

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 upon this understanding that the City of Mansfield, Texas 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 to 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 assume 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 110% of annual debt service.

Pledged Revenues shall be a minimum of 125% of average annual debt service

Pledged Revenues shall be a 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 of more than 5,000 populations, 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, generally debt can 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 & 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 Established Corporations
Property Finance Authority Revenue Pledge of the Corporation
Mansfield Park Facilities Development Corp Covenant Reporting
Mansfield Economic Development Corp First lien security with parity
Acquisition of Real or Personal Property
Public/Private infrastructure improvements
City may or may not own title
Specific Services

Public Improvement District (“PID”) Specific Improvement
Securitized by Pledged Assessments
Specific Benefactors

Other Credit Facility:

Capital Lease Annual Tax or Revenue Appropriation
Tax-Exempt
Acquisition of Personal Property
Able to Refinance
Annual Tax or Revenue Appropriation

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

Surety Bond & Bond Insurance Understood risk warrants the savings
Debt service is less than cost of Insurance
Triple AAA 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, Texas 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 sale of its bonds. Typically, negotiated sales will occur when the market volatility is unpredictable. In some cases this may mean investors are not willing 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 sale 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 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 maintain and attain 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 & Standard & Poor's.

	<i>Fitch, IBCA</i>	<i>Moody's</i>	<i>Standard & Poor's</i>
General Obligation	AA	Aa2	AA+
Sales Tax Revenue	AA-	Aa3	A
Drainage Revenue	AA	Aa2	AA-
Water & Sewer	AA	Aa2	AA

It is and will be the continued policy of the City of Mansfield, Texas 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) 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 advisory 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 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 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.

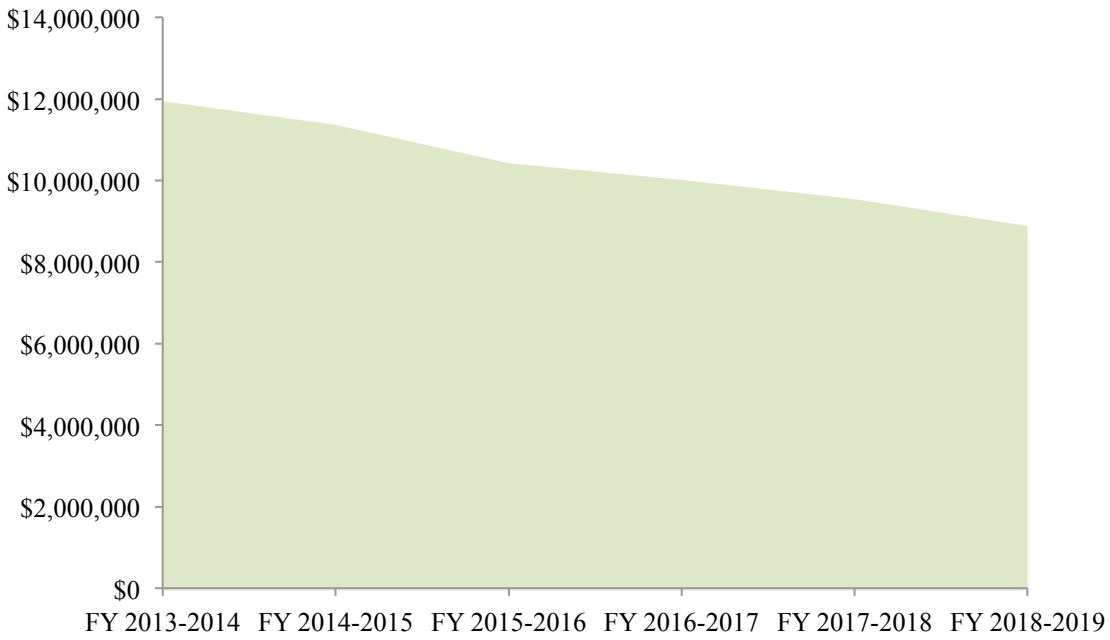
The City Charter of the City of Mansfield, Texas and the statutes of the State of Texas do not prescribe a legal debt limit.

However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population 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 assessed valuation. The FY 2014-2015 budgeted property tax rate was \$.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 \$83,961,114 per year could be raised before reaching the maximum allowable tax base.

Assessed Value x Legal Debt Limit (15% of Assessed Value)
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General Obligation Bonds and Certificates of Obligation
=
Legal Debt Margin

CITY OF MANSFIELD, TEXAS
GENERAL FUND
SCHEDULE OF DEBT PAYMENTS

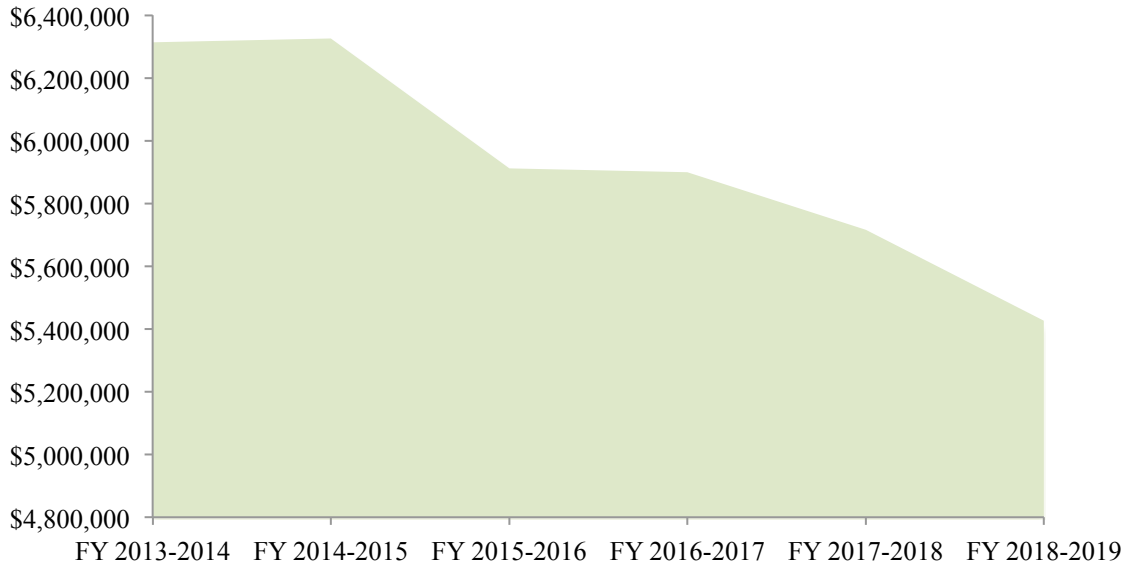
Fiscal Year	Principal	Interest	Total
2013-2014	8,160,000	3,781,800	11,941,800
2014-2015	7,910,000	3,458,720	11,368,720
2015-2016	7,270,000	3,160,215	10,430,215
2016-2017	7,135,000	2,881,185	10,016,185
2017-2018	6,935,000	2,603,202	9,538,202
2018-2019	6,560,000	2,331,286	8,891,286
2019-33	48,725,000	10,687,369	59,412,369
Total	\$ 92,695,000	\$ 28,903,777	\$ 121,598,777



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

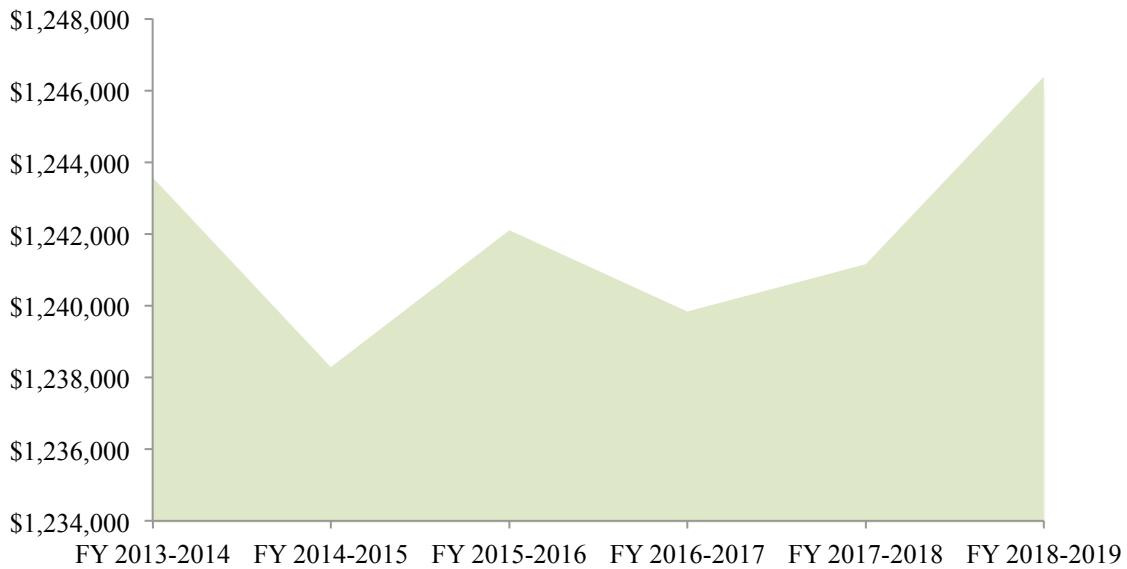
Fiscal Year	Principal	Interest	Total
2013-14	3,820,000	2,493,316	6,313,316
2014-15	3,960,000	2,364,721	6,324,721
2015-16	3,695,000	2,217,471	5,912,471
2016-17	3,825,000	2,073,827	5,898,827
2017-18	3,795,000	1,920,696	5,715,696
2018-19	3,660,000	1,767,128	5,427,128
2019-2030	29,950,000	9,499,246	39,449,246
Total	\$ 52,705,000	\$ 22,336,405	\$ 75,041,405

Debt Service Fund



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

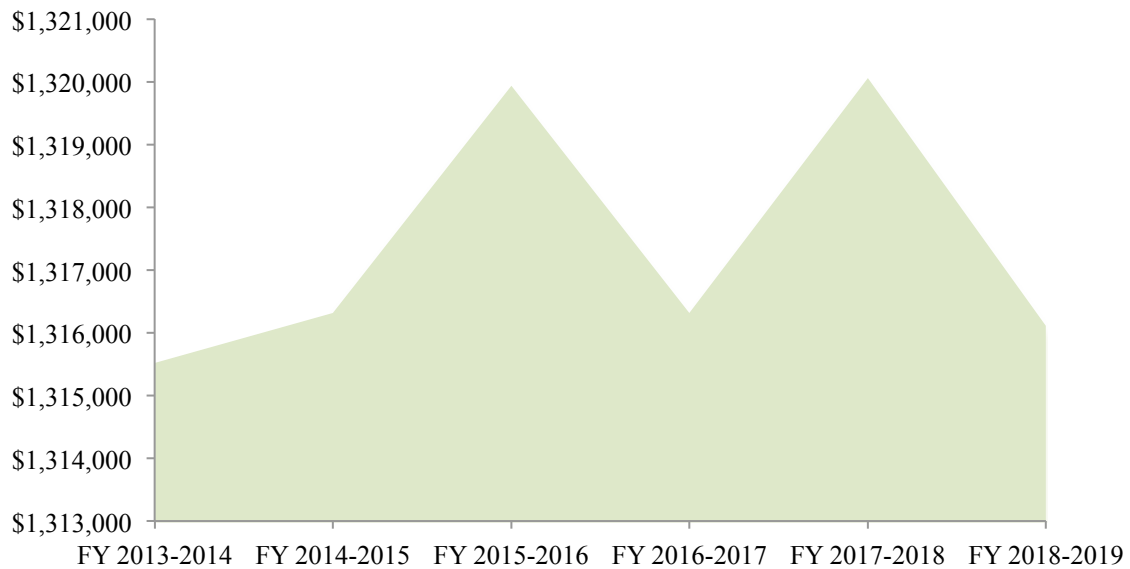
Fiscal Year	Principal	Interest	Total
2013-14	785,000	458,573	1,243,573
2014-15	805,000	433,283	1,238,283
2015-16	835,000	407,104	1,242,104
2016-17	860,000	379,830	1,239,830
2017-18	890,000	351,166	1,241,166
2018-19	925,000	321,393	1,246,393
2019-2028	6,330,000	1,332,105	7,662,105
Total	\$ 11,430,000	\$ 3,683,452	\$15,113,452



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

Fiscal Year	Principal	Interest	Total
2013-14	725,000	590,521	1,315,521
2014-15	760,000	556,318	1,316,318
2015-16	800,000	519,938	1,319,938
2016-17	835,000	481,314	1,316,314
2017-18	880,000	440,055	1,320,055
2018-19	920,000	396,110	1,316,110
2019-2032	6,835,000	1,463,296	8,298,296
Total	\$ 11,755,000	\$ 4,447,553	\$ 16,202,553

Debt Service Fund



CITY OF MANSFIELD, TEXAS
DRAINAGE UTILITY FUND
SCHEDULE OF DEBT PAYMENTS

Fiscal Year	Principal	Interest	Total
2013-14	370,000	156,670	526,670
2014-15	375,000	147,370	522,370
2015-16	390,000	137,970	527,970
2016-17	400,000	128,170	528,170
2017-18	405,000	118,070	523,070
2018-19	420,000	107,770	527,770
2020-2027	2,745,000	371,073	3,116,073
Total	\$ 5,105,000	\$ 1,167,093	\$ 6,272,093

