

DEBT SERVICE FUND

The General Obligation Debt Service Fund is used to account for payment of principal and interest on the City of Mansfield's general obligation bonds and capital lease payments.

Revenue Debt Service Funds are used to account for Revenue Bonds whose principal and interest are payable from earnings of the City of Mansfield's Enterprise Funds.

Special Revenue Debt Service Funds are used to account for Sales Tax Revenue Bonds whose principal and interest are payable from a special ½ ¢ sales tax.

CITY OF MANSFIELD DEBT MANAGEMENT POLICY

Purpose

The City recognizes that effective management of the public's funds is an investment of the public's funds within the community in which it serves. It is with this understanding that the City of Mansfield establishes its debt policy to guide decision makers in investing the public's money within the City of Mansfield, Texas.

- “Tax-exempt financing is used by state and local governments to raise capital to finance public capital improvements and other projects, including infrastructure facilities that are vitally important to sustained economic growth.”
- Tax-Exempt Financing, a Primer

It is upon this principal that the City of Mansfield, Texas determines the necessity to incur debt in order to finance the Capital Improvement Program (CIP) of the City. The management of the City's debt is vital for maintaining the expected cost of services and the continued infrastructure development within this community. With the incurrence of additional debt, the City is able to pay for the infrastructure needs of the community without overly burdening the constituency in any given period by increasing or decreasing the fee structure necessary to support the capital improvement. As a result, the management of the City's debt portfolio is designed to minimize the impact to its constituency.

Authorization

The Constitution of the State of Texas and the general laws of the State of Texas allow for and permit Texas cities, as authorized by the City, to issue direct obligations or bonds for the purpose of financing improvements and capital assets.

Although the Federal Government does not govern local spending authority, it closely regulates and monitors the types of issuances and the authority for issuance through the Federal Income Tax Code, Sections 141 through 150. The Federal Income Tax Code restricts the nature and character of Bond Interest in how it is treated as income for income tax reporting, thereby controlling and creating markets for tax-exempt instruments.

Uses of Debt Financing and Capital Improvements

- Debt financing shall be used to fund infrastructure improvements and the purchasing of capital assets as long as the asset life of the improvement or capital asset is beyond the cost of financing the improvement or the capital asset.
- Debt financing shall be used as a funding source when the improvements or the purchase of capital assets cannot be acquired from current revenue sources or direct fees like impact fees. In addition, if the purchase of capital assets and construction of infrastructure improvements can be funded through available resources (fund balance, current revenue or any other recurring revenue) then the cost of money should be considered against the value of available resources in determining pay-as-you-go financing.

Affordability of Additional Debt and Legal Debt Limit

In Fiscal Year 2000, the City of Mansfield developed a 10-year Strategic Plan that anticipates the financial future of the City of Mansfield, Texas. This plan is a comprehensive planning model that enables Management to assess the financial well-being of the City. It quantifies the impact of growth and development and speaks plainly about the fiscal condition of the City. This Strategic Plan incorporates

future revenue sources, operating expenses and projected capital improvement projects for all of the City's activities: Governmental Funds and Enterprise Funds. This Strategic Plan measures the City's ability to authorize and issue additional debt over the next ten years. Each year, the plan is revised to reflect growth, population estimates and current operating revenues.

- The City shall use an objective, analytical approach to determine whether it can afford to incur new debt beyond what it retires each year. This process shall compare generally accepted standards of affordability to the current values for the City.

General Obligation Bonds:

- Debt per capita
- Debt as a percent of taxable value
- Debt service as a percent of current revenues and current expenditures
- Debt tax rate as a percent of the City's tax rate

Revenue Bonds:

- Pledged revenues shall be a minimum of 110% of annual debt service
 - Pledged revenues shall be a minimum of 125% of average annual debt service
 - Pledged revenues shall be 130% of maximum annual debt service for financial planning purposes
 - Annual adjustments to the City's rate structures will be made as necessary to maintain a 130% coverage factor
- The City will keep outstanding debt within the limits prescribed by State Statute, which does 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.

Types of Debt and Criteria for Issuance of Types of Debt

The City may choose to issue debt under any provision allowed for and permitted by State Statute. Although debt is an obligation to be repaid, it can assume many forms. The form and character of debt is typically determined by the nature of the funding source and nature of the asset to be purchased or improved. However, debt can generally be categorized into two types, as determined by the Federal Income Tax Code: Governmental Bonds and Private Activity Bonds, either of which may be taxable or tax-exempt. In determining the type of security for financing an improvement or purchasing of a capital asset, the City may consider the following, and is not limited to the following:

Debt Form

General Obligation Facility:

General Obligation Bonds ("GOs")	Tax levy as security for the bonds Voter's Approval Specific Public Purpose
Certificates of Obligation ("COs")	Tax levy and/or revenue pledge as security Specific public purpose Public Notice; hearings and advertisement

Public Property Finance Contractual
Obligations (“PPFCOs”)

Tax levy and/or revenue pledge as security
Acquisition of personal property
Alternative for lease/purchase

Anticipation Notes

Tax levy and/or revenue pledge as security
Construction of Public Works
Acquisition of real and personal property
Cumulative cash flow deficit
Professional services
Maturity is maximum of seven years

Revenue Facility:

Revenue Bonds

Revenue pledge as security
Pledge to set rates and fees to meet covenants
Bond Reserve Fund for surety
Covenant reporting
Equitable rate structure
First lien security with parity
Construction of capital improvements

Contract Revenue Bonds

City contracts with entities
Tax levy and/or revenue pledge as security
Ownership of title may occur with entity or
City

Special Obligation Facility:

Tax Increment Financing District (“TIF”)

Development district established
Construction of improvements
Incremental increase in value property only
Taxable by TIF

Non-Profit Corporations
Property Finance Authority
Mansfield Park Facilities Development Corp
Mansfield Economic Development Corp

Established corporations
Revenue pledge of the corporation
Covenant reporting
First lien security with parity
Acquisition of real or personal property
Public/private infrastructure improvements
City may or may not own title
Specific services (can be taxable or non-taxable
to the bond holders.)

Public Improvement District (“PID”)

Specific improvement
Securitized by pledged assessments
Specific benefactors

Other Credit Facility:

Capital Lease

Annual tax or revenue appropriation
Tax-exempt or can be taxable.

	Acquisition of personal property Able to refinance
Line of Credit	Qualify statutorily Immediate need for financing Borrowings retired with bond proceeds Fulfill bond reserve covenants Borrowings repaid from current resources
Commercial Paper	Revenue pledge as security Demand from the market for small issuer Commercial paper
Derivatives	Minimize risk of market Reduced costs versus fixed costs Creates flexibility Understood risk warrants the savings
Surety Bond & Bond Insurance	Debt service is less than cost of insurance Double AA rated insurer Competitive offers from two insurers

Debt Structure

Historically, the City of Mansfield's debt structures have been designed to coincide with the fiscal policies of the City of Mansfield, Texas, essentially allowing growth to pay for growth by properly setting the maturities of the debt to equal or less than the usefulness of the improvement or asset.

Typical debt structure of a bond issuance:

- Term or serial bonds structured for annual payments
- Traditional call feature that does not influence the price of the bonds
- Average bond life of 10.5 years to 12.0 years
- Level payments for twenty years
- Pricing structured to allow for premiums and discounts
- First year payment to begin in second year of construction
- Bond insurance
- Surety bond if warranted

The City of Mansfield has sought non-traditional avenues of capital improvement financing; however, the City is considered a "small issuer" under the law. It has been more economical for the City to maintain this type of debt structure for its bond sales. This does not preclude the City from considering different structures or structuring its issuance differently from its typical debt structure. The purpose of the structure is to provide the City with the lowest possible costs under market conditions at the time of issuance.

Methods of Sale

Competitive Sale: The City shall seek to issue its debt obligations in a competitive bidding environment. Bids shall be awarded on a True Interest Cost, providing the bidders meet other bidding requirements. In some instances, the City may award the sale to the lowest Net Interest Cost bidder depending on the

economic substance of the transaction. If the competitive bidding process is not conducive to soliciting the lowest cost of financing a bond issuance, the City may choose to negotiate the sale.

Negotiated Sale: The City shall seek to weigh the selection of underwriter before negotiating a bond sale. The selection of the underwriter shall encourage the best economic environment in which the City will benefit from selling its bonds. Typically, negotiated sales will occur when the market volatility is unpredictable. In some cases this may mean investors are not willing to commit capital in uncertain economic environments, or the size of the issue may not attract the bids for a successful sale. Moreover, the primary purpose of the negotiated sale is to solicit the interest rate environment for the City to sell bonds.

Private Placement: The City will seek to privately place its bonds with a select group of investors when the issuance warrants the sophistication of the buyer. The City will ensure that the placement fee is less than a typical underwriter’s fee in a negotiated offering of a comparable type sale in a similar sale environment.

Refunding of Debt

The City of Mansfield, Texas shall monitor the municipal bond market for opportunities to refund outstanding debt to save the City from future interest costs. As a general rule, the savings shall be at least 3% greater than the cost of carrying the existing debt inclusive of issuance costs and any cash contributions. However, if the value of the savings exceeds the cost of the refunding and is greater than \$100,000 but is less than 3% of the savings, then the City shall consider refunding the existing debt. Arbitrage rules are to be considered when refunding debt.

Credit Objectives

The City of Mansfield, Texas shall seek to attain and maintain the highest possible bond ratings for its outstanding debt without compromising the delivery of basic City services. Currently, the City maintains four ratings with Fitch, Moody’s, and Standard & Poor’s.

	<i>Fitch, IBCA</i>	<i>Moody’s</i>	<i>Standard & Poor’s</i>
General Obligation	AA+	Aa2	AAA
Sales Tax Revenue	AA+	Aa2/3	AA-/A+
Drainage Revenue	AA	Aa2	AA
Water & Sewer	AA+	Aa2	AA+

It is and will be the continued policy of the City of Mansfield to provide full disclosure of information about the City’s operating activity to the rating agencies. The City shall maintain an open line of communication with the rating agencies to allow for the free exchange of information between the City and the agencies.

Secondary Market Disclosure

SEC 15c2-12 regulations became effective July 3, 1995. The City shall continue to provide financial data to the Nationally Recognized Municipal Information Depository (NRMSIRs), EMMA and the State Information Depositories (SIDs). The City will and has complied with secondary reporting requirements of SEC 15c2-12.

Financial Advisor

The City will retain an external financial advisor. The financial advisor must have comprehensive municipal debt experience and experience in diverse financial structuring requirements. The City financial advisor must also be of reputable character and in good standing with SEC and the MSRB.

Bond Counsel

The City will retain an external bond counsel. Bond Counsel must have comprehensive municipal debt experience and experience in diverse financial structuring requirements. Bond Counsel must also be of reputable character and in good standing with Texas Law Review Board.

Other Service Providers

The City shall select other service providers (e.g. escrow agents, verification agents, trustees, arbitrage consultants, etc.) as necessary to meet legal requirements and minimize net City debt costs.

Arbitrage Compliance

The City shall maintain its books and records in a manner consistent with the provision allowed for under the Internal Revenue Code Section 148. Furthermore, the City shall have its arbitrage exposure calculated annually and appropriately recognized in the City’s Comprehensive Annual Financial Statement.

Investment of Bond Proceeds

All bond proceeds shall be invested in accordance with the City Investment Policy. The proceeds shall be invested as part of the City’s consolidated cash pool and accounted for separately and accordingly to bond covenants and the Internal Revenue Code.

Calculation of the City of Mansfield Legal Debt Limit

The City Charter of the City of Mansfield, Texas and 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 of more than 5,000 populations, limit the ad valorem tax rate to \$2.50 per \$100 of assessed valuation. The City operates under a Home Rule Charter that also imposes a limit of \$2.50 per \$100 of assessed valuation. The FY 2017-2018 budgeted property tax rate is \$0.71000 per \$100 valuation with a tax margin of \$1.79000 per \$100 valuation based upon the maximum ad valorem tax rate noted above. Additional revenues up to \$117,930,543 per year could be raised before reaching the maximum allowable tax base.

<p>Assessed Value x Legal Debt Limit (15% of Assessed Value)</p> <p>-</p> <p>General Obligation Bonds and Certificates of Obligation</p> <p>=</p> <p>Legal Debt Margin</p>

The Assessed Taxable Valuation in FY 2017-2018 is \$6,588,298,531

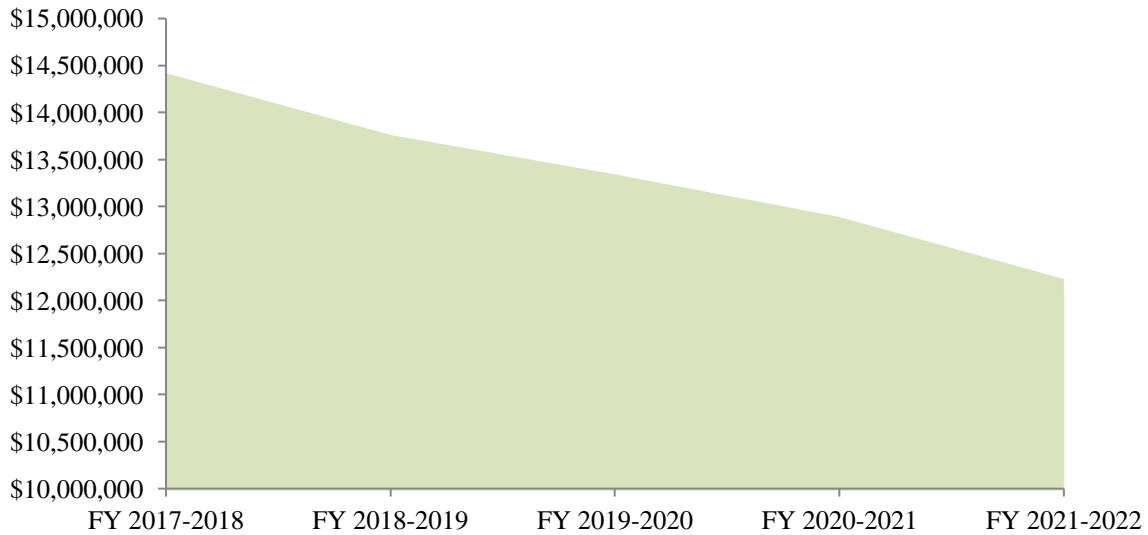
The Legal Debt Limit is \$988,244,780

General Obligation Bonds and Certificates of Obligation is \$127,860,000

The Legal Debt Margin is \$860,384,780

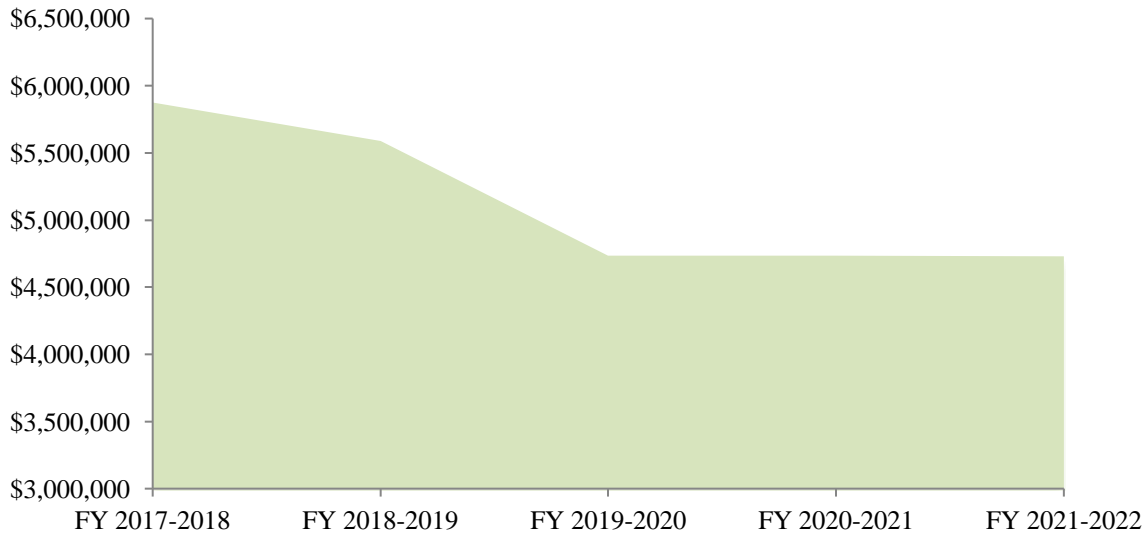
**CITY OF MANSFIELD, TEXAS
GENERAL FUND
SCHEDULE OF DEBT PAYMENTS**

Fiscal Year	Principal	Interest	Total
2017-2018	9,375,000	5,043,980	14,418,980
2018-2019	9,015,000	4,746,536	13,761,536
2019-2020	8,910,000	4,433,854	13,343,854
2020-2021	8,785,000	4,105,894	12,890,894
2021-2022	8,455,000	3,775,553	12,230,553
2023-2027	38,015,000	13,797,342	51,812,342
2028-2032	28,110,000	6,567,719	34,677,719
2033-2037	16,515,000	1,466,917	17,981,917
2038-2041	680,000	54,405	734,405
Total	\$ 127,860,000	\$ 43,992,200	\$ 171,852,200



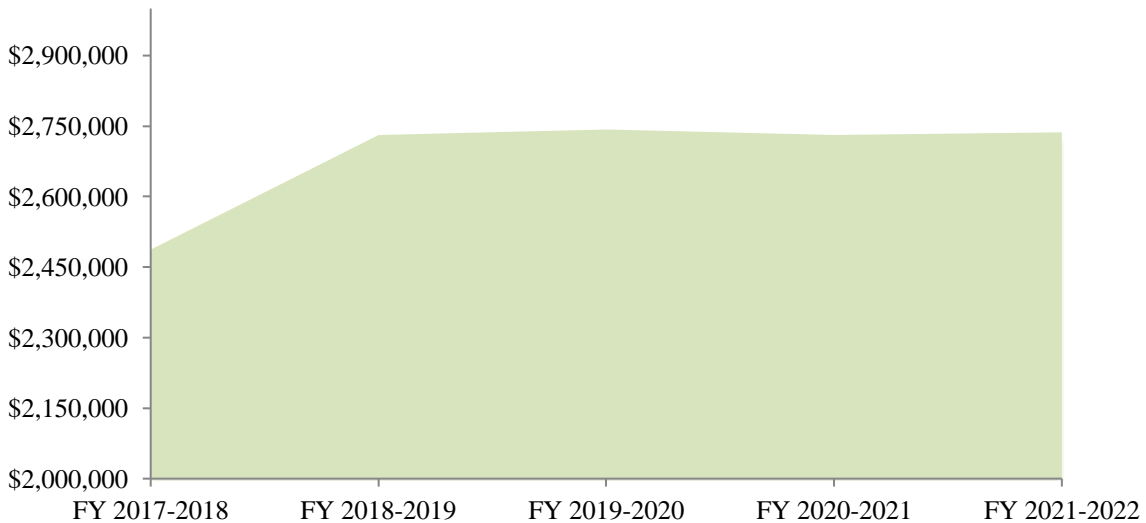
**CITY OF MANSFIELD, TEXAS
WATER & SEWER FUND
SCHEDULE OF DEBT PAYMENTS**

Fiscal Year	Principal	Interest	Total
2017-2018	4,000,000	1,875,009	5,875,009
2018-2019	3,875,000	1,711,534	5,586,534
2019-2020	3,180,000	1,554,834	4,734,834
2020-2021	3,300,000	1,435,871	4,735,871
2021-2022	3,440,000	1,291,871	4,731,871
2023-2027	15,080,000	4,319,805	19,399,805
2028-2032	7,950,000	1,013,338	8,963,338
2033-2035	1,310,000	106,200	1,416,200
Total	\$ 42,135,000	\$ 13,308,462	\$ 55,443,462



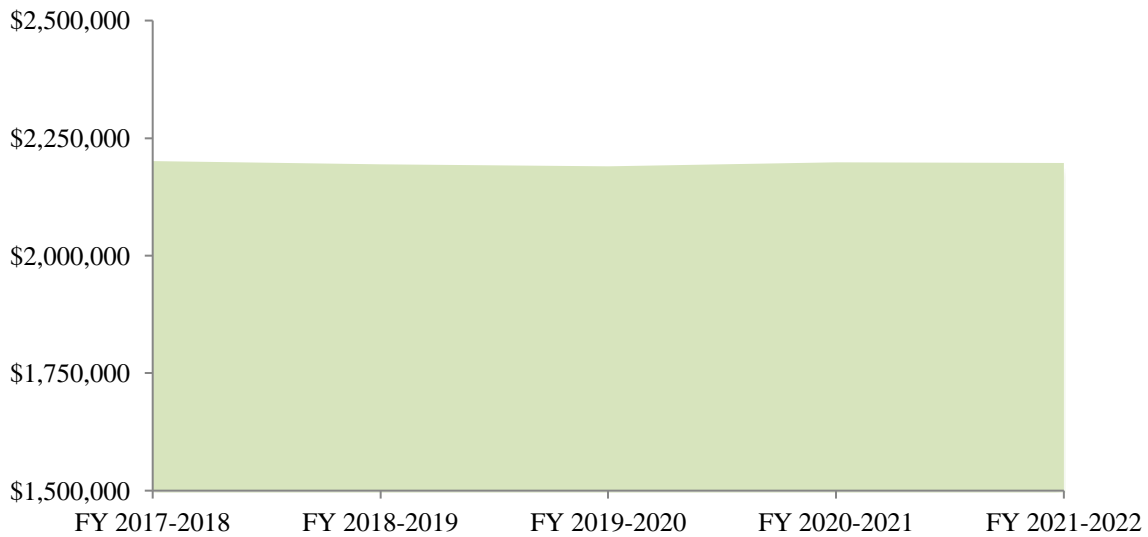
CITY OF MANSFIELD, TEXAS
MANSFIELD PARK FACILITIES DEVELOPMENT FUND
SCHEDULE OF DEBT PAYMENTS

Fiscal Year	Principal	Interest	Total
2017-2018	1,315,000	1,172,721	2,487,721
2018-2019	1,585,000	1,145,655	2,730,655
2019-2020	1,630,000	1,112,737	2,742,737
2020-2021	1,660,000	1,071,383	2,731,383
2021-2022	1,710,000	1,026,492	2,736,492
2023-2027	7,995,000	4,330,098	12,325,098
2028-2032	5,625,000	3,086,532	8,711,532
2033-2037	6,155,000	1,849,128	8,004,128
2038-2041	4,460,000	457,922	4,917,922
Total	\$ 32,135,000	\$ 15,252,667	\$47,387,667



CITY OF MANSFIELD, TEXAS
MANSFIELD ECONOMIC DEVELOPMENT FUND
SCHEDULE OF DEBT PAYMENTS

Fiscal Year	Principal	Interest	Total
2017-2018	1,455,000	746,040	2,201,040
2018-2019	1,480,000	714,508	2,194,508
2019-2020	1,510,000	680,366	2,190,366
2020-2021	1,555,000	643,656	2,198,656
2021-2022	1,605,000	592,670	2,197,670
2023-2027	5,870,000	2,157,549	8,027,549
2028-2032	4,865,000	1,201,631	6,066,631
2033-2036	3,690,000	294,825	3,984,825
Total	\$ 22,030,000	\$ 7,031,246	\$ 29,061,246



**CITY OF MANSFIELD, TEXAS
DRAINAGE AND ENVIRONMENTAL SERVICES FUND
SCHEDULE OF DEBT PAYMENTS**

Fiscal Year	Principal	Interest	Total
2017-2018	405,000	118,070	523,070
2018-2019	420,000	107,770	527,770
2019-2020	430,000	97,070	527,070
2020-2021	440,000	79,750	519,750
2021-2022	460,000	66,710	526,710
2023-2027	1,415,000	127,543	1,542,543
Total	\$ 3,570,000	\$ 596,913	\$ 4,166,913

