, nonoperating income and certain nonoperating expense items are not considered. The legal level of control for each budget is at the fund level. That is to say, that total expenditures for each fund should not exceed total budgeted expenditures for that fund. The City Council is authorized to transfer budgeted amounts within and among departments and ratifies, through the Budget Ordinance, any transfers and/or amendments made by the City Manager. Subsequent to year-end, the Budget Department provides the City Council with the adopted budgets. The Solid Waste and Water and Sewer Funds include amounts for operations and debt service.

	<u>Original Budget</u>	<u>Amended Budget</u>
General	\$ 178,125,311	\$ 178,737,276
Hotel/Motel Tax	9,322,782	11,023,630
Debt Service	47,521,971	47,521,971
Water and Sewer	105,059,411	109,699,321
Solid Waste Services	18,213,924	18,347,145
Internal Service (Combined)	20,209,258	21,163,522
Municipal Court Building Security	78,666	79,692
Technology	20,448	31,660
Judicial Efficiency	22,780	9,535
Municipal Jury Fund	1,500	1,400
Juvenile Case Manager	75,522	69,344
Tax Increment Financing #1	20,945,477	14,944,613
Tax Increment Financing #2	10,464,709	5,748,966
Tax Increment Financing #3	2,034,329	1,232,198
Federal Grants	12,089,646	5,784,219
State Grants	-	91,950
Special Police	144,900	238,775
Wireless 911	728,400	1,349,138
PEG	175,000	151,000
Drainage	4,713,280	2,739,317
Richardson Improvement Corp.	12,500	10,620
Economic Development	1,443,876	2,290,728
Golf	2,792,196	3,000,630

CITY OF RICHARDSON, TEXAS
Notes to the Required Supplementary Information
For the Fiscal Year Ended September 30, 2024

(A) Budgetary Information

Expenditures over Appropriations

For the year ended September 30, 2024, expenditures (including transfers) were less than appropriations in the General Fund. Expenditures exceeded appropriations in the Judicial Efficiency Fund by \$3,507 for various reasons and the Golf Fund by \$555,127 due to leasing activities. These expenditures were covered by greater than expected revenues, other financing sources or available fund balances.

(B) Adjustment to Revenues, Expenditures and Other Financing Sources and Uses from GAAP Basis to Basis of Budgeting

Excess of revenues and other sources over expenditures and other uses-GAAP basis	\$ 1,826,796
End of year adjustment for encumbrances not recognized as expenditures	(249,037)
Non-cash mark to market investment revenue recognized for GAAP basis	350,204
Increase in fines and forfeitures recognized for GAAP basis	<u>(185,402)</u>
Excess of revenues and other sources over expenditures and other uses-budget basis	<u><u>\$ 1,742,561</u></u>

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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[closing date]

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IN REGARD to the authorization and issuance of the “City of Richardson, Texas, General Obligation Bonds, Series 2025,” dated May 28, 2025, in the principal amount of \$_____ (the “Bonds”), we have examined into their issuance by the City of Richardson, Texas (the “City”), solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on February 15 in each of the years specified in a pricing certificate executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (jointly, the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

[closing date]

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IN REGARD to the authorization and issuance of the "City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025A," dated May 28, 2025, in the principal amount of \$_____ (the "Certificates"), we have examined into their issuance by the City of Richardson, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on February 15 in each of the years specified in a pricing certificate executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (jointly, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025A"

other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

[closing date]

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nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2025B," dated May 28, 2025, in the principal amount of \$_____ (the "Certificates"), we have examined into their issuance by the City of Richardson, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on February 15 in each of the years specified in a pricing certificate executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (jointly, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to certain facts within the knowledge and control of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the State of Texas in force and effect on the date hereof that the Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

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Re: "City of Richardson, Texas, Combination Tax and Revenue Certificates of Obligation,
Taxable Series 2025B"

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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