

Ratings: Moody's: "Aaa"
Standard & Poor's: "AAA"
Fitch: "AAA"

(See "OTHER RELEVANT INFORMATION – Ratings")

NEW ISSUES – Book-Entry-Only

In the opinion of Bond Counsel, interest on the Obligations is excludable from gross income for federal income tax purposes under existing law and is not includable in the alternative minimum taxable income of individuals. See "TAX EXEMPTION" in this document for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

\$231,600,000*

CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Public Improvement and Refunding Bonds,
Series 2015

\$61,340,000*

CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Certificates of Obligation, Series 2015

\$14,310,000*

CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Public Property Finance Contractual Obligations, Series 2015

Dated Date: [October 1], 2015

Due: As shown on the inside cover page

Interest on the City of Austin, Texas \$231,600,000* Public Improvement and Refunding Bonds, Series 2015 (the "Bonds"), the City of Austin, Texas \$61,340,000* Certificates of Obligation, Series 2015 (the "Certificates") and the City of Austin, Texas \$14,310,000* Public Property Finance Contractual Obligations, Series 2015 (the "Contractual Obligations") will accrue from the dated date shown above, and in the case of the Bonds and Certificates will be payable March 1, 2016, and each September 1 and March 1 thereafter until maturity or redemption prior to maturity, and in the case of the Contractual Obligations will be payable May 1, 2016, and each November 1 and May 1 thereafter until maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds, the Certificates, and the Contractual Obligations are collectively referred to as the "Obligations". The Bonds, the Certificates, and the Contractual Obligations are being offered separately by the City of Austin, Texas (the "City"), and delivery of each issue is not contingent upon the delivery of the other issues. The City intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. Such book-entry-only system will affect the method and timing of payment and the method of transfer of the Obligations (see "OBLIGATION INFORMATION – Book-Entry-Only System") in this document.

The Bonds are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the issuance of the Bonds. The Certificates are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and are additionally payable from and secured by a limited pledge of surplus revenues (not to exceed \$1,000) of the City's solid waste disposal system, as provided in the ordinance authorizing the issuance of the Certificates. The Contractual Obligations are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the issuance of the Contractual Obligations. See "OBLIGATION INFORMATION – Security" in this document.

Proceeds from the sale of the Bonds will be used to refund portions of the City's outstanding general obligation debt shown in APPENDIX D hereto (the "Refunded Obligations") for savings, to finance various capital improvements, and to pay costs of issuing the Bonds and of refunding the Refunded Obligations. Proceeds from the sale of the Certificates will be used to finance various capital improvements and to pay costs of issuing the Certificates. Proceeds from the sale of the Contractual Obligations will be used to purchase certain equipment and other personal property for use by various City departments and to pay costs of issuing the Contractual Obligations. See "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document.

MATURITY SCHEDULE

See **MATURITY SCHEDULE** on next page

The Bonds and the Certificates are subject to redemption prior to their stated maturities as described in "OBLIGATION INFORMATION – Optional Redemption of the Bonds and the Certificates" in this document. The Contractual Obligations are not subject to redemption prior to their stated maturity.

The Obligations are offered for delivery when, as and if issued and accepted by the Underwriters, subject to the approving opinions of the Attorney General of the State of Texas and of Andrews Kurth LLP, Austin, Texas, Bond Counsel. See APPENDIX C – "Forms of Bond Counsel's Opinions" in this document. Certain legal matters will be passed upon for the Underwriters by their counsel, Haynes and Boone, LLP, Houston, Texas.

It is expected that the Obligations will be delivered through the facilities of DTC on or about October 6, 2015.

JEFFERIES

FirstSouthwest
Ramirez & Co., Inc.

Piper Jaffray & Co.
Mesirow Financial, Inc.

* Preliminary, subject to change.

MATURITY SCHEDULE

\$231,600,000*

CITY OF AUSTIN, TEXAS

Public Improvement and Refunding Bonds, Series 2015

Base CUSIP No. 052396 (1)

Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2016	\$7,005,000				2026	\$20,765,000			
2017	7,160,000				2027	35,915,000			
2018	7,870,000				2028	5,205,000			
2019	11,255,000				2029	5,470,000			
2020	13,670,000				2030	5,745,000			
2021	13,580,000				2031	8,030,000			
2022	12,310,000				2032	7,330,000			
2023	16,100,000				2033	4,645,000			
2024	18,525,000				2034	4,980,000			
2025	17,170,000				2035	8,870,000			

(Interest to accrue from the Dated Date)

\$61,340,000*

CITY OF AUSTIN, TEXAS

Certificates of Obligation, Series 2015

Base CUSIP No. 052396 (1)

Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2016	\$2,050,000				2026	\$3,010,000			
2017	1,940,000				2027	3,165,000			
2018	2,040,000				2028	3,320,000			
2019	2,140,000				2029	3,485,000			
2020	2,250,000				2030	3,660,000			
2021	2,360,000				2031	3,845,000			
2022	2,480,000				2032	4,035,000			
2023	2,600,000				2033	4,240,000			
2024	2,730,000				2034	4,450,000			
2025	2,870,000				2035	4,670,000			

(Interest to accrue from the Dated Date)

\$14,310,000*

CITY OF AUSTIN, TEXAS

Public Property Finance Contractual Obligations, Series 2015

Base CUSIP No. 052396 (1)

Maturity (May 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity (November 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2016	\$815,000				2016	\$890,000			
2017	915,000				2017	935,000			
2018	960,000				2018	985,000			
2019	1,010,000				2019	1,035,000			
2020	1,060,000				2020	1,085,000			
2021	1,110,000				2021	1,140,000			
2022	1,170,000				2022	1,200,000			

(Interest to accrue from the Dated Date)

Concurrent Issues . . . The Bonds, the Certificates and the Contractual Obligations (collectively, the “Obligations”) are being offered concurrently by the City under a common Official Statement. The Bonds, the Certificates, and the Contractual Obligations are separate and distinct securities offerings issued and sold independently except for this Official Statement, and while they share certain common attributes, each issue is separate from the others and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the rights of the City to redeem the Obligations, the federal, state and local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

Concurrently with the authorization of the sale of the Obligations to the Underwriters, the City approved an ordinance delegating to an authorized representative the authority to sell its Public Improvement Bonds, Taxable Series 2015 in the aggregate principal amount not to exceed \$10,000,000* (the “Taxable Bonds”). The City expects to execute a bond purchase agreement in connection with the sale of the Taxable Bonds in early September, concurrently with the pricing and sale of the Obligations.

- (1) CUSIP numbers are included solely for the convenience of owners of the Obligations. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “Rule”), this document constitutes an Official Statement of the City with respect to the Obligations (as defined below) that has been deemed “final” by the City as of its date except for the omission of no more than the information permitted by the Rule.

The Bonds, the Certificates, and the Contractual Obligations (collectively, the “Obligations”) are offered by the City under a common Official Statement. The Bonds, the Certificates, and the Contractual Obligations are separate and distinct securities offerings being issued and sold independently, except for the common Official Statement; and, while the Obligations share certain common attributes, each issue is separate from the others and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

No dealer, broker, salesman or other person has been authorized by the City or by the purchasers in the initial offering of all or any of the Obligations (collectively the “Underwriters”) to give any information or to make any representations, other than as contained in this document, and if given or made such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Obligations, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is submitted in connection with the sale of securities referred to in this document and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE ORDINANCES BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS.

The information set forth in this document has been furnished by the City and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of the opinions in this document are subject to change without notice and neither the delivery of this document nor any sale made under the Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the other matters described since the date of this Official Statement. CUSIP numbers have been assigned to each series of Obligations by CUSIP Global Services for the convenience of the owners of the Obligations.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references are qualified in their entirety by reference to this document in its entirety and to each such document, copies of which may be obtained from the City or from Public Financial Management, Inc., the Financial Advisor to the City. Any statements made in this Official Statement or the Appendices involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CITY OF AUSTIN

Elected Officials

	<u>Term Expires Jan. 5</u>
Steve Adler	Mayor 2019
Ora Houston	Councilmember District 1 2019
Delia Garza	Councilmember District 2 2017
Sabino "Pio" Renteria	Councilmember District 3 2019
Gregorio "Greg" Casar	Councilmember District 4 2017
Ann Kitchen	Councilmember District 5 2019
Don Zimmerman	Councilmember District 6 2017
Leslie Pool	Councilmember District 7 2017
Ellen Troxclair	Councilmember District 8 2019
Kathryne B. Tovo, Mayor Pro Tem	Councilmember District 9 2019
Sheri Gallo	Councilmember District 10 2017

Appointed Officials

Marc A. Ott.....	City Manager
Robert Goode	Assistant City Manager
Sue Edwards	Assistant City Manager
Bert Lumbreras	Assistant City Manager
Rey Arellano	Assistant City Manager
Mark Washington	Acting Assistant City Manager
Elaine Hart, CPA.....	Chief Financial Officer
Greg Canally	Deputy Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Anne Morgan	Interim City Attorney
Jannette Goodall	City Clerk

BOND COUNSEL

Andrews Kurth LLP
Austin, Texas

DISCLOSURE COUNSEL TO THE CITY

McCall, Parkhurst & Horton L.L.P.
Dallas and Austin, Texas

FINANCIAL ADVISOR

Public Financial Management, Inc.
Austin, Texas

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Austin, Texas

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data on this page is subject in all respects to the more complete information and definitions contained or incorporated in this document. The offering of the Bonds, the Certificates and the Contractual Obligations (collectively the "Obligations") to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	<p>The City of Austin, Texas (the "City"), is a political subdivision located in Travis, Williamson and Hays Counties, operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1953, as amended. The City operates under the Council/Manager form of government where the mayor (elected at-large) and ten councilmembers (elected from ten single member districts) are elected for staggered terms that are shifting from three year terms to four year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.</p> <p>For further information about the City, see APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY" in this document.</p>
The Bonds	<p>The Bonds are issued in the principal amount of \$231,600,000* pursuant to the general laws of the State of Texas, particularly Chapters 1207, 1331 and 1371, Texas Government Code, elections held by the City (see "DEBT INFORMATION – Authorized General Obligation Bonds" in this document), an ordinance passed by the City Council of the City and a pricing certificate evidencing the final terms of sale of the Bonds (see "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document).</p>
The Certificates	<p>The Certificates are issued in the principal amount of \$61,340,000* pursuant to the general laws of the State of Texas, particularly Subchapter C, Chapter 271, Texas Local Government Code, Chapter 1371, Texas Government Code ("Chapter 1371"), an ordinance passed by the City Council of the City and a pricing certificate evidencing the final terms of sale of the Certificates (see "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document).</p>
The Contractual Obligations	<p>The Contractual Obligations are issued in the principal amount of \$14,310,000* pursuant to the general laws of the State of Texas, particularly Subchapter A, Chapter 271, Texas Local Government Code (the "Public Property Finance Act"), Chapter 1371, an ordinance passed by the City Council of the City and a pricing certificate evidencing the final terms of sale of the Contractual Obligations (see "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document).</p>
Security	<p>Each series of the Obligations constitutes a direct obligation of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City in an amount sufficient to provide for payment of principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenues (not to exceed \$1,000) of the City's solid waste disposal system (see "OBLIGATION INFORMATION – Security" in this document).</p>
Redemption of Obligations	<p>The City reserves the right, at its option, to redeem the Bonds and the Certificates having stated maturities on and after September 1, [2026], in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, [2025], or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see "OBLIGATION INFORMATION – Optional Redemption of the Bonds and the Certificates" in this document). The Contractual Obligations are not subject to redemption prior to their stated maturities.</p>

* Preliminary, subject to change.

Tax Exemption	In the opinion of Bond Counsel, the interest on the Obligations is excludable from gross income for federal income tax purposes under existing law and is not includable in the alternative minimum taxable income of individuals. See "TAX EXEMPTION" in this document for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.
Concurrent Issuance of General Obligation Debt	Concurrently with the authorization of the sale of the Obligations to the Underwriters, the City approved an ordinance delegating to an authorized representative the authority to sell its Public Improvement Bonds, Taxable Series 2015 in the aggregate principal amount not to exceed \$10,000,000 (the "Taxable Bonds"). The City expects to execute a bond purchase agreement in connection with the sale of the Taxable Bonds in early September, concurrently with the pricing and sale of the Obligations.
Payment Record.....	The City has not defaulted since 1900 when all bonds were refunded at par with a voluntary reduction in interest rates.

Selected Financial Information

Fiscal Year Ended	Estimated City Population (1)	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Total Tax Collections
2007	732,381	\$ 60,512,328,889	\$ 82,624	\$ 869,974	\$1,187.87	1.44%	99.83%
2008	746,105	68,736,790,926	92,128	907,667	1,216.54	1.32%	99.70%
2009	770,296	76,752,007,737	99,640	1,065,565	1,383.32	1.39%	99.57%
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.89	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,629	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	878,002	88,766,098,160	101,100	1,313,334	1,495.82	1.48%	100.01%
2015	888,204	98,859,039,316	111,302	1,112,525	1,252.56	1.13%	99.73% (3)
2016	908,458	106,194,357,146(4)	116,895	1,231,683(5)	1,355.79 (5)	1.16% (5)	N/A

(1) Source: City of Austin Department of Planning and Development based on full purpose area as of January 2015.

(2) Excludes general obligation debt issued for enterprise funds and general fund departments which transfer in from the Operating Budget.

(3) Estimated Collections as of June 30, 2015 based on the July 2014 Certified Tax Roll tax levy.

(4) Estimated taxable value for the 2015 tax year.

(5) Includes the Obligations and Taxable Bonds (assuming issuance of \$317,250,000* par amount) and excludes \$157,860,000* of the Refunded Obligations. See "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.

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* Preliminary, subject to change.

OFFICIAL STATEMENT

Relating to

\$231,600,000*

CITY OF AUSTIN, TEXAS

Public Improvement and Refunding Bonds, Series 2015

\$61,340,000*

CITY OF AUSTIN, TEXAS

Certificates of Obligation, Series 2015

\$14,310,000*

CITY OF AUSTIN, TEXAS

Public Property Finance Contractual Obligations, Series 2015

INTRODUCTION

This Official Statement, which includes the cover page, the summary statement and the appendices, provides certain information regarding the issuance by the City of Austin, Texas (the "City") of its \$231,600,000* Public Improvement and Refunding Bonds, Series 2015 (the "Bonds"), its \$61,340,000* Certificates of Obligation, Series 2015 (the "Certificates") and its \$14,310,000* Public Property Finance Contractual Obligations, Series 2015 (the "Contractual Obligations"). The Bonds, the Certificates, and the Contractual Obligations are collectively referred to herein as the "Obligations". The Bonds, the Certificates, and the Contractual Obligations are being offered separately by the City, and delivery of each issue is not contingent upon the delivery of the other issues. Capitalized terms used in this document have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Bond Ordinance"), the ordinance authorizing the issuance of the Certificates (the "Certificate Ordinance"), and the ordinance authorizing the issuance of the Contractual Obligations (the "Contractual Obligation Ordinance"), except as otherwise indicated. The Bond Ordinance, the Certificate Ordinance, and the Contractual Obligation Ordinance are collectively referred to herein as the "Ordinances".

There follows in this document descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

OBLIGATION INFORMATION

Authority and Purpose for Issuance

The capital improvements to be financed with the proceeds of the Bonds were authorized at elections held on various dates, and passed by a majority of the participating voters in the City (see "DEBT INFORMATION – Authorized General Obligation Bonds" in this document). The City is authorized to issue the Bonds by voter authorization pursuant to Chapters 1207, 1331 and 1371, Texas Government Code, and by the Bond Ordinance, the adoption of which is pursuant to the City Charter adopted by the voters on January 31, 1953, as amended. Proceeds from the sale of the Bonds will be used to refund portions of the City's outstanding general obligation debt as shown in APPENDIX D hereto (the "Refunded Obligations") for savings, to finance various capital improvements and to pay costs of issuing the Bonds and of refunding the Refunded Obligations. See "DEBT INFORMATION – Authorized General Obligation Bonds" in this document.

The Certificates are being issued pursuant to the general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act"), Chapter 1371, Texas Government Code

* Preliminary, subject to change.

("Chapter 1371"), and the Certificate Ordinance passed by the City Council. Proceeds from the sale of the Certificates will be used to finance various capital improvements and to pay costs of issuing the Certificates.

The Contractual Obligations are being issued pursuant to the general laws of the State of Texas, particularly Subchapter A of Chapter 271, Texas Local Government Code (the "Public Property Finance Act"), Chapter 1371, and the Contractual Obligation Ordinance passed by the City Council. Proceeds from the sale of the Contractual Obligations will be used to purchase certain equipment and other personal property for use by various City departments and to pay costs of issuing the Contractual Obligations.

As permitted by Chapters 1207 (relating only to the Bonds) and 1371, Texas Government Code, the City has, in each ordinance, delegated to certain authorized officials of the City (each an "Authorized Representative") the authority to establish final terms of sale of the Obligations, which final sales terms are evidenced in separate pricing certificates (together, the "Pricing Certificates") relating to the Obligations.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on the scheduled interest payment dates and the maturity or redemption dates of such Refunded Obligations from funds to be deposited pursuant to an Escrow Agreement (the "Escrow Agreement"), between the City and U.S. Bank, National Association (the "Escrow Agent"). The Bond Ordinance provides that a portion of the proceeds of the sale of the Bonds, together with available funds of the City, if any, will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge and final payment of the Refunded Obligations. Such amounts will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America or obligations of an agency or instrumentality of the United States (the "Securities") to be held in the Escrow Fund. Pursuant to the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations to be refunded with amounts held in the Escrow Fund. The Arbitrage Group, Inc., a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Securities, and other uninvested funds in the Escrow Fund, will not be available to pay the debt service on the Bonds.

By deposit of the Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have entered into a firm banking and financial arrangement for the discharge and final payment of the Refunded Obligations, in accordance with applicable law. As a result of such firm banking and financial arrangements, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Securities and cash held for such purpose by the Escrow Agent, and such Refunded Obligations will not be deemed as being outstanding for the purpose of any limitation on debt or the assessment of taxes.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund from lawfully available funds, or any additional amounts required to pay the principal of and interest on the Refunded Obligations, if, for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund is insufficient to make such payments.

Sources and Uses of Funds

The proceeds of the Obligations and other available funds of the City will be applied substantially as follows:

	<u>The Bonds</u>	<u>The Certificates</u>	<u>The Contractual Obligations</u>
Sources of Funds:			
Principal Amount			
Accrued Interest			
Original Issue Premium			
Issuer Contribution			
Total			
Uses of Funds:			
Deposit to Escrow Fund			
Deposit to Project Fund			
Accrued Interest			
Costs of Issuance			
Underwriters' Discount			
Total			

General

Each series of Obligations is dated as of [October 1], 2015 (the "Dated Date") and shall bear interest on the unpaid principal amounts from such date, at the per annum rates shown on the inside cover page for each series of Obligations. Interest on the Obligations will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds and the Certificates will be payable on March 1, 2016, and on each September 1 and March 1 thereafter until maturity or prior redemption. Interest on the Contractual Obligations will be payable on May 1, 2016, and on each November 1 and May 1 thereafter until maturity. Principal is payable, upon presentation, at the Designated Payment/Transfer Office of the Paying Agent/Registrar (see "OBLIGATION INFORMATION - Paying Agent/Registrar"). Interest is payable by the Paying Agent/Registrar to the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below) and shall be paid by the Paying Agent/Registrar by check mailed by United States mail, first class postage prepaid, to the address of such person as it appears on the registration books of the Paying Agent/Registrar on or before each interest payment date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the bondholder. The Obligations are issued only as fully registered obligations in denominations of \$5,000 or any integral multiple thereof within a maturity and a series.

Notwithstanding the foregoing, so long as records of ownership of the Obligations are maintained through the book-entry-only system described under "OBLIGATION INFORMATION - Book-Entry-Only System", all payments of principal of, redemption premium, if any, and interest on the Obligations will be made in accordance with the procedures described in "OBLIGATION INFORMATION - Book-Entry-Only System" in this document.

The record date for the interest payable on any interest payment date is the 15th day of the month next preceding such interest payment date, as specified in the Ordinances. In the event of a nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar, in accordance with the provisions of the Ordinances, 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 at least 15 days after the Special Record Date, shall be sent at least 5 business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of Obligations 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.

Security

The Obligations constitute direct obligations of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City in an amount sufficient to pay the principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenue (not to exceed \$1,000) of the City's solid waste disposal system.

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 assessed valuation for all City purposes. The City operates under a Home Rule Charter, referred to as the "Charter", which also limits the City's ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. See "TAX INFORMATION – Tax Rate Limitation" in this document.

Remedies

If the City defaults in the payment of principal, interest, or redemption price on any series of the Obligations when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in any of the Ordinances, the registered owners may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of duties relating to the Obligations or the requirements of the respective Ordinance authorizing the issuance of such Obligations, and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of any series of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the Obligations or covenants contained in the 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.

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 and such provision is subject to judicial construction. 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 would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

Defeasance of Obligations

Each of the Ordinances provides for the defeasance of each of the Obligations when the payment of such series of the principal of the Obligations, plus interest to the due date (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation 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. Each of the Ordinances provides that "Defeasance Securities" means any securities now or hereafter permitted by law, including (a) direct, noncallable obligations of the United States of America, including

obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (c) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. There is no assurance that the ratings for any Defeasance Security will be maintained by any particular rating category.

Book-Entry-Only System

The City has elected to utilize the book-entry-only system of The Depository Trust Company, New York, New York (DTC), as described under this heading. The City is obligated to timely pay the Paying Agent/Registrar the amount due under the Ordinances. See [Paying Agent/Registrar](#). The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Obligations are described in this document.

The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes this information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payment 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 document. 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 Obligations registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of 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”). Direct Participants and Indirect Participants are referred to as “Participants”. DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the 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 Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“Beneficial Owner”) is in turn to be recorded on the Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All 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 Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

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

Paying Agent/Registrar

The initial Paying Agent/Registrar for each series of Obligations is U.S. Bank, National Association. Interest on, and principal of, the Obligations will be payable, and transfer functions will be performed at, the corporate trust office designated to the City by the Paying Agent/Registrar (the "Designated Payment/Transfer Office"). In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Obligations are outstanding. Any successor Paying Agent/Registrar shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties

and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice to be sent to each registered owner of the Obligations by United States mail, first class postage prepaid. This 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 thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office 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. An Obligation may be assigned by the execution of an assignment form thereon or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee. 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 and series as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations.

Limitation on Transfer of Bonds or Certificates Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond or Certificate 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 principal of a Bond or Certificate.

Optional Redemption of the Bonds and the Certificates

The City reserves the right, at its option, to redeem the Bonds and the Certificates having stated maturities on and after September 1, [2026], in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, [2025], or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. If less than all of the Bonds or less than all of the Certificates are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity and series is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds and the Certificates are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds or the Certificates, or portions thereof, within such maturity and series to be redeemed.

The Contractual Obligations are not subject to redemption prior to their scheduled maturities.

Notice of Redemption

At least 30 days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of each Bond or Certificate to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms, conditions and provisions relating thereto contained in the Ordinances governing their issuance. If a Bond or a Certificate (or a portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond or Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Bond or Certificate shall cease to accrue from and after the redemption date of the Bond or Certificate, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

If a notice of redemption is given and sufficient funds are not received for the payment of the required redemption price for the Bonds or Certificates which are to be redeemed, the notice shall be of no force and effect, the City shall not redeem the Bonds or Certificates, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds or Certificates have not been redeemed.

TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District, Williamson Central Appraisal District and Hays Central Appraisal District (collectively, the "Appraisal Districts"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal Districts are required under Title 1, Texas Tax Code (commonly known as the "Property Tax Code") to appraise all property within the Appraisal Districts on the basis of 100% of the property's market value and are prohibited from applying any assessment ratios. State law further limits the appraised value of a residence homestead for a tax year (the "Homestead 10% Increase Cap") to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by an Appraisal District or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. The value placed upon property within the Appraisal Districts is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of each Appraisal District. The Appraisal Districts are required to review the value of property within the Appraisal Districts at least every three (3) years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board. The City has challenged the appraised value of certain commercial and vacant properties valued by the Travis Central Appraisal District. The Appraisal Review Board denied relief. The City may appeal that decision to District Court.

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

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

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant:

- (1) An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision;
- (2) An exemption of up to 20% of the market value of residence homesteads; minimum exemption \$5,000.

Once authorized, the exemption described under (1) above may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a sum of \$12,000.

The surviving spouse of an individual who qualifies for the exemption described under (1) above for the residence homestead of a person 65 years of age or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Section 1-b, Article VIII, and State law authorize a county, city, town or junior college district to establish an ad valorem tax freeze on residence homesteads of persons who are disabled or 65 years of age or older. If the City Council does not take action to establish the tax limitation, voters within the City may submit a petition signed by five percent (5%) of the registered voters of the City requiring the City Council to call an election to determine by majority vote whether to establish the tax limitation.

If the tax limitation is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the residence homestead exemption for persons who are disabled or 65 years of age or older may not be increased, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is 55 years of age or older at the time of the person's death. In addition, the tax limitation applicable to a person's homestead may be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation.

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

Personal property not used in the business of a taxpayer, such as automobiles or light trucks, is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication.

Article VIII, Section 1-n, provides for an exemption from taxation for "goods-in-transit." "Goods-in-transit" are defined as (i) personal property acquired or imported into Texas and transported to another location in the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 2011, to provide for the taxation of the goods-in-transit. After holding the public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt of the taxing unit, the tax officials of the taxing unit may continue to impose the taxes on the goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created.

Freeport property is exempt from taxation by the City, and, on October 20, 2011, the City took action to tax goods-in-transit.

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older and of the disabled of \$70,000.

The City may create one or more tax increment financing districts ("TIF") within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city

use but are restricted to paying or financing “project costs” within the TIF. The City 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 City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to ten (10) years. The City has adopted criteria for granting tax abatements, which establish guidelines regarding the number of jobs to be created and the amount of new value to be added by the taxpayer in return for the abatement. The City has entered into several such abatement agreements in recent years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code (“Chapter 380”), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant public funds for economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by the voters of the City. The City has entered into several such Chapter 380 agreements in recent years.

Tax Valuation

January 1, 2015 Certified Appraised Value (1)

Less Local Exemptions to Assessed Values: (2)

Residential Homestead over 65
Homestead 10% Increase Cap
Disabled Veterans
Agricultural and Historical Exemptions
Disability Exemption
Other Exemptions
Freeport Exemption

January 1, 2015 Net Taxable Assessed Valuation (1)

-
- (1) 2015 Certified Appraised Value includes \$_____ of property in the appeals process.
- (2) Exemptions or adjustments to assessed valuation granted in 2015 include (a) exemptions of \$70,000 for homestead property of property owners who are over 65 years of age or disabled; (b) exemptions for residence homestead property exceeding a 10 percent increase in valuation from the previous year; (c) exemptions for property of disabled veterans or certain surviving dependents of disabled veterans; (d) certain adjustments to productive agricultural lands; (e) exemptions to the land designated as historically significant sites by certain public bodies; (f) exemption of freeport property detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication of exported finished goods from Texas.

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Statement of Debt (As of September 30, 2015)

The following table sets forth on a pro forma basis the amount of Public Improvement Bonds, Assumed Bonds, Contract Revenue Obligations, Certificates of Obligation and Contractual Obligations outstanding and certain debt ratios related thereto.

Public Improvement Bonds (1)	\$870,685,000	
Certificates of Obligation (1)	174,725,000	
Contractual Obligations (1)	99,460,000	
Mueller Contract Revenue Obligations	35,630,000	
The Obligations (2)	307,250,000	
The Taxable Bonds (2)	10,000,000	
Assumed MUD Bonds (3)	<u>8,449,995</u>	
Total		\$1,506,199,995
Less Self-Supporting Debt:		
Assumed MUDs (3)	\$8,449,995	
Mueller Contract Revenue Obligations	35,630,000	
Airport (4)	102,072	
Austin Energy (4)	527,080	
Austin Water Utility (2) (4)	11,930,225	
City Hall (4)	11,627,016	
Code Compliance (4)	692,501	
Convention Center (4)	16,506,100	
Financial Services (2) (4)	56,550,609	
Fleet Management (2) (4)	5,239,945	
Golf (4)	751,924	
One Texas Center (4)	2,984,800	
Parks and Recreation Department (4)	369,029	
Solid Waste (2) (4)	54,293,069	
Transportation (2) (4)	23,032,026	
Waller Creek (2) (4)	100,207,658	
Watershed Protection (2) (4)	<u>38,185,791</u>	
Total Self-Supporting		\$367,079,842
Interest and Sinking Fund (5)		19,857,348
Self-Supporting General Fund Payments (6)		<u>6,737,553</u>
Net Debt		<u>\$1,112,525,252</u>
Ratio Total Debt to 2015 Net Taxable Assessed Valuation		1.52%
Ratio Net Debt to 2015 Net Taxable Assessed Valuation		1.13%

2015 Population (Estimate) – 888,204 (7)

Per Capita Net Taxable Assessed Valuation – \$111,160.13

Per Capita Net Debt Outstanding – \$1,252.56

-
- (1) Excludes the Obligations, Taxable Bonds and \$157,860,000.00* of Refunded Obligations.
 - (2) The Taxable Bonds and the Obligations will be sold on September 9, 2015*, and are expected to be delivered concurrently on October 6, 2015. Preliminary; subject to change. See also "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.
 - (3) Represents bonds of the Northwest Austin MUD# 1 annexed by the City.
 - (4) Airport, Austin Energy, Austin Water, City Hall, Code Compliance, Convention Center, Financial Services, Fleet Management, Golf, One Texas Center, Parks and Recreation Department, Solid Waste, Transportation, Waller Creek, and Watershed Protection represent a portion of the City's Outstanding Public Improvement Bonds,

* Preliminary, subject to change.

Certificates of Obligation and/or Contractual Obligations. Debt service for Airport, Austin Energy, Austin Water, Convention Center, Code Compliance, Financial Services, Golf, One Texas Center, Solid Waste, Transportation, and Watershed Protection is paid from revenue of the respective enterprises. The City plans to continue to pay these obligations from each respective enterprise. Fleet Management and One Texas Center are internal service funds that generate revenue through charges to user departments.

- (5) Represents estimate of cash plus investments at cost on September 30, 2015.
- (6) Various general fund departments have issued debt that is supported by a transfer into the debt service fund from the issuing department. These departments budget the required debt service, which reduces the debt service tax requirement.
- (7) Source: City of Austin Department of Planning and Development based on full purpose area as of January 2015.

Revenue Debt (As of June 30, 2015)

In addition to the above, on a pro forma basis, the City had outstanding \$29,542,584 Combined Utility Systems Revenue Bonds payable from a first lien on the combined net revenue of the Electric System and the Water and Wastewater System and \$137,008,874 Combined Utility System Revenue Bonds payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System; \$1,222,145,000 Electric Utility Obligations payable from a separate lien on the net revenues of the Electric Utility System; \$2,194,450,000 Water and Wastewater Obligations payable from a separate lien on the net revenue of the Water and Wastewater System, and \$117,461,000 Combined Utility Systems Commercial Paper payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System.

The City also has outstanding \$538,259,000 Airport System Revenue Bonds payable from net revenues of the City's Airport System. The City also has outstanding \$117,740,000 in Convention Center Bonds, payable from hotel/motel occupancy and rental car tax collections.

Obligations Subject to Annual Appropriation

With respect to the redevelopment of the property formerly known as Robert Mueller Municipal Airport ("Mueller"), the City entered into a Master Development Agreement with Catellus Austin, LLC, effective as of December 2, 2004 (the "Development Agreement"), and in the Development Agreement, the City agreed to issue debt to finance certain "Public Finance Reimbursable Project Costs" either directly or through the auspices of a local government corporation to be created by the City. The City has entered into an economic development grant agreement (the "Grant Agreement") with Mueller Local Government Corporation ("MLGC"), a non-profit local government corporation created by the City to act on its behalf with respect to the redevelopment of Mueller. MLGC was created in response to the provisions of the Development Agreement. Under the terms of the Grant Agreement, the City will make grant payments to MLGC from the General Fund, subject to annual appropriation by the City, in amounts sufficient to pay debt service on bonds issued by MLGC to fund Public Finance Reimbursable Project Costs and pay administrative costs associated with such bonds. It is anticipated that sales tax revenues generated by properties developed at Mueller will be sufficient to fund the grants throughout the term of the Grant Agreement. \$12,000,000 in Contract Revenue Bonds were issued in 2006 by MLGC to finance Public Finance Reimbursable Project Costs.

The City has also created a tax increment reinvestment zone for the Mueller project to include Reinvestment Zone Number Sixteen (the "Zone") and neighboring areas for the promotion, development, encouragement and maintenance of employment, commerce, economic development and public facility development in the Zone which consists of approximately 700 acres. Currently, only the City participates in the Zone by contributing its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone. The tax increment revenues of the City will be contributed by the City to the MLGC pursuant to the terms of a Tri-Party Agreement among the City, the MLGC and the Zone (the "Tri-Party Agreement"). In addition, the City has agreed to consider making payments to the MLGC under a grant agreement between the City and the MLGC, pursuant to which the City may make available to the MLGC grant funds in amounts sufficient to pay debt service on the Tax Increment Contract Revenue Bonds, should Pledged Revenues be insufficient to allow the MLGC to meet its debt service payment obligations. The grant payments are to be funded from available moneys in the City's general fund, subject to annual appropriation. The City is under no obligation to make grant payments. The MLGC issued \$15 million in Tax Increment Contract Revenue Bonds in September 2009 backed by tax increment revenues generated from taxation of real property within the boundaries of the Zone from taxing units participating in the Zone. The MLGC issued \$16,735,000 in Tax Increment Contract Revenue Bonds in October 2012 backed by tax increment revenues generated from taxation of real property within the

boundaries of the Zone from taxing units in the Zone. The MLGC issued \$15,845,000 in Tax Increment Contract Revenue Bonds on October 2, 2014.

Valuation and Funded Debt History

Fiscal Year Ended	Estimated City Population (1)	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Total Tax Collections
9-30							
2007	732,381	\$ 60,512,328,889	\$ 82,624	\$ 869,974	\$1,187.87	1.44%	99.83%
2008	746,105	68,736,790,926	92,128	907,667	1,216.54	1.32%	99.70%
2009	770,296	76,752,007,737	99,640	1,065,565	1,383.32	1.39%	99.57%
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.89	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,629	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	878,002	88,766,098,160	101,100	1,313,334	1,495.82	1.48%	100.01%
2015	888,204	98,859,039,316	111,302	1,112,525	1,252.56	1.13%	99.73% (3)
2016	908,458	106,194,357,146(4)	116,895	1,231,683(5)	1,355.79 (5)	1.16% (5)	N/A

- (1) Source: City of Austin Department of Planning and Development based on full purpose area as of January 2015.
- (2) Excludes general obligation debt issued for enterprise funds and general fund departments which transfer in from the Operating Budget.
- (3) Estimated Collections as of June 30, 2015 based on the July 2014 Certified Tax Roll tax levy.
- (4) Estimated taxable value for the 2015 tax year.
- (5) Includes the Obligations and Taxable Bonds (assuming issuance of \$317,250,000.00* par amount) and excludes \$157,860,000.00* of Refunded Obligations. See "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.

Tax Rate, Levy and Collection History

Fiscal Year Ended	Total Tax Rate	Distribution			% Current Collections	% Total Collections
9-30		General Fund	Interest and Sinking Fund	Tax Levy		
2007	\$ 0.4126	\$0.2760	\$ 0.1366	\$249,673,869	99.61%	99.83%
2008	0.4034	0.2730	0.1304	277,284,215	99.14%	99.70%
2009	0.4012	0.2749	0.1263	307,929,055	99.03%	99.57%
2010	0.4209	0.2950	0.1259	340,762,917	98.97%	99.22%
2011	0.4571	0.3262	0.1309	354,798,046	99.13%	99.42%
2012	0.4811	0.3551	0.1260	381,126,366	99.27%	99.27%
2013	0.5029	0.3821	0.1208	418,888,224	99.36%	99.36%
2014	0.5027	0.3856	0.1171	446,227,175	99.27%	100.01%
2015	0.4809	0.3691	0.1118	474,806,383	99.15% (1)	99.73% (1)
2016 (2)	0.4814	0.3703	0.1111	511,219,635	N/A	N/A

- (1) Estimated collections as of June 30, 2015 based on the July 2014 Certified Tax Roll tax levy.
- (2) Preliminary, subject to change pending adoption of the tax rate, expected to occur as early as September 8, 2015.

* Preliminary, subject to change.

Ten Largest Taxpayers

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>January 1, 2014 Taxable Assessed Valuation</u>	<u>% of Total Taxable Assessed Valuation</u>
Samsung Semiconductor LLC	Manufacturing	\$2,301,880,881	2.59%
Thomas Property Group LLC	Commercial	705,803,174	0.80%
Columbia/St Davids Healthcare	Hospital/Medical	473,171,227	0.53%
Circuit of the Americas LLC	Commercial	290,759,234	0.33%
IBM Corporation	Manufacturing	231,562,615	0.26%
Freescall Semiconductor Inc. (1)	Manufacturing	230,664,320	0.26%
Shopping Center at Gateway LP	Commercial	214,852,216	0.24%
IMT Capital II Riata LP	Commercial	211,437,260	0.24%
Brandywine Acquisition Partners LP	Commercial	207,880,187	0.23%
HEB Grocery Company LP	Retail	<u>204,172,204</u>	<u>0.23%</u>
TOTAL		<u>\$5,072,183,318</u>	<u>5.71%</u>

Source: Travis Central Appraisal District.

Property Tax Rate Distribution

	<u>Fiscal Year Ended September 30</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016 (1)</u>
General Fund	\$.3551	\$.3821	\$.3856	\$.3691	\$.3703
Interest and Sinking Fund	<u>.1260</u>	<u>.1208</u>	<u>.1171</u>	<u>.1118</u>	<u>.1111</u>
Total Tax Rate	\$.4811	\$.5029	\$.5027	\$.4809	\$.4814

(1) Preliminary, subject to change pending adoption of the tax rate, expected to occur as early as September 8, 2015.

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Net Taxable Assessed Valuations, Tax Levies and Collections

Fiscal Year Ended	Valuation Date	Real Property		Personal Property		Net Taxable Assessed Valuation	Total Tax Levy	% Current Collections	% Total Collections
9-30		Amount	% of Total	Amount	% of Total				
2007	1-1-06	53,724,137,471	88.78%	6,788,191,418	11.22%	60,512,328,889	249,673,869	99.61%	99.83%
2008	1-1-07	61,455,307,904	89.41%	7,281,483,022	10.59%	68,736,790,926	277,284,215	99.14%	99.70%
2009	1-1-08	68,790,111,385	89.63%	7,961,896,352	10.37%	76,752,007,737	307,929,055	99.03%	99.57%
2010	1-1-09	72,029,659,502	94.21%	8,147,372,223	10.66%	80,960,540,976	340,762,917	98.97%	99.22%
2011	1-1-10	70,024,297,956	90.83%	7,072,966,278	9.17%	77,619,349,384	354,798,046	99.13%	99.42%
2012	1-1-11	70,283,821,626	88.72%	8,935,959,253	11.28%	79,219,780,879	381,126,366	99.27%	99.27%
2013	1-1-12	73,663,555,699	88.44%	9,630,980,794	11.56%	83,294,536,493	418,888,224	99.36%	99.36%
2014	1-1-13	79,198,359,444	89.44%	9,350,209,529	10.56%	88,548,568,973	446,227,175	99.27%	100.01%
2015	1-1-14	88,957,781,717	90.10%	9,775,090,610	9.90%	98,732,872,327	474,806,383	99.15% (1)	99.73% (1)
2016	1-1-15						511,219,635(2)	N/A	N/A

(1) Estimated collections through June 30, 2015 based on the July 2014 Certified Tax Roll tax levy.

(2) Preliminary, subject to change pending adoption of the tax rate, expected to occur on as early as September 8, 2015].

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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 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which also limits the City's ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes.

Administratively, pursuant to Title 1, Section 53.5 of the Texas Administrative Code, the Texas Attorney General prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of such \$2.50 maximum tax rate, calculated at 90% collection. The issuance of the Obligations will not exceed the above-described limits or violate the Texas Attorney General's administrative rule.

Tax Procedures

By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the upcoming fiscal year beginning October 1. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

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.

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DEBT INFORMATION (a)

Debt Service Requirements

Debt Service Requirements												
Fiscal Year Ending 09/30	Public Improvement Bonds	Certificates of Obligation	Contractual Obligations	Assumed NW Austin MUD #1	Mueller Contract Rev Bonds	The Obligations, The Taxable Bonds, The Bonds, The Certificates and The Contractual Obligations			Grand Total Requirements	Less Self-Supporting Requirements (b)	Net Total Requirements	Percent Principal Payout
2016	\$104,127,616	\$15,568,987	\$25,137,164	\$1,135,590	\$3,127,203	\$25,738,200	\$174,834,760	\$46,936,273	\$127,898,487			
2017	101,998,659	15,640,128	21,972,809	1,008,319	3,127,215	25,969,000	169,716,129	43,476,268	126,239,862			
2018	97,716,212	15,717,043	21,708,604	1,012,938	3,130,165	26,774,175	166,059,136	41,085,697	124,973,438			
2019	96,249,745	15,792,616	17,925,606	1,030,083	3,132,315	29,795,325	163,925,690	38,003,440	125,922,250			
2020	95,699,573	15,793,390	12,990,875	1,033,498	3,136,890	31,673,725	160,327,951	34,367,828	125,960,123			31.17%
2021	97,075,987	15,884,235	6,257,719	1,046,118	3,137,640	30,922,625	154,324,323	30,423,106	123,901,217			
2022	95,260,368	15,981,344	1,481,125	1,036,678	3,139,309	29,011,950	145,910,773	26,219,005	119,691,768			
2023	87,834,301	16,069,114		1,041,188	3,147,646	30,989,750	139,081,998	22,567,410	116,514,589			
2024	84,922,340	16,155,241		1,038,575	3,149,815	31,383,750	136,649,720	22,183,881	114,465,840			
2025	82,400,960	16,239,355		1,044,475	3,145,415	29,097,250	131,927,455	20,388,626	111,538,829			61.07%
2026	79,915,798	15,732,666		943,463	3,146,965	31,820,750	131,559,642	20,021,810	111,537,832			
2027	73,964,307	13,840,125			2,151,215	45,926,750	135,882,397	16,333,930	119,548,467			
2028	67,050,436	13,598,685			2,150,434	13,411,750	96,211,305	16,283,280	79,928,025			
2029	57,230,576	12,770,866			2,152,059	13,408,500	85,562,000	16,311,529	69,250,471			
2030	49,718,586	12,507,018			2,155,401	13,402,750	77,783,755	16,044,352	61,739,403			86.60%
2031	37,928,821	10,785,025			2,151,864	15,398,500	66,264,209	15,081,789	51,182,420			
2032	32,205,734	9,519,950			2,155,369	14,284,500	58,165,552	14,401,661	43,763,891			
2033	30,249,288	8,285,128				11,235,000	49,769,416	11,698,291	38,071,124			
2034	20,032,768	8,300,921				11,328,000	39,661,688	11,709,777	27,951,911			
2035		4,600,313				14,962,500	19,562,813	8,771,472	10,791,341			98.90%
2036		4,600,263					4,600,263	4,600,263				
2037		4,593,169					4,593,169	4,593,169				
2038		4,262,138					4,262,138	4,262,138				
2039		2,699,838					2,699,838	2,699,838				
2040		2,315,513					2,315,513	2,315,513				
2041		2,329,988					2,329,988	2,329,988				100.00%

(a) As of September 30, 2015

(b) Includes principal and interest on all self-supporting debt (see "Statement of Debt", p. 11).

Estimated Direct and Overlapping Funded Debt Payable From Ad Valorem Taxes (As of 9-30-14) (in 000's)

Expenditures of the various taxing bodies within the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties within the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. 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 below may have issued additional bonds since the date stated above, and such entities may have programs requiring the issuance of substantial amounts of additional bonds the amount of which cannot be determined. The following table reflects the estimated share of overlapping funded debt of the major taxing bodies in the area.

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated % Applicable</u>	<u>Overlapping Funded Debt</u>
Austin, City of (1)	\$ 1,195,720	100.00%	\$ 1,195,720
Austin Community College	82,714	68.34%	56,527
Austin Independent School District	791,548	94.37%	746,984
Avery Ranch Road District # 1	10,510	100.00%	10,510
Del Valle Independent School District	144,005	70.71%	101,826
Leander Independent School District	1,559,130	11.54%	179,924
Manor Independent School District	295,900	75.07%	222,132
Pflugerville Independent School District	539,430	37.20%	200,668
Round Rock Independent School District	621,720	33.49%	208,214
Travis County	660,880	70.76%	467,639
Williamson County	869,792	11.04%	96,025
Eanes Independent School District	125,430	31.80%	39,887
Northtown MUD	24,685	23.19%	5,724
Travis County Healthcare	13,240	70.53%	9,338
Travis County MUD # 8	5,437	6.70%	<u>364</u>
TOTAL DIRECT AND OVERLAPPING FUNDED DEBT			<u>\$ 3,541,482</u>
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation (2)			3.99%
Per Capita Overlapping Funded Debt (3)			\$3,987.24

(1) Includes the Obligations and Taxable Bonds (assuming issuance of \$10,000,000* par amount). Excludes \$157,860,000.00* of Refunded Obligations and general obligation debt reported in proprietary funds. Preliminary, subject to change. See also "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.

(2) Based on assessed valuation of \$88,766,098,160 provided by the Travis Central Appraisal District, Williamson County Appraisal District and Hays Central Appraisal District.

(3) Based on 2015 estimated population of 888,204.

Source: 2014 City of Austin Comprehensive Annual Financial Report ("CAFR").

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimated the portion of the outstanding debt of those overlapping governments that is borne by the City's residents and businesses. This process recognized that, when considering the City's ability to issue and repay long-term debt, the entire debt borne by its residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

* Preliminary, subject to change.

Authorized General Obligation Bonds

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>	<u>Amount</u>	<u>Bonds Being</u>	<u>Unissued</u>
	<u>Authorized</u>	<u>Authorized</u>	<u>Previously</u>	<u>Issued</u> (1) (2)	<u>Balance</u> (2)
			<u>Issued</u>		
Brackenridge 2000	10-22-83	\$ 50,000,000	\$ 40,785,000	\$ -	\$9,215,000
Park Improvements	09-08-84	9,975,000	9,648,000	-	327,000
Cultural Arts	01-19-85	20,285,000	14,890,000	-	5,395,000
Cultural Arts	11-07-06	31,500,000	27,500,000	-	4,000,000
Central Library	11-07-06	90,000,000	46,800,000	43,200,000	-
Public Safety Facility	11-07-06	58,100,000	53,100,000	-	5,000,000
Mobility Transportation	11-06-12	143,299,000	52,105,000	32,235,000	58,959,000
Parks & Recreation	11-06-12	77,680,000	7,860,000	17,275,000	52,545,000
Public Safety Facility	11-06-12	31,079,000	8,220,000	6,900,000	15,959,000
Health & Human Service Facility	11-06-12	11,148,000	1,940,000	4,205,000	5,003,000
Cultural Arts	11-06-12	13,442,000	3,800,000	815,000	8,827,000
Affordable Housing	11-05-13	<u>65,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>45,000,000</u>
		\$601,508,000	\$276,648,000	\$114,630,000	\$210,230,000

(1) Bonds to be issued for Affordable Housing projects are anticipated to be sold as taxable obligations. See "DEBT INFORMATION – Concurrent Issuance of General Obligation Debt" in this document.

(2) Preliminary, subject to change.

The City may also 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.

Concurrent Issuance of General Obligation Debt

Concurrently with the authorization of the sale of the Obligations to the Underwriters, the City approved an ordinance delegating to an authorized representative the authority to sell its Public Improvement Bonds, Taxable Series 2015 in the approximate aggregate principal amount not to exceed \$10,000,000 (the "Taxable Bonds"). The City expects to execute a bond purchase agreement in connection with the sale of the Taxable Bonds in early September, concurrently with the pricing and sale of the Obligations.

Funded Debt Limitation

No direct funded debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see – "TAX INFORMATION - Tax Rate Limitations" in this document).

FISCAL MANAGEMENT

The Capital Improvement Plan and Capital Budget

The Capital Improvement Plan is a five-year list of capital improvements and a corresponding spending plan for financing these improvements. It is developed through public input and department prioritization of needs. The process includes neighborhood meetings, department requests, Budget Office assessment of requested projects, input from the Planning Commission's CIP Subcommittee and other Boards and Commissions, and citizen input from public hearings. Each year, the Planning Commission reviews the Capital Improvement Plan and submits a recommendation to the City Manager detailing specific projects to be included in the Capital Budget for the next fiscal year.

The City Manager considers the Planning Commission's recommended plan to propose a Capital Budget to the City Council. The Capital Budget contains requested appropriations for new projects, additional appropriations for previously approved projects and any requests to revise prior year appropriations. Unlike the Operating Budget, which authorizes expenditures for only one fiscal year, Capital Budget appropriations are multi-year, lasting until the project is complete or until changed by the City Council.

The City Council reviews the Capital Budget, holds public hearings to gather final citizen input and establishes the amount of revenue and general obligation debt to sell to fund capital improvements.

2015-2016 Capital Budget

The 2015-2016 five-year Capital Improvement Program (CIP) plan estimates city-wide capital spending in 2015-2016 of \$800.7 million.

The first year of the five-year plan was used to determine the new appropriations required for inclusion in the 2015-2016 Proposed Capital Budget. The proposed city-wide total appropriation is \$629.0 million. Appropriation by department is listed below.

Summary of 2015-2016 Proposed Capital Budget (millions):

Austin Convention Center	\$ 28.9
Austin Energy	262.4
Austin Public Library	5.6
Austin Resource Recovery	6.1
Austin Transportation	13.8
Austin Water Utility	40.9
Aviation	134.9
Building Services	3.3
Communications & Technology Management	28.0
Development Services	0.9
Emergency Medical Services	3.1
Fire	0.8
Health and Human Services	2.6
Neighborhood Housing and Community Development	10.1
Office of Real Estate	1.5
Parks and Recreation	34.2
Planning and Zoning	1.2
Public Works	25.0
Watershed Protection	<u>25.7</u>
TOTAL PROPOSED NEW APPROPRIATIONS	<u>\$629.0</u>

Operating Budget

The City's Home Rule Charter and State law require the City Manager to prepare and submit to the City Council a balanced budget consisting of an estimate of the revenues and expenditures in the budget period and the undesignated General Fund balance available for re-appropriation. The budget process in the City normally commences with all department heads submitting to the Chief Financial Officer of the City a detailed estimate of the appropriations required for their respective departments during the next fiscal year. The Chief Financial Officer of the City, in turn, forwards these estimates to the City Manager, who submits them to the Mayor and City Council for their consideration and approval.

In June 1989, the City Council approved Financial Management Policies. Among other items, these policies require that a General Fund Emergency Reserve Fund of at least \$40,000,000 shall be budgeted. Additionally, a General Fund Contingency Reserve Fund of 1% of total budgeted departmental expenditures, but not less than \$2,000,000, and a General Fund Reserve for Budget Stabilization shall be budgeted annually. At the end of each fiscal year, any excess revenue received in that year and any unspent appropriations at the end of that year will be deposited into the General Fund Reserve for Budget Stabilization. The Budget Stabilization Reserve will then be available for appropriation for one-time expenditures such as capital equipment but no more than one-third of the reserve will normally be appropriated in any one year. There is also a property tax reserve of \$4,500,000.

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2015–2016 Budget (Amounts are in thousands)

The 2015-2016 operating budget is expected to be adopted as early as September 8, 2015, and was prepared in accordance with guidelines provided by the City Council. The proposed budget included a total tax rate of \$0.4814 per \$100 assessed valuation. The tax rolls have not been certified by the Travis Central Appraisal District. A tax rate of \$0.4814 per \$100 assessed valuation would generate revenue for the proposed budget as set forth below. The following is a summary of the proposed 2015-2016 General Fund Budget.

Beginning Balance, October 1, 2015 (Budget Basis) (000's omitted)

Summary of Budgeted General Fund Resources

Revenue:

General Property Taxes	\$382,032
City Sales Tax	210,401
Other Taxes	10,036
Gross Receipts/Franchise Fees	38,462
Miscellaneous	<u>118,781</u>

Total Revenue \$759,712

Transfers In:

Electric Revenue	\$105,000
Water Revenue	40,793
Water Infrastructure Inspection	<u>1,200</u>

Total Transfers In 146,993

Total General Fund Resources \$906,705

Summary of Budgeted General Fund Requirements

Departmental Appropriations:

Administrative Services	\$ 21,109
Urban Growth Management	45,756
Public Safety	627,158
Public Health and Human Services	67,266
Public Recreation and Culture	<u>115,651</u>

Total Departmental Appropriations \$876,940

Transfers Out \$25,055

Other Requirements 4,711

Total General Fund Requirements \$906,706

Use of Beginning Balance 0

Ending Balance 0

Budgeted Reserve Requirements

Emergency Reserve	\$ 54,402
Contingency Reserve	0
Property Tax Reserve	4,500
Budget Stabilization Reserve Fund	<u>58,509</u>

Total Budgeted Reserve Requirements \$117,411

Deficit Budgeting

The City is barred by Texas law and the City's Charter from deficit budgeting.

Accounting System

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenue being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise and internal service funds are maintained on an accrual basis.

Article VII, Section 15 of the City's Charter requires an annual audit of all accounts of the City by an independent certified public accountant. This charter requirement has been complied with and the accountant's report is included in this document.

Short-Term Borrowing

Pursuant to Section 1431, Texas Government Code, the City has the authority to conduct short-term borrowings to provide for the payment of current expenses through the issuance of anticipation notes. Such notes must mature before the first anniversary of the date the Attorney General approves the anticipation notes.

INVESTMENTS

The City invests its available funds in investments authorized by State law, particularly the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

Legal Investments

Under Texas law, 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) 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 is guaranteed or insured by or backed by the full faith and credit of, the State of Texas 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 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) certificates of deposit meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by a combination of cash and the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and that otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) 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; (10) commercial paper with a stated maturity of 270 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 commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in

this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than “AAA” or its equivalent; and (13) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than “AAA”, “AAA-m” or at an equivalent rating by at least one nationally recognized rating service. The City may also invest bond proceeds in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Effective September 1, 2005, the City, as the owner of a municipal electric utility that is engaged in the sale of electric energy to the public, may invest funds held in a “decommissioning trust” (a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation) in any investment authorized by Subtitle B, Title 9, Texas Property Code (commonly referred to as the “Texas Trust Code”). The Texas Trust Code provides that a trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

The City may also contract with an investment management firm registered under the Investment Advisor Act of 1940 (15 U.S.C. Section 80b.1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the City retains ultimate responsibility as fiduciary of its assets.

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 State 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 and maturity; and also that address the quality and capability of investment personnel. The policy includes a list of authorized investments for City funds, the 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 must describe the investment objectives for the particular fund using the following priorities: (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.

The City's investment policy authorizes the City to invest its funds and funds under its control in all of the eligible investments described above under "Legal Investments", except those investments described in clauses (3) and (6).

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of that 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 and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority of the City Council or the Chief Financial Officer of the City.

Additional Provisions

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered representative of firms seeking to sell securities to the City to (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; and (5) provide specific investment training for the Chief Financial Officer of the City, Treasurer and Investment Officers.

Current Investments

As of June 30, 2015, the City's investable funds were invested in the following categories.

<u>Type of Investment</u>	<u>Percentage</u>
U. S. Treasuries	11%
U. S. Agencies	39%
Money Market Funds	3%
Local Government Investment Pools	47%

The dollar weighted average maturity for the combined City investment portfolios is 264 days. The City prices the portfolios weekly utilizing a market pricing service.

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GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
(Amounts are in thousands)

	Fiscal Year Ended September 30				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Revenues:</u>					
Taxes (1)	\$387,061	\$409,344	\$448,537	\$498,605	\$527,783
Franchise Fees	34,964	32,904	32,578	35,040	46,762
Fines, Forfeitures and Penalties	18,692	18,131	15,784	16,971	17,130
Licenses, Permits and Inspections	15,716	18,653	22,664	28,669	33,719
Charges for Services	33,394	44,464	44,147	49,579	57,974
Interest and Other	<u>8,059</u>	<u>5,096</u>	<u>4,414</u>	<u>6,027</u>	<u>9,335</u>
Total Revenues	\$497,886	\$528,592	\$568,124	\$634,891	\$692,703
<u>Expenditures:</u>					
Administration	\$ 11,768	\$ 12,229	\$ 12,674	\$ 13,926	\$ -
Urban Growth Management	17,535	34,299	38,419	44,934	57,636
Public Safety	398,930	422,092	447,944	473,980	515,437
Public Services and Utilities	363	14	-	-	-
Public Health	37,464	39,230	41,991	48,232	54,608
Public Recreation and Culture	60,040	72,189	71,753	81,893	90,441
Transportation, Planning and Sustainability (3)	-	-	5	9	249
Nondepartmental Expenditures	<u>69,456</u>	<u>74,291</u>	<u>83,875</u>	<u>87,126</u>	<u>88,865</u>
Total Expenditures	\$595,556	\$654,344	\$696,661	\$750,100	\$807,236
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	\$ (97,670)	\$(125,752)	\$(128,537)	(\$115,209)	(\$114,533)
<u>Other Financing Sources (Uses):</u>					
Transfers from Other Funds	130,233	141,448	144,208	145,764	162,622
Transfers to Other Funds	<u>(16,014)</u>	<u>(9,487)</u>	<u>(19,761)</u>	<u>(13,626)</u>	<u>(27,515)</u>
Net Other Financing Sources	\$114,219	\$131,961	\$124,447	\$132,138	\$135,107
Excess (Deficiency) of Total Revenues and Other Services Over Expenditures and Other Uses	\$ 16,549	\$ 6,209	\$ (4,090)	\$ 16,929	\$ 20,574
Special Item – Land Sale (See FY14 CAFR Note 1)	-	-	-	-	15,830
Fund Balances at Beginning of Year	<u>92,161</u>	<u>128,044</u>	<u>134,253</u>	<u>130,163</u>	<u>147,092</u>
Fund Balances at End of Year (2)	<u>\$108,710</u>	<u>\$134,253</u>	<u>\$130,163</u>	<u>\$147,092</u>	<u>\$183,496</u>

(1) Consists of property, sales and mixed drinks tax.

(2) In addition to the budget stabilization reserve, the ending balance includes a contingency reserve of approximately \$5.0 million and an emergency reserve of \$40 million.

(3) Reported with Urban Growth Management prior to 2012.

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CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES

Municipal Sales Tax

At an election held on September 30, 1967, the citizens of Austin voted a 1% retail sales and use tax to become effective on January 1, 1968. This tax provides an additional revenue source to the General Fund of the City. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, who currently remits the proceeds of the tax to the City monthly. Revenue from this source has been:

<u>Fiscal Year</u> <u>Ended 9-30</u>	<u>Per Capita</u> <u>Sales and Use Tax</u>	<u>(in 000's)</u> <u>Sales and Use Tax</u>	<u>% of</u> <u>Ad Valorem Tax Levy</u>
2007	\$211.43	\$153,098	61.32%
2008	207.00	154,445	55.70%
2009	182.51	139,795	45.40%
2010	185.87	144,710	42.47%
2011	187.58	151,125	42.59%
2012	199.99	164,193	43.08%
2013	209.35	176,198	42.06%
2014	215.79	189,464	42.46%
2015 (1)	225.60	200,382	42.20%
2016 (2)	231.60	210,401	41.16%

(1) Estimate.

(2) Estimate used in FY 2016 Proposed Budget.

Transfers from Utility Funds

The City owns and operates a Water and Wastewater System and an Electric Light and Power System, the financial operations of which are accounted for in the Utility Funds. Transfers from the Utility Funds to the General Fund have historically provided a significant percentage of the receipts for operation of the General Fund. The following sets forth the amount of such transfers.

<u>Fiscal Year</u> <u>Ended 9-30</u>	<u>(in 000's)</u> <u>Transfers</u>	<u>% of General</u> <u>Fund Requirements</u>
2007	\$ 106,471	20.0%
2008	115,629	19.8%
2009	121,505	20.9%
2010	129,967	21.5%
2011	134,263	20.8%
2012	136,919	19.8%
2013	139,548	17.8%
2014	142,909	17.1%
2015 (1)	143,755	16.6%
2016 (2)	145,793	16.1%

(1) Estimate.

(2) Estimate used in FY 2016 Proposed Budget.

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ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Position

The Enterprise Funds account for the activities of the City which render services on a user charge basis to the general public. Set forth on pages B-30 and B-31 of APPENDIX B in this document is a summary of the revenues, expenses, transfers and net position of the City's enterprise funds for the year ended September 30, 2014.

THE SYSTEMS

The City owns and operates an Electric Utility System (also referred to in this document as "Austin Energy") and a Water and Wastewater System (also referred to in this document as the "Austin Water Utility" or the "Water and Wastewater Utility") which provide the City, adjoining areas of Travis County and certain adjacent areas of Williamson County with electric, water and wastewater services. The City owns all the facilities of the Water and Wastewater System. The City jointly participates with other electric utilities in the ownership of coal-fired electric generation facilities and a nuclear powered electric generation facility. Additionally, the City individually owns gas/oil-fired electric generation facilities, which are available to meet Electric Utility System demand. The Electric Utility System had approximately 1,673 full-time regular employees as of September 30, 2014. The Water and Wastewater System had approximately 1,147 full-time regular employees as of the same date.

STRATEGIC PLANS, GOALS AND POLICIES

Strategic Plan

In December 2003, the City Council approved a strategic plan for Austin Energy. The plan identified three strategies to position Austin Energy for continued success. Austin Energy operates under the approved 2003 strategic plan but new initiatives are underway, including the Technology Roadmap Project, the Facilities Master Plan, and the New Generation Plan (mentioned below in "Austin Energy Resource, Generation, and Climate Protection Plan to 2025: An Update of the 2020 Plan").

First, an overarching Risk Management Strategy guides Austin Energy to manage its exposure when considering future courses of action. This approach allows Austin Energy to prepare for future options without prematurely investing and allows time for more information to become known before major commitments are made.

Second, a strategy to provide Excellent Customer Service positions Austin Energy to meet evolving customer expectations in a rapidly changing energy industry. Under this strategy, Austin Energy intends to build employee and customer satisfaction so that it is positioned for competition or regulation in the future.

Third, an Energy Resource strategy directs Austin Energy to seek cost-effective renewable energy and conservation solutions to meet customers' new energy needs before resorting to traditional fossil fuel sources. In keeping with the risk management approach, Austin Energy has developed a Resource, Generation and Climate Protection Plan to 2025 discussed further in the next section.

Austin Energy Resource, Generation, and Climate Protection Plan to 2025: An Update of the 2020 Plan

In 2007, the City Council adopted the Austin Climate Protection Plan ("ACPP") to build a more sustainable community. Austin Energy developed a Resource, Generation and Climate Protection Plan to 2020 (the "Plan") to meet these objectives, which was approved by the City Council in 2010 and further refined in 2011 by the City Council by adding affordability metrics. Austin Energy will review the Plan annually and issue a report on performance against goals. Austin Energy will reassess the Plan in a public forum every two years, the latest of which took place in 2014.

In April of 2014, the City Council (1) passed Resolution No. 20140410-024 ("2014 ACPP") that recognized the need to further accelerate the reduction of greenhouse gas emissions beyond the ACPP standards and set a goal of reaching net zero community-wide greenhouse gas emissions by 2050, preferring to achieve this goal sooner if feasible, and (2) appointed the 2014 Austin Generation Resource Planning Task Force to make recommendations on the utility's generation mix to 2025 and to further move the energy sector of the City toward achieving the emissions standards set forth in the 2014 ACPP. On July 9, 2014, the Task Force approved recommendations for updating the Plan. In August

of 2014, the City Council approved Resolution No. 20140828-157 and Resolution No. 20140828-158, which placed several Task Force recommendations into policy, subject to affordability metrics. Subsequently, based upon the same modeling used for resource planning analysis, Austin Energy performed an affordability analysis of implementing Resolution No. 20140828-157. This analysis indicated that Austin Energy would likely exceed the City Council's affordability metrics and could cost utility customers \$550 million above a business-as-usual case over the next 10 years.

On October 9, 2014, Austin Energy presented the results of its resource planning update, as scheduled, recommending the 500+ Plan, which included many of the Task Force recommendations, expanded renewable generation and replaced the Decker Creek Power Station's steam units with a highly efficient combined cycle gas turbine unit by 2018. The 500+ Plan showed that local generation is critical to maintaining affordability by providing revenues back to Austin Energy and by moderating local electric market prices.

The 2014 Resource Plan Update, resulting in the Resource, Generation and Climate Protection Plan to 2025 (the "2014 Plan") represents recommendations for a resource plan that makes further refinements to the 500+ Plan presented in October and brings together generation and energy demand management options over the planning horizon to the year 2025. Developing the 2014 Plan involved extensive analysis by Austin Energy of the expected costs, risks and opportunities to meet the future demand for electricity services by a highly skilled and experienced staff with the help of a calibrated and tested production cost model. The 2014 Plan outlined in this document is based on the current understanding of technology and of national, state and local energy policies.

The recommendations are designed to be flexible and dynamic. As the circumstances change, the City and Austin Energy will maintain flexibility to modify elements to respond to a range of factors, including economic conditions, customer load, fuel prices and power supply availability, infrastructure build-out, technological development, law and regulations, policy direction, rate structures and customer needs. Therefore, it is anticipated that the 2014 Plan will need to be adapted and modified from time to time to manage risk, maintain system and service reliability, achieve policy goals and meet customer demand for excellence in all aspects of service. As each significant implementation step is undertaken, Austin Energy's recommendations to the City Council shall be supported by assessment of impacts on all customers and by charting the progress each step will make toward achieving the goals outlined in the 2014 Plan. Every major resource decision will be taken before the City Council for review and authorization.

2014 Plan Summary

Austin Energy has adopted the following changes and additions to its current resource planning goals, with a target of meeting these goals by 2025:

- Maintaining the current goal of 800 MW of energy efficiency and Demand Response by 2020, and adding an incremental 100 MW of Demand Response to achieve a total of at least 900 MW of Demand Side Management (DSM) by 2025.
- Increase the renewable energy goal from 35% to 55%.
- Increase the solar component of the renewable energy goal by 600 MW.
- Establish a CO₂ reduction goal of 20% below 2005 level in 2020 and beyond with retirement of Austin Energy's share of the Fayette Power Project ("FPP") by 2023 through creation of a cash reserve fund.
- Develop an implementation plan for distribution connected local storage of at least 10 MW complemented by as much as 20 MW of thermal storage.

The 2014 Plan also recommends the following, contingent upon further study, technological development, progress towards goals and rate adjustments or restructuring:

- 1- An additional 100 MW of Demand Response or energy efficiency to increase the DSM achieved to 1000 MW by 2025.
- 2- Issuing a Request for Information ("RFI") for 170 MW of large scale storage such as Compressed Air Energy Storage.

Specific resource investments will be evaluated continually by Austin Energy, reinforcing that the goals are adaptable to changing legal/regulatory, market, and economic conditions. As explained further in the 2014 Plan, however, each individual investment will be considered by the City Council and subject to public review.

Nuclear. The 2014 Plan recognizes current ownership levels in the STP and assumes the plant continues to provide power through 2025 at Austin Energy's current ownership level.

Coal. The 2014 Plan continues to establish a ramp down in production in 2020 to achieve established carbon goals, and anticipates the retirement process in 2022, if funds are available. The recommended 2014 Plan will require the establishment of a cash reserve retirement account in advance of the retirement to be funded with available cash as part of the annual budgeting process.

Natural Gas. The 2014 Plan would add 500 MW of additional gas units by the beginning of 2019 at the Sand Hill Energy Center or Decker. Austin Energy will issue an RFP to select a consultant with the expertise to analyze the ERCOT nodal market using a production cost model to perform an independent review of the 500 MW investment to fully report benefits and risks of this strategy.

Biomass. A total of 100 MW of biomass-fueled generation is contracted under a purchase power agreement. The City Council approved a 20-year contract through which Austin Energy may purchase the annual output of a 100 MW wood chip-fueled biomass plant located in Nacogdoches County, Texas. The plant, built by Nacogdoches Power LLC (a Southern Company subsidiary), commenced commercial operation in June 2012.

Wind. The 2014 Plan calls for the majority of the Austin Energy renewables goal will be met through wind-generated power. As of September 30, 2014, wind generation totals 840.9 MW of capacity. Austin Energy has executed additional wind contracts for 700.0 MW of capacity which will begin commercial operation in 2015 and 2016. Under the 2025 Plan, Austin Energy will pursue additional wind energy PPAs and ownership opportunities. Austin Energy expects to contract a minimum of 450 MW of additional coastal and western wind resources to reach at least 55 percent renewable energy goal by 2025 totaling the wind capacity by 2025 to 1,503 MW.

Solar. Under the 2014 Plan, installed solar capacity would increase to at least 950 MW by 2025, including 200 MW of local solar. To ensure affordability, the 2014 Plan recommends implementing a phase down of the residential and commercial incentive programs to achieve the first 110 MW of the local solar goal by 2020, including at least 70 MW of customer-sited solar. Current projected cost declines of solar, technology improvements and financing alternatives and the implementation of supportive solar policies shall be utilized to enable the City to reach the 200 MW goal—including at least 100 MW of customer-sited local solar—by 2025 absent further incentives.

In February 2009, the Council approved a 25-year contract under which Austin Energy purchases the annual output of a 30 MW solar farm built near Webberville on utility property, which went into operation in 2012. In addition, the Plan assumes full build-out of the announced 150 MW of solar power currently contracted with Canadian Solar that is expected to be online by 2016.

The 2014 Plan recommends a new RFP be issued by Austin Energy for up to 600 MW of utility-scale solar in 2015. Austin Energy will contract for up to this amount by 2017, if available and affordable. If not, Austin Energy will continue to pursue the 600 MW of additional utility-scale solar within the 2014 Plan. These additions bring a combined total of 750 MW of utility-scale solar.

Storage. The 2014 Plan contemplates Austin Energy will obtain at least 30 MW of local thermal and electrical storage by 2025.

Financial Policies

The goals of Austin Energy's financial policies are to maintain financial integrity while allowing for flexibility. Some of the more significant financial policies reviewed and approved annually by the City Council during the budget process are:

- Current revenue, which does not include the beginning balance, will be sufficient to support current expenditures (defined as "structural balance"). However, if projected revenue in future years is not sufficient to support projected requirements, the ending balance may be budgeted to achieve structural balance.
- Austin Energy shall maintain operating cash equivalent to 45 days of budgeted operations and maintenance expense, less fuel. As of September 30, 2014, Austin Energy's operating cash was \$151 million.

- Debt Service coverage of a minimum of 2.0x shall be targeted for the Electric Utility Bonds. All short-term debt, including commercial paper, and non-revenue obligations will be included at 1.0x coverage.
- A Strategic Reserve Fund shall be created and established, replacing the Debt Management Fund. It will have three components:
 - An Emergency Reserve with a minimum of 60 days of non-power supply operating requirements. As of September 30, 2014, Austin Energy's emergency reserve was \$81 million.
 - A maximum of 60 days of additional non-power supply operating requirements set aside as a Contingency Reserve. As of September 30, 2014, Austin Energy's contingency reserve was \$26 million.
 - Any additional funds over the maximum 120 days of non-power supply operating requirements may be set aside in a Rate Stabilization Reserve.
- The Emergency Reserve shall only be used as a last resort to provide funding in the event of an unanticipated or unforeseen extraordinary need of an emergency nature, such as costs related to a natural disaster, emergency or unexpected costs created by Federal or State legislation. The Emergency Reserve shall be used only after the Contingency Reserve has been exhausted. The Contingency Reserve shall be used for unanticipated or unforeseen events that reduce revenue or increase obligations such as extended unplanned plant outages, insurance deductibles, unexpected costs created by Federal or State legislation, and liquidity support for unexpected changes in fuel costs or purchased power which stabilize fuel rates for Austin Energy customers. In the event any portion of the Contingency Reserve is used, the balance will be replenished to the targeted amount within two years. A Rate Stabilization Reserve shall be used to stabilize electric utility rates in future periods. The Rate Stabilization Reserve may provide funding for (1) deferring or minimizing future rate increases, (2) new generation capacity construction and acquisition costs and (3) balancing of annual power supply costs (net power supply/energy settlement cost). The balance shall not exceed 90 days of net power supply costs. Funding may be provided from net revenue available after meeting the General Fund Transfer, capital investment (equity contributions from current revenue), Repair and Replacement Fund, and 45 days of working capital.
- The General Fund Transfer shall not exceed 12% of Austin Energy's three-year average operating revenues, calculated using the current fiscal year estimate and the previous two fiscal years' actual revenues from the City's Comprehensive Annual Financial Report.
- A decommissioning trust shall be established external to the City to hold the proceeds for moneys collected for the purpose of decommissioning the STP. An external investment manager may be hired to administer the trust investments.
- A Non-Nuclear Plant Decommissioning Fund shall be established to fund plant retirement. The amount set aside will be based on a decommissioning study of the plant site. Funding will be set aside over a minimum of four years prior to the expected plant closure.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Rate Regulation

The City Council has original jurisdiction over Austin Energy's retail electric rates, while the Public Utilities Commission of Texas ("PUCT") sets Austin Energy's recoverable Transmission Cost of Service. Certain residential ratepayers can appeal retail rate changes to the PUCT under section 33.101 of the Public Utilities Regulatory Act (Texas Utilities Code, Chapter 33, "PURA") by filing a petition with the PUCT containing the requisite number of valid signatures from residential ratepayers who take service outside the City limits. State courts have held that the PUCT may apply the same ratemaking standards in such an appeal as are applied to utilities over which the PUCT has original jurisdiction.

Section 35.004 of PURA requires the City to provide transmission service at wholesale to another utility, a qualifying facility, an exempt wholesale generator, a power marketer, a power generation company, or a retail electric provider. Section 35.004 of PURA requires the City to provide wholesale services at rates, terms of access, and conditions that are not unreasonably preferential, prejudicial, discriminatory, predatory, or anti-competitive.

An Independent System Operator (“ISO”) was established for the Electric Reliability Council of Texas (“ERCOT”) as a part of the rules that were adopted by the PUCT to establish access to the wholesale electric market in the State and was approved by the PUCT on August 21, 1996. The ISO received approval on May 5, 2000, of its certification under Senate Bill 7, adopted by the State legislature and signed into law in 1999 (“SB7”). The ISO’s responsibilities as detailed in SB7 are to (1) ensure nondiscriminatory access to the ERCOT transmission system; (2) ensure the reliability and adequacy of the ERCOT network; (3) ensure timely and accurate customer switching; and (4) ensure the accuracy of accounts among wholesale buyers and sellers. Austin Energy is a member of ERCOT, and Austin Energy staff is active in the ERCOT stakeholder process.

SB7 amended PURA to provide for retail deregulation of the electric utility industry in the State. SB7 opened retail competition for Investor Owned Utilities beginning January 1, 2002. SB7 allowed local authorities to choose when to bring retail competition to their Municipally Owned Utilities (“MOU”), and left key municipal utility decisions (like local rate setting and utility policies) in the hands of those who have a stake in the local community. Once a resolution to “opt in” for retail competition is adopted by the MOU’s governing body, the decision is irrevocable. The City has not opted in to competition. As a result, retail competition is not allowed inside Austin Energy’s service territory. Austin Energy participates in the wholesale power market.

ERCOT Wholesale Market Design

The ERCOT wholesale market has been dispatched and settled on a nodal basis since December 1, 2010. The key components of the nodal market include: establishment of a day-ahead energy market; resource-specific bid curves for energy and ancillary services; congestion pricing incorporating direct assignment of all congestion rents to resources causing the congestion; tradable congestion revenue rights (“CRRs”) made available through auctions; nodal energy prices for resources; energy trading hubs; and zonal energy prices for load settlement. Austin Energy’s service territory is identified as a load zone for settlement purposes.

Austin Energy’s Energy and Market Operations staff offers Austin Energy’s generation resources into the ERCOT markets. All power to serve Austin Energy’s load is procured from the ERCOT market as well. Participation in the centralized ERCOT wholesale market allows Austin Energy to procure the cheapest source of supply possible to service its customers, whether that power is produced from Austin Energy’s own generation resources or procured from the ERCOT market.

Throughout the past 18 months, the PUCT has considered changes to the ERCOT wholesale market to address some potential resource adequacy challenges. While there is some debate over the existence or severity of a resource adequacy issue, the PUCT has increased the market offer caps and implemented an Operating Reserve Demand Curve to represent the value of operating reserves in the real-time market relative to the probability of loss of load. The PUCT continues to solicit comments on further wholesale market design changes, but there is little expectation any major decisions will be made in the near term.

Federal Rate Regulation

Austin Energy is not subject to the Federal Energy Regulatory Commission’s (“FERC”) jurisdiction under sections 205 and 206 of the Federal Power Act and is not subject to Federal statutes and regulation in the establishment of rates, the issuance of securities or the operation, maintenance or expansion of Austin Energy. Nevertheless, Austin Energy submits various reports to FERC and participates in ERCOT, a stakeholder organization established under State law that is similar to the Regional Transmission Organizations envisioned in FERC Order No. 2000. ERCOT includes stakeholders from all segments of the Texas electric market and is responsible for the management and oversight of the day-to-day operations of the transmission network and wholesale market settlement. Under PURA, the PUCT has specific responsibilities to oversee ERCOT operations and market participant compliance with ERCOT Protocols.

Pursuant to the Energy Policy Act of 2005, municipal entities are now subject to certain FERC authority on reliability. On July 20, 2006, FERC certified the North American Electric Reliability Corporation (“NERC”) as the nation’s Electric Reliability Organization responsible for developing and enforcing mandatory electric reliability standards under FERC’s oversight. On April 19, 2007, FERC approved the Delegation Agreement between the NERC and the Texas Reliability Entity, Inc. (“TRE”), which governs the responsibilities of the TRE as the Regional Entity responsible for overseeing the NERC reliability standards in the ERCOT region. Austin Energy has established compliance programs

in its Energy Markets; transmission systems planning, operations and reliability; and Information Technology and Telecommunications units to examine the requirements for compliance with the standards and to evaluate and implement any needed changes to systems and procedures. This process is verified through external audits involving the TRE.

Environmental Regulation - General

Austin Energy's operations are subject to environmental regulation by Federal, State and local authorities. Austin Energy has processes in place for assuring compliance with applicable environmental regulations. Austin Energy's Environmental Services section consists of a staff of educated and trained environmental compliance professionals who are responsible for establishing and maintaining compliance programs throughout the utility. The Environmental Services section interprets existing Federal, State and local regulations and monitors changes to regulations that affect Austin Energy. Austin Energy maintains an Environmental Management Information System ("EMIS"), which delineates roles and responsibilities, and automatically schedules environmental compliance tasks throughout the organization. The Environmental Services section staff and facility personnel monitor conformance with the environmental requirements, report deficiencies to facility management, and coordinate corrective actions where appropriate. Environmental Services is also responsible for conducting environmental training for the organization.

Environmental Regulation Related to Air Emissions

CO₂ GHG New Source Performance Standard for new and existing Power Plants

In 2013, the United States Environmental Protection Agency ("USEPA") proposed New Source Performance Standards ("NSPS") that set Greenhouse Gas ("GHG") limits on any newly built power plants. That rule is not expected to impact Austin Energy. In June 2014, the USEPA proposed a GHG NSPS for all existing power plants, also called the Clean Power Plan. The proposal would require significant reductions in CO₂ emissions in Texas, including via increased energy efficiency and renewable energy, and directed each state to develop their own plan to achieve those reductions from the power sector. The USEPA is expected to finalize both the new and existing source rules in summer 2015, and a statewide plan with specific requirements for utilities is expected by summer 2016. Austin Energy's fleet is less carbon intense than the state-wide fleet as a whole because of investments already made in zero-and-low-carbon generation sources. The existing source rule has the potential to transform the power sector and increase costs for all generation owners; however, provided Austin Energy gets credit for its investments to date, including demand-side energy efficiency, Austin Energy is well-positioned to comply with this rule.

Mercury and Air Toxics Standards (MATS)

Published in February 2012, USEPA's final MATS rule sets new emissions limits for mercury and other toxic air emissions from coal and oil-fired electric utility boilers to be achieved by 2015. For Austin Energy, this rule applies to the FPP units 1 & 2. The flue gas desulphurization ("FGD") units or "scrubbers" that were put in operation in 2011 remove a significant portion of the air toxics to below the new limits. Although the scrubbers remove some mercury, additional activated carbon injection will be necessary to enhance the removal of mercury in existing emissions control equipment to below the new limit. Austin Energy and co-owner Lower Colorado River Authority ("LCRA") have installed the activated carbon injection equipment and are currently testing and commissioning this equipment for the MATS rule. Similar to many coal plants, LCRA also applied for and received a one-year extension of the compliance deadline to April 2016 for mercury to reduce the risk of non-compliance and allow more time, as needed, to optimize the new equipment. Austin Energy anticipates its share of that associated capital expense will be approximately \$5 million. With the scrubbers already in operation, Austin Energy and LCRA are well-positioned to comply with the MATS rule.

On June 29, 2015, the United States Supreme Court held in *Midgum et al. v. Environmental Protection Agency et al.* that the USEPA must take cost, including cost of compliance, into consideration in exercising its authority under the federal Clean Air Act to regulate power plants, and that it unreasonably interpreted the federal Clean Air Act in adopting the MATS rule by failing to take into account the billions of dollars in economic costs imposed by the MATS rule. The MATS rule is remanded to lower courts for further proceedings consistent with the opinion, which may or may not lead to changes in compliance obligations. Austin Energy and its operating partner at FPP have already made the necessary investment to comply with MATS and will continue with plans to comply until further direction is provided from the courts and the USEPA.

Cross-State Air Pollution Rule and Clean Air Interstate Rule

Austin Energy's large facilities have been complying with the Clean Air Interstate Rule ("CAIR"), a cap-and-trade program for annual NO_x and SO₂ emissions, since 2009. The USEPA finalized a court-mandated replacement for CAIR in 2011, called the Cross-State Air Pollution Rule ("CSAPR"), with compliance to begin in 2012 for annual NO_x, annual SO₂ and ozone season NO_x emissions in 23 eastern- and mid-U.S. states including Texas. A federal court stayed CSAPR in late 2011 pending judicial review of the rule and in August 2012, the court vacated CSAPR holding that the USEPA had exceeded its authority in the way it apportioned cleanup responsibilities among the affected states. The USEPA appealed to the Supreme Court and in May 2014 won a reversal of the lower court decision to vacate the rule. The USEPA has reinstated CSAPR beginning 2015 and officially removed CAIR requirements. Austin Energy holds more allowances relative to expected emissions for all CSAPR trading programs (annual and seasonal NO_x and annual SO₂) for the first Phase of CSAPR (2015, 2016). With scrubbers in place at FPP, Austin Energy owns a large surplus of SO₂ allowances that have the potential to generate revenue if sold to other utilities. Allowance allocations associated with future phases of CSAPR have not yet been determined by USEPA. Some remaining legal challenges are in progress at the D.C. Circuit, and it is possible that a final resolution of the litigation could remove or reduce compliance risk for Texas utilities.

Proposed revisions to the federal ozone National Ambient Air Quality Standard

In November 2014, the USEPA proposed to lower the national ambient air quality standards ("NAAQS") for ozone from 75 ppb to a value between 65 and 70 ppb, and is expected to finalize a new standard in October 2015. As of the end of 2014, the City's ozone levels were at 69 ppb, and the City could potentially become an ozone non-attainment area depending on whether the final level of the standard is below the City's ozone level. Official non-attainment designations are expected to be final in 2017; if at this point the City is non-attainment, the major risk to Austin Energy would be additional requirements and potential costs for permitting any new local power plants. All Texas power plants including FPP could also be subject to some level of NO_x control if widespread non-attainment occurs in Texas; Austin Energy is similarly positioned to most other generator owners in the State.

Environmental Regulation Related to Water Discharges

Section 316(b) of the Clean Water Act establishes requirements to minimize the impact of cooling water intake structures on aquatic organisms. The USEPA promulgated revised standards in 2014 that require cooling water intake structures to be designed to limit organism impingement and entrainment. All major power plants with once-through cooling will be required to complete studies over the next four years assessing impacts to aquatic organisms and appropriate mitigation measures, and plants with potential impacts could be required to upgrade intake structures to meet the new criteria. The rule applies to Decker Creek Power Station and FPP. However both facilities were built on reservoirs specifically made for cooling, which the rule effectively exempts from some of the major requirements. Overall risk associated with this rule is believed to be low at this time and would likely not be realized until four years from now.

Environmental Regulation Related to Hazardous Wastes and Remediation

In January 2015, the USEPA promulgated a rule that sets new requirements for the storage of Coal Combustion Residuals ("CCRs") and potentially reclassifies those CCRs as a hazardous waste when stored in a landfill. FPP, like all coal burning plants, generates CCRs such as fly ash, bottom ash and gypsum. FPP currently recycles the majority of its CCR for beneficial use, such as for road base or as cement substitutes, with the remaining fractions stored onsite in a landfill for possible future use (recycle rates depend on market demand for the product). In 2011, Austin Energy and LCRA completed a project to permanently close a "wet" ash pond where ash slurry had previously been sent for dewatering before recycle, and converted ash handling to a dry system. The final rule does not designate CCRs as hazardous and largely minimizes any requirements on existing CCR storage units currently at FPP. Because the ash pond has been closed, Austin Energy does not anticipate any significant future costs associated with this rule at this time.

Environmental - Other

Austin Energy began decommissioning the Holly Street Power Plant in 2011. This project includes the removal of the main power plant and adjacent support structures and the cleanup of historical contamination and site closure approval by the State. This project is expected to be completed by the end of 2015.

Nuclear Regulation

Nuclear generation facilities are subject to regulation by the Nuclear Regulatory Commission (“NRC”) and are required to obtain liability insurance and a United States Government indemnity agreement in order for the NRC to issue operating licenses. This primary insurance and the retrospective assessment discussed below are to insure against the maximum liability under the Price-Anderson Act for any public claims arising from a nuclear incident which occurs at any of the licensed nuclear reactors located in the United States.

STP is protected by provisions of the Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities even though the statutory protections for many non-commercial reactors are different. The Price-Anderson Act expires on December 31, 2025. The limit of liability under the Price-Anderson Act for licensees of nuclear power plants remains at \$13.6 billion per unit per incident. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is \$127.318 million per unit, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at \$18.96 million per year per reactor for each nuclear incident. The City and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests in STP. For purposes of the assessments, STP has two licensed reactors. The participants (including the City) have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC, in accordance with the financial protection requirements of the Price-Anderson Act.

A Master Worker Nuclear Liability policy, with a maximum limit of \$300 million for the nuclear industry as a whole, provides protection from nuclear-related claims of workers employed in the nuclear industry after January 1, 1988 who do not use the workers’ compensation system as sole remedy and bring suit against another party. The limit increased to \$375 million effective January 1, 2010.

NRC regulations require licensees of nuclear power plants to obtain on-site property damage insurance in a minimum amount of \$1.06 billion. NRC regulations also require that the proceeds from this insurance be used first to ensure that the licensed reactor is in a safe and stable condition so as to prevent any significant risk to the public health or safety, and then to complete any decontamination operations that may be ordered by the NRC. Any funds remaining would then be available for covering direct losses to property.

The owners of STP currently maintain \$2.75 billion of nuclear property insurance, which is above the legally required amount of \$1.06 billion for such losses (\$2.75 billion is the maximum amount available for purchase from Nuclear Electric Insurance Limited (“NEIL”). Nuclear property insurance consists of \$1.5 billion in primary property damage insurance and \$1.25 billion of excess property damage insurance, both subject to a retrospective assessment being paid by all members of NEIL. In the event that property losses as a result of an accident at any nuclear plant insured by NEIL exceed the accumulated fund available to NEIL, a retrospective assessment could occur. The maximum aggregate assessment under current policies for both primary and excess property damage insurance is \$62.76 million during any one policy year. This number changes annually and is calculated as 10 times the current premium for each policy.

The NRC regulations set forth minimum amounts required to demonstrate reasonable financial assurance of funds for decommissioning of nuclear reactors. Beginning in 1990, each holder of an operating license is required to submit to the NRC a bi-annual report indicating how reasonable assurance would be provided. The City provides the required report on its share of STP to the NRC which is based on the minimum amount for decommissioning, excluding waste disposal, as required by the NRC regulations of \$105 million per unit (January 1986 dollars). This minimum is required to be adjusted annually in accordance with the adjustment factor formula set forth in the regulations. The 2014 report provided by the City based reasonable assurance on the minimum amount (January 1986 dollars) as adjusted by the adjustment factor formula set forth in the regulations. The City has established an external irrevocable trust for decommissioning with JPMorgan Chase Bank, N.A. The City has been collecting for its share of anticipated decommissioning activities which may begin as early as 2027 through its rates since Fiscal Year 1989. The decommissioning trust market value on September 30, 2014 was \$196,653,680.03. For Fiscal Year 2015, Austin Energy estimates that it will continue to collect approximately \$5 million for decommissioning expense. In 2007 dollars, the minimum amount for decommissioning the City’s share of STP is \$221 million.

Events Affecting the Nuclear Industry

On March 11, 2011, a region of Japan sustained significant loss of life and destruction because of a major earthquake and resulting tsunami. Included in the damage areas were the Fukushima nuclear units, which lost power to components of the backup and safety control systems and began emitting radiation into the surrounding environment. Following the incident, the NRC began looking into the safety aspects of nuclear plant operations in the United States with the objective of assuring that events such as those at the Fukushima plant do not occur in this country. On August 31, 2012, the NRC issued Interim Staff Guidance (“ISG”) to U.S. nuclear power plants to ensure proper implementation of three orders the agency issued in March, in response to lessons learned from the Fukushima Dai-ichi nuclear accident. The ISGs represent acceptable approaches to meeting the orders’ requirements before their December 31, 2016 compliance deadline. The ISGs are not mandatory, but U.S. nuclear power plants would have to seek NRC approval in order to follow a different compliance approach. The NRC issued draft versions of the ISGs on May 31, 2012 and asked for public input. The final ISGs, finalized on August 31, 2012, reflect information gained from the month-long comment period and subsequent public meetings.

The first NRC order requires all U.S. plants to better protect portable safety equipment put in place after the 9/11 terrorist attacks and to obtain sufficient equipment to support all reactors and spent fuel pools at a given site simultaneously. The ISG for this order endorses the industry’s updated guidance for dealing with a scenario that knocks out all of a plant’s alternating current electric sources. The updated approach includes the use of backup power supplies for devices that would burn off accident-generated hydrogen before it could accumulate to explosive levels. The staff concludes the updated approach will successfully implement the first NRC order. The ISG is available in the Agencywide Document Access and Management System (“ADAMS”) under accession number ML12229A174; the associated industry document is available under accession number ML12242A378. STP has completed engineering design and is currently installing equipment and modifications to address these requirements. Periodic audits from the NRC are required as these additions and modifications are being completed.

The second NRC order applies only to U.S. boiling-water (“BWR”) reactors that have “Mark I” or “Mark II” containment designs. Mark I reactors must improve installed venting systems that help prevent core damage in the event of an accident; Mark II reactors must install these venting systems. The ISG for this order provides more detailed technical information on the vents, as well as how vent designs and operating procedures should avoid, where possible, relying on plant personnel taking actions under hazardous conditions. The second ISG is available in ADAMS under accession number ML12229A475. Since the STP units are Pressurized Water Reactor’s and not BWR’s, no changes are required.

The third NRC order requires all plants to install enhanced equipment for monitoring water levels in each plant’s spent fuel pool. The ISG for this order largely endorses an industry document that the staff concludes will successfully implement the order. The ISG defines in more detail the water levels the new equipment must accurately report, as well as standards for equipment mounting, powering and testing, personnel training and other criteria. The final ISG notes several areas, including instrument qualifications and instrument protection from falling debris, where the industry revised its initial approach. An exception in the staff’s endorsement sets specific seismic criteria to ensure the instruments will survive an earthquake. This ISG is available in ADAMS under accession number ML12221A399; the associated industry document is available under accession number ML12240A304. STP has completed engineering design and is currently installing equipment and modifications to address these requirements. Periodic audits from the NRC are required as these additions and modifications are completed.

THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its home rule charter. As a result of an amendment to the Austin City Charter approved at an election held in November, 2012, the configuration of the City Council has changed from a seven member council, comprised of a Mayor and six council members elected at large, to an 11 member council, with the Mayor to be elected at large, and the remaining members to be elected from 10 single member districts. The first council election held in accordance with the 2012 amendment to the City Charter was held November 4, 2014. See APPENDIX A – “GENERAL INFORMATION REGARDING THE CITY – General Information” in this document.

By charter, the City Council appoints a City Manager for an indefinite term who acts as the chief administrative and executive officer of the City. The duties include, among others, the supervision of all City departments, the preparation and administration of an annual budget and the preparation of a report on the finances and administrative activities of the City. Marc Ott was appointed City Manager in January 2008.

City Manager – Marc A. Ott

Mr. Marc A. Ott was selected as City Manager for the City by the Austin City Council in January 2008. Mr. Ott is the 17th person in City history to be appointed City Manager in a full-time capacity. Mr. Ott previously served as Assistant City Manager for infrastructure services for the City of Fort Worth. In that role, he was responsible for Fort Worth's infrastructure operations carried out by the departments of Water, Transportation and Public Works, Engineering and Aviation. Mr. Ott was also responsible for implementing one of the Fort Worth City Council's top strategic priorities: promoting orderly growth. Prior to his position in Fort Worth, Mr. Ott was City Administrator for the City of Rochester Hills, Michigan, where he had administrative and managerial oversight of all municipal operations. In addition, Mr. Ott was City Manager of Kalamazoo, Michigan, from 1993 to 1997. He also served as that city's Deputy City Manager for two years and as an Assistant City Manager for almost a year. Mr. Ott earned his bachelor's degree in management with a concentration in economics from Michigan's Oakland University and master's degree in public administration from the same university. He is also a graduate of the Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government, Harvard University.

Chief Financial Officer □ Elaine Hart, CPA

Ms. Elaine Hart received her B.B.A. in Accounting from The University of Texas at Arlington. Her career with the City spans more than 20 years, including over 10 years in public power. Ms. Hart served as Interim Chief Financial Officer for two months before being appointed to the position of Chief Financial Officer in April 2012. Prior to her appointment as Chief Financial Officer, she served as Senior Vice President of Finance and Corporate Services for Austin Energy, the municipally-owned electric utility. During her tenure at the City (service not continuous), she has also served in other financial capacities, including the City's Chief Financial Officer in the late 1980s, Assistant Finance Director, City Controller and Deputy City Auditor. Ms. Hart also has private sector auditing, accounting and consulting experience.

Services Provided by the City

The City's major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, and maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including Austin Energy, Austin Water, an airport and two public event facilities.

Employees

Municipal employees are prohibited from engaging in strikes and collective bargaining under State law. An exception allows fire and police employees to engage in collective bargaining (but not the right to strike) after a favorable vote of the electorate. The voters have approved collective bargaining for fire fighters but not for police officers. Approximately 15% of the City's employees are members of the American Federation of State, County and Municipal Employees, 8% are members of the American Police Association and 7% are members of the International Association of Fire Fighters.

The City does not have automatic escalators in payroll or in its retirement systems. The retirement systems may grant cost-of-living increases up to 6% for the municipal employees and 6% for police officers and a percentage based on the amount of increase in the Consumer Price Index for the firemen only if recommended by the independent actuary and approved by the retirement boards.

Annexation Program

The City annexes territory on a regular basis. Chapter 43 of the Texas Local Government Code regulates annexation of property by Texas municipalities. Before annexing territory, the City must develop a service plan describing the municipal services - police and fire protection, sanitation, provision and maintenance of public facilities such as water and wastewater facilities, roads, streets, and parks - to be provided to the annexed area. Generally, those services may not be at a lower level of service than provided in other areas of the City with similar characteristics. The City is not obligated to provide a uniform level of service to all areas of the City where differing characteristics of population, topography, and land use provide a sufficient basis for different service levels.

Under current State law, there are two processes for the annexation of territory into a city. The three-year Municipal Annexation Plan ("MAP") process applies generally to populated annexation areas, i.e., those that include 100 or more properties with a house on each lot. Unpopulated areas, areas that are annexed by consent, and areas that meet certain other criteria follow the "exempt area process". The processes involve staff review, development of a service plan (or regulatory plan for a limited purpose annexation), property owner notification, publication of a newspaper notice, two public hearings, and ordinance approval. The MAP process also includes an inventory of existing services and a period in which residents appointed by the county commissioners negotiate with City staff on the service plan.

If the annexation service plan for an annexation area includes a schedule for the provision of full municipal services, the City has two and one-half years from the date of the annexation to substantially complete the capital improvements necessary to provide services to the area. However, if necessary, the City may propose a longer schedule. A wide range of services - police and fire protection, sanitation, and maintenance of public facilities such as water and wastewater facilities, roads, streets, and parks - must be provided immediately following annexation. Failure to provide municipal services in accordance with the service plan may provide grounds for a petition and court action for compliance with the service plan or for disannexation of the area, and may also result in a refund of taxes and fees collected for services not provided. The City may not reannex for ten years any area that was disannexed for failure to provide services; however, the City has never been forced to disannex due to such failure.

Some of the areas which may be considered for annexation will include developed areas for which water, sewer, and drainage services are being provided by utility districts created for such purposes. Existing utility districts, as well as new districts that may be created from time to time, may issue bonds for their own improvements. Such bonds are generally payable from the receipts of ad valorem taxes imposed by the district and, in some cases, are further payable from any net revenues derived from the operation of its water and sanitary sewer systems. State law generally requires that if a city is annexing a district, the district must be annexed in its entirety. Upon annexation by a city, a district is dissolved and the city assumes the district's outstanding bonds and other obligations and levies and collects ad valorem taxes on taxable property within the corporate limits of the city ad valorem taxes sufficient to pay the principal of and interest on such assumed bonds.

The City also assumes liabilities when it annexes land in an Emergency Services District ("ESD") and that territory is disannexed from the ESD. This liability, however, is limited to assumption of a pro-rata share of debt and assumption of those facilities directly used to provide service to the area.

The City Charter and the State's annexation laws provide the City with the ability to undertake two types of annexation. "Full purpose" annexation discussed above, annexes territory into the City for all purposes, including the assessment and collection of ad valorem taxes on taxable property. The second type of annexation is known as "limited purpose" annexation by which territory may be annexed for the limited purposes of "Planning and Zoning" and "Health and Safety." Territory so annexed is subject to ordinances achieving these purposes: chiefly, the City's zoning ordinance, building code, and related ordinances regulating land development. Taxes may not be imposed on property annexed for limited purposes; municipal services are not provided; and residents of the area are restricted to voting only in City elections for City Council and Charter amendments. The City believes that limited purpose annexation is a valuable growth management tool. Since 1999 the City has annexed over 23,000 acres of territory for limited purposes. Strategic Annexation Programs are developed annually. These programs prioritize areas to be considered for annexation, usually at the end of the calendar year, to minimize the fiscal impact to the City.

The following table sets forth (in acres) the annual results of the City's annexations since 2005.

<u>Calendar Year</u>	<u>Full Purpose Acres (1)</u>	<u>Limited Purpose Acres</u>
2005	1,914	1,234
2006	351	621
2007	2,466	1,266
2008	2,262	14
2009	295	984
2010	1,129	2,495
2011	726	0
2012	3,387	3,818
2013	3,484	594
2014	897	136

(1) Includes acres converted from limited purpose to full purpose status.

Recent Annexation

The City annexed seven areas for full purposes in 2014, including approximately 900 acres of undeveloped land. If developed as anticipated, these areas would include an estimated 1,498 dwelling units and a projected population of 3,747 persons at build-out. The taxable assessed value ("TAV") for these areas as of January 1, 2015 was approximately \$12.6 million.

In 2013, the Wildhorse Ranch and the remainder of the Goodnight Ranch proposed developments were converted from limited to full purpose annexation status. In addition, the City annexed one commercial area and several undeveloped areas for full purposes for a total of 3,484 acres for the year. The TAV for these areas was approximately \$17 million. City Council also approved the creation and limited purpose annexation of a new Public Improvement District ("PID"), Estancia, which is located on the southern edge of the City along Interstate Highway 35 South. Future full purpose annexation of this area will occur in accordance with the terms of the development agreement.

The City annexed 3,818 acres for limited purposes in 2012 in accordance with Strategic Partnership Agreements ("SPAs") with nine new MUDs. Full purpose annexation will be deferred to allow the MUDs to issue debt for major infrastructure improvements and public amenities to serve two large new mixed-use developments in eastern Travis County. In addition, the City annexed 3,387 acres for full purposes including two fully developed areas with mixed commercial, industrial, and residential land uses; four vacant tracts with development plans approved or in process; the Circuit of the Americas racetrack site; and two other associated undeveloped or publicly owned sites. The total TAV for these areas exceeds \$119,000,000.

In 2011, the remaining portion of Ribelin Ranch consisting of undeveloped wildlife habitat preserve land was converted from limited to full purpose annexation status. In addition, the City annexed a commercial and industrial area as well as a partially developed single-family residential subdivision for full purposes. The TAV for these areas was approximately \$20,510,145.

The 2010 annual program included full purpose annexation of several developed residential and commercial areas, planned residential areas, and public right-of-way. Together the City's full and limited purpose annexations included approximately 8,500 residents and 3,624 acres. In accordance with the terms of the amended SPA between the City and the Springwoods Municipal Utility District, this area was annexed for limited and later full purposes. In addition, the City annexed the adjacent Springwoods MAP area. City Council also approved the creation and limited purpose annexation of two new PIDs, Whisper Valley and Indian Hills. Future full purpose annexation of these areas will occur in accordance with the terms of the development agreement.

In accordance with the terms of a SPA between the City and the River Place Municipal Utility District (the "River Place MUD"), all of the territory in the River Place MUD not previously annexed by the City was annexed for limited purposes of planning and zoning in 2009. In addition, the 2009 annual program included full purpose annexation of three small developed residential areas, a commercial and industrial area, and city owned property. Austin surpassed 300 square miles in incorporated area in 2010 and the City's estimated population grew to 778,560 people.

In 2008, Austin annexed the largest population since 1997, approximately 13,400 people. The largest of the 2008 annexations was Anderson Mill Municipal Utility District, which is more than 1,000 acres in size. This annexation resulted from a 1998 SPA between the City and the district. Other populated areas annexed for full purposes in 2008 include North Acres and Anderson Mill Estates, most of which were already in the City's limited purpose jurisdiction due to 1984 annexations. The City also annexed commercial properties and several new subdivisions under development. The TAV annexed in 2008 was over \$1.1 billion.

2007 saw the conversion of Watersedge, Ribelin Ranch, and approximately one-half of Goodnight Ranch from limited purposes to full purposes. The remaining portion of Ribelin Ranch, consisting of undeveloped wildlife habitat preserve land, was converted from limited to full purpose annexation status in 2011. In addition, the City annexed a commercial and industrial area as well as a partially developed single-family residential subdivision for full purposes. The total TAV for these areas was approximately \$20,510,145. In addition, the final remaining portions of Avery Ranch, annexed for limited purposes in 2000, were converted to full purposes. Several planned residential subdivisions in the extraterritorial jurisdiction were annexed. In total, 2,466 full purpose acres and \$22 million in TAV were annexed in 2007.

The Pearce Lane/Ross Road area, located in southeast Travis County, was converted to full purpose annexation status in December 2006. This annexation area was added to the City's MAP in 2003 and includes two Del Valle Independent School District sites. Approximately \$83 million in TAV and over 2,500 residents were added to the City. Sunfield Municipal Utility District No. 2 includes 575 acres southeast of Austin and was annexed for limited purposes in 2006.

In 2005, full purpose annexation of the Springfield and Walnut Creek MAP areas added over \$123 million in TAV and 375 acres to the City. Nearly all the remaining Avery Ranch subdivision areas in Williamson County were converted from limited to full purpose annexation status in 2005. A total of 1,914 full purpose acres and over \$140 million in TAV were annexed in 2005. Limited purpose areas annexed included Goodnight Ranch, Watersedge and the Woods at Greenshores.

Approximately \$50 million in TAV was annexed for full purposes in 2004. Over 6,000 acres northwest of the City, known as the Robinson Ranch area, and the 748 acre Ribelin Ranch area, were annexed for limited purposes in June 2004.

Future Annexation

Three area MUDs are scheduled for annexation under approved SPAs with the City. The commercial portion of Lost Creek MUD was annexed in 2008 while annexation of the remaining residential property will take place in 2015. It is anticipated that River Place MUD will be annexed for full purposes in its entirety in December 2017. Shady Hollow MUD is scheduled for full purpose annexation in December 2020.

Pension Plans

There are three contributory defined benefit retirement plans for the Municipal, Fire, and Police employees. State law requires the City to make contributions to the funds in an amount at least equal to the contribution of the employee group. The contributions made by the City to the City of Austin Employees Retirement System ("COAERS") include amounts allocable to the City employees within Austin Water. The contributions allocable to such employees are paid from Gross Revenues and constitute Operating Expenses of the Water and Wastewater System.

The following describes the contributions in place as of September 1, 2015. Municipal employees contribute 8.0% and the City contributes 18.0% of payroll. The Firefighters (who are not members of the Social Security System) contribute 17.7% of payroll, and the City contributes 22.05%. The Police Officers contribute 13.0% and the City contributes 21.63% of payroll.

The contributions to the pension funds are designed to fund current service costs and to amortize the unfunded actuarial accrued liability. As of December 31, 2014, the amortization period of the unfunded actuarial accrued liability for the COAERS was 24.0 years. As of December 31, 2013, the amortization period of the unfunded actuarial accrued liability for the Police Officer's Fund was 28.9 years and the Fire Fighters Fund was 10.51 years.

As of December 31, 2014, the actuarial accrued liability for the COAERS was \$3,091,056,712 and the funded ratio was 70.9%. The actuarial accrued liability for the Police Officers' Fund as of December 31, 2013 was \$911,044,000 and the

funded ratio was 66.4%. The actuarial accrued liability for the Firefighters' Fund as of December 31, 2013 was \$808,771,000 and the funded ratio was 91.8%.

Although the COAERS funding period had been infinite since December 31, 2002, investment losses in 2008 of 25.9% led to a significant decrease in the actuarial funded ratio and a significant increase to the unfunded actuarial accrued liability. In 2005, a Supplemental Funding Plan ("SFP") was approved that increased the City's annual contribution rate to a maximum of 12%, but even this additional funding was not sufficient to restore the long-term financial health of the COAERS. In FY 2011, City Council approved an amendment to the SFP that increased the City contribution rate to a maximum rate of 18% of pay to be contributed by 2013. The City contributed an additional 6% in FY 2011, an additional 8% in FY 2012 and an additional 10% in FY 2013 pursuant to the terms of the SFP, which brought the City's contribution rate to the maximum of 18%. In addition, a new benefit tier for new employees hired on or after January 1, 2012, was approved by the COAERS Board of Trustees, the City Council and the Texas Legislature. The new benefit tier increases the age and service criteria necessary to reach retirement eligibility. It also decreases the pension multiplier, which is used to determine the final pension amount paid to future retirees. These two actions are expected to substantially improve the long-term financial health of the COAERS over time.

The net pension obligation for the COAERS at September 30, 2014 totaled \$126.6 million.

See APPENDIX B – "Audited Financial Statements – Note 7" in this document for additional information on the City's Pension Plans.

Other Post-Employment Benefits

In addition to the contributions made to the three pension systems, the City provides certain other post-employment benefits ("OPEBs") to its retirees. Other post-employment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and \$1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other post-employment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other post-employment benefits plan is a single employer plan.

The City is under no obligation to pay any portion of the cost of other post-employment benefits for retirees or their dependents. Allocation of City funds to pay other post-employment benefits is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis.

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium. The estimated pay-as-you-go cost of providing medical and life benefits was \$33.3 million for 4,189 retirees in 2014 and \$26.9 million for 3,945 retirees in 2013. As of September 30, 2014, the net OPEB obligation is \$690.3 million.

See APPENDIX B – "Audited Financial Statements – Note 8" in this document for additional information about the City's OPEB.

Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund's operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately \$10.6 million for claims and damages at the end of fiscal year 2014. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

CONTINUING DISCLOSURE OF INFORMATION

In each Ordinance, the City has made the following agreement for the benefit of the Holders 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 annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of the Official Statement within the various tables (except for "DEBT INFORMATION - Estimated Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes" in this document) and in APPENDIX B. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. 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 will update and provide this financial information and operating data as of the end of each fiscal year within six months after the end of each fiscal year, beginning with the fiscal year ending in 2015 and audited financial statements within 12 months of each fiscal year beginning with the fiscal year ending in 2015. If audited financial statements are not available within 12 months after any such fiscal year end, the City will provide unaudited financial statements within such 12 month period and audited financial statements for such fiscal year when and if the audit report on such statements becomes available. The City will provide the updated information to the MSRB through its Electronic Municipal Market Access ("EMMA") information system.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule"), promulgated by the United States Securities and Exchange Commission (the "SEC").

The City's current fiscal year is October 1 to September 30. Accordingly, it must provide updated financial information and operating data by March 31 of each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of 10 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) Bond or Certificate 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; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. (Neither the Obligations nor the Ordinances make any provision for debt service reserves or liquidity enhancement.) The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data by the time required by the Ordinances.

As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over

substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. The term "Business Day" means a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions are authorized by law or executive order to close in the City or the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located.

Availability of Information

In connection with its continuing disclosure agreement entered into with respect to the Obligations, the City will file all required information and documentation with the MSRB in electronic format and accompanied by such identifying information as prescribed by and in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The City may amend its continuing disclosure agreement 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 in this document 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

The City did not file its unaudited or audited financial statements for the Fiscal Year ended September 30, 2011 by the required deadline of March 31, 2012. The audited financial statements of the City for such Fiscal Year were filed on April 2, 2012. Annual financial information and operating data of the City were filed by the required time in accordance with the City's continuing disclosure agreements in the above-cited year in which the audited financial statements were filed after March 31. The City has filed an event notice in connection with the late filing. In addition, multiple rating changes occurred with respect to certain obligations of the City between 2009 and 2013, and the City did not file event notices with respect to certain of such rating changes. The City has filed event notices with respect to the current ratings of certain of its outstanding obligations. In its annual financial information and operating data filings for the City's electric system and water and wastewater system revenue bonds, for the years 2009, 2010, and 2011, the City omitted a table relating to the City's equity in its electric utility and water and wastewater systems. While the information contained in such table was generally obtainable from its audited financial statements for such years, the City has, since its Fiscal Year 2012 filing, included this table in its annual financial information and operating data filings for the City's electric system and water and wastewater system revenue bonds. Also, the City inadvertently omitted several tables from

the annual financial information and operating data filing for the March 31, 2013 continuing disclosure report relating to certain obligations of the City. The City filed the omitted information on May 14, 2014. The City recently determined that a table in its continuing disclosure regarding its outstanding Airport System Revenue Bonds had transposed years in the presentation of data. The City filed corrected information on May 8, 2015. The City has implemented procedures to ensure timely filing of all future financial information and event notices.

TAX EXEMPTION

Delivery of the Obligations of each series is subject to the opinion of Andrews Kurth LLP, Austin, Texas, Bond Counsel, that interest on the Bonds, Certificates and Contractual Obligations, respectively, will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

Interest on the Obligations owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Obligations. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Obligations in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the City with certain covenants contained in the Ordinances for Obligations and has relied on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of bond proceeds and any facilities financed therewith, the source of repayment of the Obligations, the investment of bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of bond proceeds and certain other amounts be paid periodically to the United States and that the City file an information report with the Internal Revenue Service. If the City should fail to comply with the covenants in the Ordinances for the Obligations or if its representations that are contained in the Ordinances for the Obligations should be determined to be inaccurate or incomplete, interest on the Obligations could become taxable from the date of delivery of the Obligations, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Obligations.

Bond Counsel's opinion is not a guarantee of a result, but represents 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 "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Obligations is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the respective owners of the Obligations may 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 Obligations, the City may have different or conflicting interests from the respective owners of the Obligations. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Obligations, received or accrued during the year.

Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations, such as the Obligations, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Obligations.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Obligations to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Obligations from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Obligations. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM OBLIGATIONS

Discount Obligations

Certain maturities of the Obligations may be offered at an initial offering price which is less than the stated redemption price at maturity of such Obligations. If a substantial amount of any maturity of the Obligations is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or organizations acting in the capacity of wholesalers or initial purchasers) at such initial offering price, the Obligations of that maturity (the "Discount Obligations") will be considered to have "original issue discount" for federal income tax purposes. An initial owner who purchases a Discount Obligation in the initial public offering of the Obligations at such an initial offering price will acquire such Discount Obligation with original issue discount equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Obligation and (b) the initial public offering price to the public of such Discount Obligation. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Discount Obligation and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Obligation continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Obligations under the caption "TAX EXEMPTION" in this document generally applies to original issue discount deemed to be earned on a Discount Obligation while held by an owner who has purchased such Discount Obligation at the initial offering price in the initial public offering of the Obligations and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Obligation prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Obligation in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Obligation continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Obligation will be treated for federal income tax purposes as interest on an Obligation, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. See "TAX EXEMPTION" in this document for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Obligation or of the City. The portion of the principal of a Discount Obligation representing original issue discount is payable upon the maturity or earlier redemption of such Obligation to the registered owner of the Discount Obligation at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Obligation is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Obligations by an owner that did not purchase such Obligations in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Obligations should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Obligations.

Premium Obligations

Certain maturities of the Obligations may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Obligations. If a substantial amount of any maturity of the Obligations is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or organizations acting in the capacity of wholesalers or initial purchasers) at such initial offering price, each of the Obligations of such maturity ("Premium Obligation") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium Obligation in the hands of an initial purchaser who purchases such Premium Obligation in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Premium Obligation by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Obligation by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium with respect to the Premium Obligations. The amount of bond premium on a Premium Obligation which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Obligation) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Obligation based on the initial purchaser's original basis in such Premium Obligation.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Obligations that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Obligations of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Obligations should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Obligations.

OTHER RELEVANT INFORMATION

Ratings

The Obligations have received ratings of "AAA" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AAA" by Fitch Ratings, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). The presently outstanding ad valorem tax-supported debt of the City is rated "AAA" by S&P, "AAA" by Fitch and "Aaa" by Moody's. 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 such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price of the Obligations. Except as provided under "CONTINUING DISCLOSURE OF INFORMATION – Disclosure Event Notices" in this document, the City will undertake no responsibility to notify the owners of the Obligations of any such revisions or withdrawal of ratings.

Litigation

A number of claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City's operations. The City Attorney and the City Management are of the opinion that resolution of the claims pending (including the matter described below) will not have a material effect on the City's financial condition or the financial condition of Austin Energy and/or the Water and Wastewater Utility.

Electric Utility System Litigation

The City has been named in a multi-party lawsuit stemming from the September 4, 2011 wildfire that damaged a number of properties in the Steiner Ranch community. Plaintiff, Ronya Aigner, Individually and as Heir of the Estate of Kevin Lee Aigner, filed suit on November 2, 2012. Plaintiff alleges that the City caused the fire, which allegedly led to the death of Kevin Aigner, a Travis County Constable, who suffered a stroke while working in the Steiner Ranch area six days after the fire. Over 20 insurance companies representing hundreds of property owners intervened in the lawsuit and also alleged that the City caused the fire through its allegedly improper maintenance and operation of power lines. An additional personal injury claimant intervened in the lawsuit alleging that the fires aggravated an individual's pre-existing Tourette syndrome condition. Five underinsured plaintiffs have also intervened. The City has filed a motion challenging jurisdiction that is currently on appeal in the Third Circuit Court of Appeals. The carriers presented property damage claims, including under-insured claims of approximately \$15 million. The appellate court dismissed Plaintiffs' inverse condemnation claims and remanded the case back to the trial court. The parties are currently in the discovery phase and the City anticipates receiving detailed damages claims. If the case is not resolved, trial is anticipated in February of 2016.

Registration and Qualification

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 in the Securities Act of Texas; 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

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Obligations are (i) negotiable instruments, (ii) investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Obligations are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the PFIA, the Obligations may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

Legal Matters

The delivery of each series of the Obligations is subject to the approval of the Attorney General of Texas to the effect that such Obligations are valid and legally binding obligations of the City payable from sources and in the manner described in this document and in the respective Ordinances and the approving legal opinions of Bond Counsel. The forms of Bond Counsel's opinions are attached hereto in Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent upon the sale and delivery of the Obligations. The legal opinions of Bond Counsel will accompany the Obligations deposited with DTC or will be printed on the definitive Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Haynes & Boone, LLP, Counsel for the Underwriters. The legal fee of such firm is contingent upon the sale and delivery of the Obligations.

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained in this document except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this document under the captions "OBLIGATION INFORMATION" (except for the information under the subcaptions "Sources and Uses of Funds," "Remedies" and "Book-Entry-Only System"), "TAX INFORMATION – Tax Rate Limitation," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings"), "TAX EXEMPTION," "TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM OBLIGATIONS," and the information under the subcaptions "OTHER RELEVANT INFORMATION - Registration and Qualification," " - Legal Investments and Eligibility to Secure Public Funds in Texas," and " - Legal Matters," and such firm is of the opinion that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described, and such information conforms to the Ordinances.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed in those opinions. 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 of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Financial Advisor

Public Financial Management, Inc. ("PFM"), Austin, Texas, is employed as Financial Advisor to the City in connection with the issuance, sale and delivery of the Obligations. The payment of the fee for services rendered by PFM with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. PFM, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the bond documentation with respect to the federal income tax status of the Obligations.

Independent Auditors

The financial data listed as fiscal year 2015 has been derived from the unaudited internal records of the City. The City's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may differ from the audited financial statements when they are released.

The financial statements of the City included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the period indicated in their report which contains an explanatory paragraph regarding the City's implementation of GASB Statement 65, Items Previously Reported as Assets and Liabilities, which established standards of accounting and reporting standards that reclassify certain items that were previously reported as assets and liabilities to deferred outflows or inflows of resources.

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 the inside front cover page of this Official Statement, less an underwriting discount of [\$]. The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at a price equal to the initial offering prices to the public, as shown on the inside front cover page of this Official Statement, less an underwriting discount of [\$]. The Underwriters have agreed, subject to certain conditions, to purchase the Contractual Obligations from the City at a price equal to the initial offering prices to the public, as shown on the inside front cover page of this Official Statement, less an underwriting discount of [\$]. The Obligations to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices of such Obligations, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following paragraphs for inclusion in the Official Statement, and the City takes no responsibility for the accuracy thereof. The Underwriters and their respective affiliates are full service financial institutions engaged in various 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. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps 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 City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective 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, long and/or short positions in such assets, securities and instruments.

Jefferies LLC ("Jefferies"), an Underwriter of the Bonds, has entered into an agreement (the "Agreement") with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies will sell Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper.

Verification of Arithmetical and Mathematical Calculations

[The Arbitrage Group, Inc.] (the "Verification Agent"), a firm of independent certified public accountants, upon delivery of the Bonds, will deliver to the City its report indicating that they have examined the mathematical accuracy of computations prepared by PFM relating to (a) the sufficiency of the anticipated receipts from the Securities and on the Bonds and (b) language regarding yields.

The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report. The report of the Verification Agent will be relied upon by Bond Counsel in rendering their opinion with respect to the exclusion of interest on the Obligations for federal income tax purposes and with respect to the defeasance of the Refunded Obligations.

Authenticity of Financial Data and Other Information

The financial data and other information contained in this document have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates will be realized. All of the summaries of the statutes, documents and resolutions contained in this document 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.

Certification of the Official Statement

This Official Statement, and the execution and delivery of this Official Statement was approved and authorized by the Ordinances adopted by the City Council on August 20, 2015.

Mayor
City of Austin, Texas

ATTEST:

City Clerk
City of Austin, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

The following information is presented for informational purposes only.

General Information

The City of Austin (the “City”), chartered in 1839, has a Council-Manager form of government under its home rule charter. A change in governance affecting City Council size, composition, and term duration was approved by the voters with the passage of Propositions 1 – 3 on November 6, 2012. Under the new governance, the Mayor remains elected at-large and ten Councilmembers are elected by geographic district, with all serving four-year staggered terms subject to a maximum of two consecutive terms. The voters also approved moving elections from May to November in even-numbered years, the first of which was held in November 2014. Currently half of the Councilmembers are serving a two-year term as a part of the transition to this new Council structure which became effective January 6, 2015. The City Manager, appointed by the City Council, is responsible to the City Council for the management of all City employees and administration of all City affairs.

The City, which is the capital of Texas, is the fourth largest city in the state (behind Houston, Dallas, and San Antonio) and the eleventh largest in the nation with a September 2014 population of 878,002 according to the City's estimates. Over the past ten years, Austin's population has increased by approximately 26.2%, or 182,121 residents. Geographically, the City consists of approximately 321 square miles. The current estimated median household income for residents of the City is \$49,227 according to Public Financial Management, Inc. The City's per capita income is estimated to be \$46,990 based on analysis of the Bureau of Economic Analysis information.

The City is nationally recognized as a great place to live due in part to its diverse and eclectic population, as well as its promotion of a year-round outdoor active lifestyle. The City draws its special character from its physical setting along the Balcones Escarpment, a city wedged between coastal plains and dramatic cliffs, canyons, and juniper-carpeted rolling hills. Austin's quality of life has become its biggest economic development engine, and the City's diverse demographic structure serves to support and enrich its quality of life.

The City offers several broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with 45.6% of adults twenty-five years or older holding a bachelor's or advanced degree, compared to 28.8% for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area, which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), the sixth largest public university in the nation, is known as a world-class center of education and research and was ranked 17th among public universities in the 2015 *U.S. News and World Report* survey of undergraduate programs.

Local Economy

The Austin metropolitan area is consistently recognized among the most inventive, creative, wired, educated, fit, and loved cities in which to live and work. The Milken Institute ranked the Austin metropolitan area number 2 in its 2014 *Best-Performing Cities* report, which ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The index “was designed to measure objectively which U.S. metropolitan areas are promoting economic vitality based on job creation and retention, the quality of new jobs, and other criteria.” In its report the Institute noted that, “Austin is the most consistent Top 5 finisher in the history of our Best-Performing Cities index”.

From job growth to population growth to real estate, the Austin metropolitan area continues to boom and the trends reflect it. The Brookings *Metro Monitor* ranks Austin's economic performance from the recession until the second quarter of 2014 as the best in the nation based on an analysis of jobs, unemployment, gross product, and home prices. Austin's overall growth is expected to continue into the future. During 2014, *U.S. Metro Economies*, which is prepared by IHS Global Insight for the US Conference of Mayors, projected that the City will have the highest level of growth in real gross metro product in the country through 2020, growing at an average annual rate of 4.4%.

In January 2015, *Forbes* confirmed Austin's popularity as a great place to live and work as the City was ranked second on its list of "America's Fastest-Growing Cities 2015". Austin has ranked first or second on this list for the last five years. During 2014, the City's demographer estimated that the population was growing at the rate of 110 people per day.

The Texas economy has been strong for well over a decade, adding 2.1 million jobs since 2000, or 30% of total jobs added in the United States during that period. Moody's Analytics economic research firm expects Texas job growth to continue to lead the nation over the next five years, expanding at an annual rate of 2.7%. In November 2014, *Forbes* listed Texas as the Best State for Job Growth. *Forbes* has indicated that Texas "ranks first for both its current economic climate and growth prospects in our annual study on the Best States for Business." Texas is home to 5 of the top 10 best-performing large cities and 3 of the top 10 best-performing small cities according to the Milken Institute index.

Employment - Virtually all Texas metro areas had more jobs in December 2014 than in December 2013. Texas' employment growth at 4% continues to outpace the nation at 2.2%. The Austin metro area employment is also growing faster than the national rate at 2.9%. Austin's unemployment rate was at 3.4% in December 2014, down from 4.5% in December 2013. The State and National unemployment rates in December 2014 were 4.6% and 5.6%, respectively.

Over the last five years, the Austin metro area has created more than 151,000 new jobs, an increase of over 18%. This growth has been shared by all levels of wage earners. During fiscal year 2014, *Forbes* listed the Austin area at or near the top of several lists: "Best Cities for Future Job Growth 2014"; "Cities Creating the Most Middle Class Jobs" (7.6% since 2007); "Blue Collar Hot Spots" (10% since 2010); and "Cities Creating the Most Tech Jobs" (over 41% 2001 – 2013). According to the Milken 2014 *Best-Performing Cities* report, the Austin MSA is a technology center that benefits from "an employment multiplier of close to 5 (meaning one tech position generates four other jobs), among the highest of all sectors."

This growth is expected to continue through 2017 according to *America's Job Outlook* published by Careerbuilder and Economic Modeling Services, Inc. (EMSI). This report projects total job growth of 9.7% in the Austin metro area, well ahead of the national level of 4.4% for the period 2013 through 2017. In addition, high-wage jobs are expected to grow at a rate of 9.4%, the second highest level in the nation. The report states, "Austin's position as one of the strongest markets for high-wage job growth, and job growth overall, has been fueled by its diverse industry mix."

Economic Development - The City's economic development efforts have greatly contributed to job growth. In early 2014, City Council approved several economic incentive agreements which will result in 1,247 new full-time jobs. The combined economic impact of such agreements since the beginning of 2012 is over 6,700 direct jobs and \$396 million in capital investment.

Over the next several years, a medical school will be constructed at the University of Texas at Austin. The University is partnering with the Seton Healthcare Family, who will build a teaching hospital, and Central Health (the Travis County Healthcare District), who will purchase services from the medical school for the population it serves. The plan is supported by a broad cross-section of the community, including the voters who approved a tax increase for Central Health to help fund these initiatives. In 2014, the first dean of the medical school was selected, long-term affiliation agreements between the parties were approved, and construction of both the Dell Medical School and the teaching hospital, Seton Medical Center at the University of Texas, was begun. The school is scheduled to accept its first class in 2016 and the hospital will open in 2017.

An economic analysis by TXP, Inc. estimates the economic impact of the medical school to be almost \$1 billion in direct annual spending and 6,900 direct jobs. In December 2014, City Council directed the City Manager to explore creation of an innovation zone in the northeast quadrant of downtown to leverage the economic potential created by the medical school. Such zones have been successful economic engines in other major U.S. cities such as Seattle and Raleigh-Durham.

Tourism - The City continues to be a destination for both business and recreational activities. It is known around the world as the "Live Music Capital of the World," with over 250 live music venues. In March 2015, South by Southwest (SXSW) hosted its 29th annual festival, conference, and trade show, providing a unique convergence of original music, independent films, and emerging technologies as well as, more recently, education and sustainability. According to an economic impact analysis prepared by Greyhill Advisors, SXSW was responsible for injecting more than \$315 million into the Austin economy. In October 2013, the Austin City Limits Music Festival expanded to two weekends, increasing opportunities for attendance. As a result, the economic impact of that festival increased from \$102 million in 2012 to \$182 million in 2013.

During 2014 the Circuit Of The Americas™ (COTA) complex in southeast Austin, a state-of-the-art motorsports and entertainment venue, generated \$897 million in economic impact to the Austin area according to Greyhill Advisors. The major event at this facility continues to be the United States Formula One™ Grand Prix race (F1), which drew a total attendance of over 237,000 in the fall of 2014. Other major events hosted at the facility throughout the year included MotoGP Grand Prix of the Americas, the ESPN X Games (year one of four), the Lone Star Le Mans and numerous national touring bands.

The growing local economy in the City relies on quality air service to foster business, government, and leisure travel. During 2014, the City's airport, ABIA, set a new record for annual traffic for the fourth consecutive year, a 7% increase over the previous year's record. In 2014 over 10.7 million passengers passed through ABIA, enjoying over 1,100 live music performances, 62 tons of brisket and 600,000 breakfast tacos. A milestone was reached in March 2015 when, for the second time, over a million passengers traveled through the airport in a single month. Air carriers continue to add direct flights to Austin: in May 2015 Southwest Airlines announced new non-stop service to Boston, MA and Seattle, WA beginning in the fall. In March 2014, British Airways offered the first transatlantic air service between London and Austin, facilitating connections with over 70 countries throughout Europe, Africa, the Middle East, and Asia. To accommodate this growth, ABIA is expanding the east terminal to provide up to a 30% increase in aircraft operational capacity. The lower level of this project was completed in December 2014 and includes a new Customs Facility, which more than doubles the capacity to process international arrivals.

Hotel motel tax revenues continue to grow and in 2014 were 15% greater than the previous year. High occupancy rates have spurred construction of new hotels across the Austin metro area. The greatest concentration is downtown where over 3,000 rooms are currently under construction or were recently completed by hoteliers such as JW Marriott, Fairmont, Westin, Kimpton, and several others.

Real Estate - All sectors of the real estate market are performing well. Austin area home sales for 2014 were up 2% over 2013 and set a record for annual single-family home sales. As of the end of December, the market featured 2.2 months of housing inventory, slightly higher than last year but below the levels considered to represent a balanced housing market. As a result, the median price for a single family home continues to rise, up about 8% over the previous year from \$223,890 to \$242,500. According to the National Association of Home Builders, despite housing price increases Austin has the second most affordable housing of the major Texas cities when median family income is factored into the equation.

Opinions about the City's real estate market are mixed. Both Fitch and Trulia.com believe that Austin's real estate market is overpriced by up to 20%. However, an analysis by Forbes Inc. and Local Market Monitor indicated Austin as the "Best Buy City", a place to invest in housing in 2015. The study indicated that in the Austin market, prices are slightly "overheated" but investment was "still a safe bet" given other economic factors. The City considers affordability a prime consideration when making decisions that impact its citizens and the businesses that operate here. Whether setting taxes or utility rates, taking actions that provide affordable housing, or providing services and programs to the underprivileged members of the community, affordability is always part of the discussion.

As the result of over 9,000 new apartments coming on the market in 2014, multifamily occupancy rates are near 94%, down from the 2013 high of 97%. With occupancy rates still strong, rents per square foot are at an all-time high. In June 2014 these rates were at \$1.25, having risen over 3% in six months. The office market is also strong, with an average occupancy rate of over 91% at the end of 2014. The retail market ended 2014 with occupancy at almost 96%, the highest overall occupancy rate in a decade. According to *Emerging Trends in Real Estate 2015* co-published by PricewaterhouseCoopers US and the Urban Land Institute, the City will be one of the two top markets to watch in 2015 along with Houston. Among other things, those interviewed for this survey were attracted by Austin's appeal to the millennial generation, diverse employee base, and the lower cost of doing business here.

Sales Taxes - Sales tax revenue has shown positive growth over the past five fiscal years. Fiscal year 2014 experienced a robust 7.5% increase over fiscal year 2013, which was a 7.3 % increase over 2012.

Recognition - In addition to the rankings mentioned above, the City has ranked at the top of lists such as Jones Lang LaSalle, NerdWallet, WalletHub, and others in regards to career choice, recreation opportunities, income, and business opportunities:

# 1 Small Business Vitality <i>WalletHub</i> – May 2014	# 3 America’s Coolest Cities 2014 <i>Forbes</i> – August 2014	# 6 Top 10 U.S. Labor Markets <i>Career Builder & EMSI</i> – February 2015
# 2 Best Cities for Millennials <i>Niche.com</i> – Spring 2014	# 4 America’s Most Creative Cities <i>Forbes</i> – July 2014	# 8 Best Run Cities in America <i>24/7 Wall St.</i> - January 2014
# 2 Baby Boomtowns: The U.S. Cities Attracting the Most Families <i>Forbes</i> – September 2014	# 3 Cities Stealing Jobs from Wall Street <i>Neurogeography.com</i> – June 2014	# 2 Best Large Cities for Women in the Workforce <i>NerdWallet.com</i> – June 2014
# 7 World’s 20 Most Dynamic Cities <i>City Momentum Index</i> <i>Jones Lang LaSalle</i> - January 2014	# 1 Metro Areas with Most Economic Momentum Going Into 2014 <i>Forbes</i> – December 2013	# 3 Top US Cities for Tech Acquisitions (since 2012) <i>CBInsights.com</i> – October 2014

Major Initiatives

The City's vision is to be the most livable city in the country. The following policy priorities were adopted in April 2007 by the City Council and amended in 2009:

- ❖ Rich Social and Cultural Community
- ❖ Vibrant Urban Fabric
- ❖ Healthy, Family-Friendly, Safe City
- ❖ Sustainable Economic Development and Financial Health

Best Managed City - To achieve the vision of making the City the most livable city in the country and to support City Council's policies and initiatives, the employees of the City – whether they be executives, managers, or front-line service providers – have the singular mission of making the City the best managed city in the country. This mission is implemented through transparent business practices, excellence in public service, innovative leadership, and providing services that are reliable, safe, efficient, and above national standards.

City staff is committed to creating a work environment that fosters creative thinking and innovation throughout the organization, thereby better positioning the workforce to more effectively respond to new challenges as well as new opportunities. PRIDE reflects the City's core values of public service and how employees relate to customers and each other. The elements of PRIDE include: Public Service & Engagement; Responsibility & Accountability; Innovation & Sustainability; Diversity & Inclusion; and Ethics & Integrity.

Being “best managed” means everyone in the organization is providing the best service possible to the community. Reflecting the PRIDE that the City's employees take in their work, Austin ranks 26 percentage points above the national average for customer service and is at or above the national average in 34 of 46 of the City's benchmark indicators.

Imagine Austin - In 2012, after an extensive public process, the City Council unanimously voted to adopt Imagine Austin, the City's comprehensive plan for Austin's future. The plan defines where the City is today and where it wants to go, setting a context to guide decision-makers for the next 30 years. The resulting plan adheres to 6 core principles established by Austin citizens:

- ❖ Grow as a compact, connected city
- ❖ Integrate nature into the city
- ❖ Provide paths to prosperity for all
- ❖ Develop as an affordable and healthy community
- ❖ Sustainably manage water, energy, and other environmental resources
- ❖ Think creatively and work together

Implementing this vision will take many incremental steps over time. Cross-departmental and cross-jurisdictional action teams have been created for these areas and the 2015 budget and capital plan included funding to support these principles. Further, a number of the initiatives discussed below also directly support Imagine Austin. In 2014, the American Planning Association bestowed its first ever “Sustainable Plan Award” to the City in partnership with the plan consultants, Wallace, Roberts, and Todd, for Imagine Austin for showing exemplary scholarship, leadership, and inspiration in sustainability planning and implementation.

Development – In addition to its economic development efforts, the City has been committed to the redevelopment of a number of its downtown properties. Beginning with the development of six blocks in the warehouse district in the early 2000’s, Austin’s participation in joint public/private partnerships continues to contribute to a vibrant downtown and an enhanced tax base. Current downtown redevelopment focused in the Seaholm District includes:

- Construction of a new 198,000 square-foot central library. This “library for the future” will have advanced sustainable features and is expected to be completed in 2016;
- Extensive improvements to Shoal Creek in the Seaholm area to facilitate bicycle and pedestrian use;
- Construction of a \$130 million mixed-used development that will involve renovation and reuse of the historical and architecturally-significant Seaholm power plant. As the result of one of the City’s economic development agreements, the offices of athenahealth, Inc., a software company, moved into the renovated power plant in February 2015.
- Kick-off of the redevelopment of the Green Water Treatment Plant site with the sale and transfer of the first portion of the site to the development team who will construct a 38-floor mixed-use tower, including affordable living units. The first phase of this project also includes completion of the street grid in the district to enhance connectivity to Seaholm. Ultimately this pivotal waterfront project is slated to add 1.7 million square feet of mixed use development.

In 2015, the City will finalize construction of the Waller Creek Tunnel Project on the eastern edge of downtown. This mile-long stormwater bypass tunnel will address problems of flooding, erosion, and water pollution along lower Waller Creek. By taking nearly 28 acres of prime downtown land out of the 100-year floodplain, the project is expected to spur redevelopment and revitalization in the area. In addition, the City partnered with the Waller Creek Conservancy to create the Waller Creek District along the creek from the mouth of Lady Bird Lake north to the University of Texas. The Conservancy is at work implementing a number of amenities, including pedestrian and bicycle paths, interactive playscapes, and a restored native creek ecology.

Several miles from downtown, the City continues its public/private partnership to redevelop the site of the previous airport, Mueller. This 700 acre, vibrant, mixed-use urban village includes residential neighborhoods, retail and office space, extensive parks, and trails. The development, which is sustainable, transit-oriented, and which offers affordable housing opportunities, is more than one-third complete, and has a current assessed value of over \$680 million. Demand for housing at Mueller has been high due to its proximity to downtown and many amenities. In addition to the homes being constructed, recent openings in the development include a new children’s museum, an expansion of the Dell Children’s Hospital, a market district, and the Austin Independent School District’s performing arts center.

Transparency – The City’s ongoing commitment to transparency of financial transactions and processes is exemplified by Austin Finance Online (AFO). Since its inception in 2011, AFO has been recognized by the Texas State Comptroller for achieving the highest standards in financial transparency online. After receiving the Gold Level Leadership Circle Award for four consecutive years, in January 2015 the City received the newly created Platinum Leadership Award. AFO provides a one-stop web-based portal containing an extensive library of budget and financial documents, an online contract catalog, payment register information, and other City financial information.

Innovation - In the summer of 2014, the City received recognition for its technological innovations in several of its geographic information systems (GIS) applications. The Environmental Systems Research Institute awarded the City with a Special Achievement in GIS award for its adoption of the ArcGIS Online configuration to help the City manage water resources while dealing with a major drought and rapid growth in the area. The City also received a 2014 Technology Solutions Award for significant achievement from the Public Technology Institute (PTI) for the Austin Infrastructure Management, Mapping, Planning and Coordination Tool, which provides key coordination of the

mapping of infrastructure projects to identify possible conflicts and opportunities for collaboration, reducing the City's infrastructure repair and rehabilitation costs. PTI recognized the City for five different applications, including, among others, the Strategic Capital Investments Analysis tool and the MetroRapid Traffic Signal Priority project.

The City has also received recognition for its policies. In October, Austin was one of two cities that received the 2014 Robert C. Larson Housing Policy Leadership Award for exceptional public policy from the Urban Land Institute's Terwilliger Center for Housing. The award description states, "the City of Austin is tackling its affordable housing shortage through a variety of mechanisms...securing affordability for more than 18,000 units since focusing on this crucial issue."

Climate Protection - The City has long been a national leader in the climate protection arena through the efforts of City leaders, its City-owned electric utility (Austin Energy), and the participation of customers from residential to other governmental entities and private businesses. As a result of these efforts and partnerships, Austin Energy led all public power utilities in the country for sales of renewable energy in 2013. In 2012, the City became the first large city in America to power all of its City-owned buildings with 100% renewable energy, a goal set five years earlier. In January 2015, the EPA's Green Power Partnership program ranked the City third in the country among all local government program partners using the most renewable energy, and 15th among all participants, including some Fortune 500 companies. Austin Energy also received the EPA's 2014 Energy Star Partner of the Year Award for Sustained Excellence for outstanding contributions to energy efficiency for the tenth consecutive year.

In early 2014, with the approval of a contract to purchase 300 additional megawatts of wind power, Austin Energy is poised to achieve its 35% of renewable energy goal in 2016, four years ahead of schedule. The utility is now focusing on its solar power goals and has awarded a contract to a solar project developer to create a 150 megawatt solar facility that will be Texas' largest.

FINANCIAL INFORMATION

Internal Controls

City management is responsible for establishing, implementing, and maintaining a framework of internal controls designed to ensure that City assets 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 GAAP. The system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

Financial Policies

The City has adopted a comprehensive set of Financial Policies to ensure that the City's financial resources are managed in a prudent manner and to provide a foundation for financial sustainability. These policies dictate that current revenue will be sufficient to support current expenditures (defined as "structural balance"). Assigned and unassigned fund balances in excess of what is required shall normally be used to fund capital items in the operating and capital budgets. The City maintains the goal of a structurally balanced budget to achieve long-term financial stability for the Austin community. Compliance with these policies is reviewed annually as part of the budget process. The policies and results of the review are published in the Approved Budget document.

Long-Term Financial Planning

The City's leaders look towards and plan for the future. The City's approach of balancing the budget by not relying on one-time solutions, while at the same time making key investments in the community, the infrastructure, the economy, the sustainability, and its employees is providing a 21st century "best-managed" model for cities all around the country. A key City financial policy requires annual preparation of a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a tool to develop the following year's operating budget. As directed by the financial policies, the City's budgeting approach emphasizes fiscal responsibility by limiting spending in a given year to projected revenue collections.

In addition, the City annually prepares a five-year Capital Improvement Project (CIP) Plan that outlines all capital projects in progress, those that will be implemented in the five-year horizon, and related funding sources. During 2014, the City completed its first Long-Range CIP Strategic Plan, which covers a 10-year planning horizon, improving the transparency of the City's long-term infrastructure plans. This plan further aligns the City's CIP investments with the Imagine Austin Comprehensive Plan as the City strives to strike a balance between ongoing capital needs necessary to maintain services for a growing community and strategic investments that support community priorities.

On November 5, 2013, voters approved \$65 million in general obligation debt for affordable rental and ownership housing as well as preservation of existing affordable housing stock. The City is implementing projects authorized by this election as well projects authorized in the November 2012 election, when Austin voters approved a \$307 million general obligation bond program that includes transportation and mobility projects, as well as projects for open space and watershed protection, parks and recreation, public safety, health and human services, and library, museum and cultural arts facilities. This bond program is being overseen by the Council-appointed Bond Oversight Committee, which is charged with ensuring efficiency, equity, timeliness, and accountability in the implementation of the program.

Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community. Because of consistent adherence to our financial policies, the City's bond ratings for General Obligation bonds continue to receive the highest rating issued by each rating agency: Moody's (Aaa), Standard & Poor's (AAA) and Fitch (AAA). In November 2012, Austin Energy improved its Standard & Poor's credit rating from A+ to AA-, a reflection of a rate increase and the utility's diverse portfolio, as well as the City's robust economy.

Budgetary Control

The annual operating budget is proposed by the City Manager and approved by the City Council after public discussion. Annual budgets are legally required for the General Fund, debt service funds, and certain special revenue funds. While not legally required, annual budgets are also adopted for the enterprise and internal service funds. Annual updates to the CIP budgets follow a similar process. Multi-year budgets are adopted for capital projects and grant funds.

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. As demonstrated by the statements and schedules included in the City's 2014 Comprehensive Annual Financial Report ("CAFR"), the City continues to meet its responsibility for sound financial management.

Budgetary Information

The 2015 Budget was developed in a manner true to the City's commitment to openness, transparency, and public engagement. The City's Budget is organized around activities and services. The budget development process integrates the City's finances with business planning, performance measurement, and resident input, thereby elevating budget discussions to meaningful conversations about outcomes that impact our residents. Input was gathered and evaluated to address the many issues, concerns, and priorities identified by the City's citizens, employees, and Councilmembers. The result was a budget built around the ideals of livability, affordability and inclusivity that dictate the operations of the City government and form the basis of the budget.

The structurally balanced fiscal year 2015 Approved Budget totals \$3.5 billion and includes \$854 million for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services to the citizens of the City. The 2015 budget was approved with a decrease to the property tax rate of more than 2 cents, from 50.27 to 48.09 cents per \$100 of taxable value. The approved tax rate balances the tax impact to property owners with the need to invest in our community and continue providing the outstanding services Austinites have come to expect.

Included in the approved budget are a 3.5 % pay increases for non-sworn employees. Sworn EMS employees and Austin Police Association members will receive a base wage increase of 1% as well as step and longevity pay as established in labor contracts in 2013. The City does not have a current contract with the Austin Firefighters' Association but has included a budget placeholder for potential wage increases at the same levels as Police and EMS. The approved budget enhances public safety by adding 59 new police officers, 21 new 911 dispatcher positions, and 15 civilian positions to

address forensics workload issues. Funding was provided to continue a multi-year strategy to better manage demands on service delivery resulting from the City's growth in recent years. Finally, the budget projects growth in General Fund reserves from their current level of 12% to 13.5% in 2015 to ensure the financial health of the municipal government.

The City's largest enterprise department, Austin Energy, is the eighth largest municipal-owned electric utility in the United States in terms of customers served. Austin Energy serves more than 430,000 customers within a service territory of approximately 437 square miles in the Greater Austin area. The approved budget for fiscal year 2015 is \$1.43 billion in annual revenues, including transfers. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources.

The City's second largest enterprise activity is Austin Water, which provides water and wastewater services to customers within Austin and surrounding areas. The fiscal year 2015 budget projects revenues of \$533.7 million. Growth in revenue is the result of projected customer growth as well as a combined system-wide rate increase of 8.1%. The impact of this increase on customers is expected to be somewhat mitigated by lower average water consumption. In December 2014, the utility opened Water Treatment Plant 4. With a capacity of 50 million gallons per day, it provides redundancy in the water system and helps to sustain reliable water services into the future.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2013 CAFR. The City has received this award for 7 consecutive years. The certificate is valid for a period of one year only. City management believes that the 2014 CAFR conforms to the Certificate of Achievement Program requirements, and is submitting it to the GFOA for review.

The City also received the GFOA Distinguished Budget Presentation award for the 2014 budget as well as a 2013 Certificate of Excellence in Performance Measurement from the International City/County Management Association (ICMA).

Employment by Industry in the Austin Metropolitan Area (a)

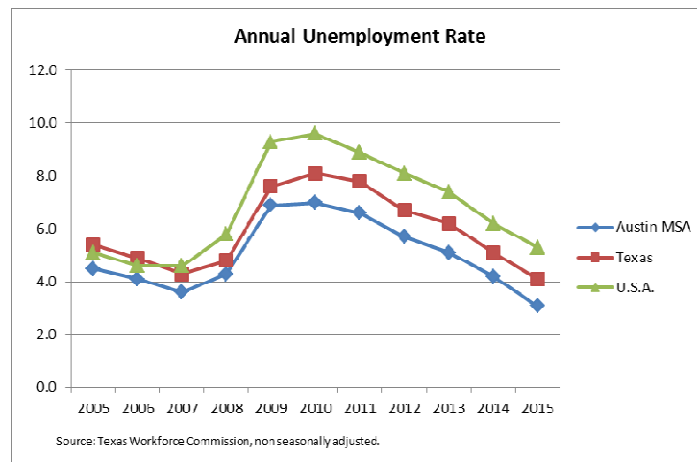
Employment Characteristics

	<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>	
<u>Industrial Classification</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>
Manufacturing	47,300	6.2%	49,500	6.5%	47,300	6.2%	51,200	6.0%	53,600	5.9%
Government	170,500	22.2%	167,900	22.1%	170,500	22.2%	164,100	19.3%	174,400	19.1%
Trade, warehousing, transportation & utilities	134,200	17.5%	152,500	20.1%	134,200	17.5%	151,500	17.8%	165,400	18.1%
Services and miscellaneous	333,200	43.5%	304,000	40.0%	333,200	43.5%	394,000	46.2%	420,300	46.1%
Finance, insurance and real estate	42,300	5.5%	43,900	5.8%	42,300	5.5%	45,400	5.3%	49,700	5.5%
Natural resources, mining & construction	<u>39,000</u>	<u>5.1%</u>	<u>42,000</u>	<u>5.5%</u>	<u>39,000</u>	<u>5.1%</u>	<u>46,100</u>	<u>5.4%</u>	<u>48,200</u>	<u>5.3%</u>
Total	<u>766,500</u>	<u>100.00%</u>	<u>759,800</u>	<u>100.0%</u>	<u>766,500</u>	<u>100.00%</u>	<u>852,300</u>	<u>100.0%</u>	<u>911,600</u>	<u>100.00%</u>

(a) Austin-Round Rock MSA includes Travis, Bastrop, Caldwell, Hays and Williamson Counties. Information is updated periodically; data contained in this document is the latest provided. Based on calendar year.

Source: Texas Labor Market Review, November 2014, Texas Workforce Commission.

Average Annual Unemployment Rate



	<u>Austin MSA</u>	<u>Texas</u>	<u>U.S.A.</u>
2005	4.5%	5.4%	5.1%
2006	4.1%	4.9%	4.6%
2007	3.6%	4.3%	4.6%
2008	4.3%	4.8%	5.8%
2009	6.9%	7.6%	9.3%
2010	7.0%	8.1%	9.6%
2011	6.6%	7.8%	8.9%
2012	5.7%	6.7%	8.1%
2013	5.1%	6.2%	7.4%
2014	4.2%	5.1%	6.2%
2015 ⁽¹⁾	3.1%	4.1%	5.3%

Note: Information is updated periodically; data contained in this document is latest provided.

Source: Texas Labor Market Review, Texas Workforce Commission.

(1) As of May 2015.

City Sales Tax Collections (In Millions)

Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-10	\$10.215	1-1-11	\$11.492	1-1-12	\$12.189	1-1-13	\$13.126	1-1-14	\$15.123	1-1-15	15.260
2-1-10	15.921	2-1-11	16.149	2-1-12	16.923	2-1-13	18.079	2-1-14	19.112	2-1-15	21.092
3-1-10	10.736	3-1-11	11.117	3-1-12	11.762	3-1-13	13.324	3-1-14	13.782	3-1-15	14.677
4-1-10	10.290	4-1-11	10.312	4-1-12	11.838	4-1-13	12.727	4-1-14	13.803	4-1-15	14.345
5-1-10	14.145	5-1-11	14.022	5-1-12	15.239	5-1-13	15.962	5-1-14	17.750	5-1-15	19.404
6-1-10	11.533	6-1-11	11.941	6-1-12	12.949	6-1-13	12.869	6-1-14	15.581	6-1-15	15.958
7-1-10	11.569	7-1-11	11.924	7-1-12	13.168	7-1-13	14.699	7-1-14	14.723		
8-1-10	12.799	8-1-11	14.387	8-1-12	15.371	8-1-13	16.088	8-1-14	16.970		
9-1-10	11.427	9-1-11	11.307	9-1-12	14.220	9-1-13	14.119	9-1-14	15.385		
10-1-10	11.562	10-1-11	13.385	10-1-12	13.960	10-1-13	14.644	10-1-14	15.309		
11-1-10	13.347	11-1-11	13.873	11-1-12	14.570	11-1-13	16.187	11-1-14	17.734		
12-1-10	11.216	12-1-11	12.004	12-1-12	14.373	12-1-13	14.192	12-1-14	15.735		

(1) Collections for 2-1-10 reflect a \$1.5 million one-time sales tax correction.

(2) Collections for 10-1-11 reflect an increase of \$1,162,541 in future period and audit collection adjustments from the prior year. Sales taxes are not pledged to the payment of the Bonds.

Source: City of Austin, Budget Office.

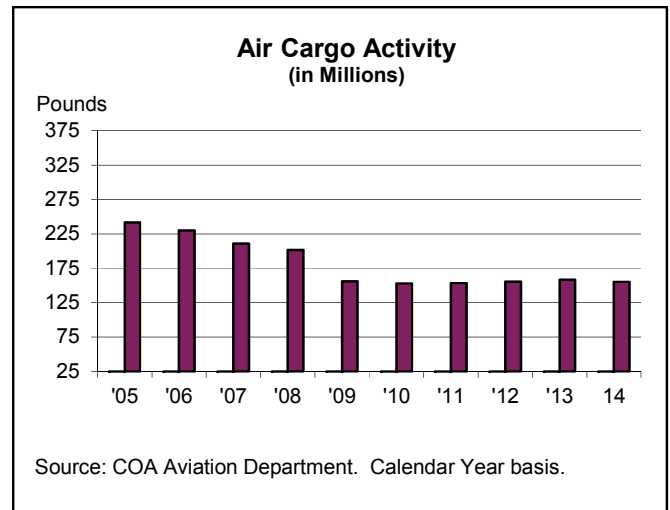
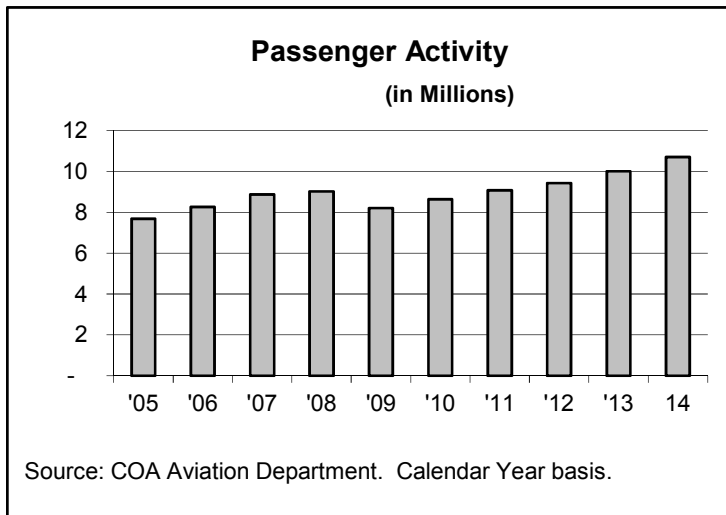
Ten Largest Employers (As of September 30, 2014)

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
State Government	Government	37,816
The University of Texas at Austin	Education	24,610
Dell Computer Corporation	Computers	14,000
City of Austin	Government	12,782
Seton Healthcare Network	Healthcare	12,770
Austin Independent School District	Education	11,538
HEB Grocery	Grocery/Retail	11,277
Federal Government	Government	9,700
St. David's Healthcare Partnership	Healthcare	8,100
IBM Corporation	Computers	6,000

Source: 2014 Comprehensive Annual Financial Report.

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Transportation



Austin-Bergstrom International Airport

The City of Austin's Austin-Bergstrom International Airport ("ABIA"), which opened for passenger service on May 23, 1999 and replaced the Robert Mueller Municipal Airport as the City's commercial passenger service airport, is served by seven signatory airlines: American Airlines, Delta, Frontier, JetBlue, Southwest, United and US Airways. Non-stop service is available to 34 U.S. destinations. On March 3, 2014, British Airways began non-stop service to London Heathrow Airport.

On February 21, 2013, the City issued \$143,770,000 of its Rental Car Special Facility Revenue Bonds, Taxable Series 2013, to finance a state-of-the-art rental car facility within walking distance of the Airport terminal. Ground breaking for the facility occurred in April 2013, construction is underway and completion of the facility is expected to occur in September 2015.

The City currently is undertaking a capital improvement program at ABIA to provide improvements such as terminal and apron expansion and improvements, parking improvements and other airfield improvements. The implementation of the capital improvement program is underway and is anticipated to be completed by the end of the 2018 fiscal year. The costs of the capital improvements will be funded from a number of sources, including federal grants, passenger facility charges, available airport revenues and bond proceeds. In January 2015, the City delivered its Airport System Revenue Bonds in the aggregate principal amount of \$244,495,000 to fund construction of capital improvements to ABIA. The City anticipates issuing up to \$150,000,000 in airport system revenue bonds in calendar year 2016 to fund construction of capital improvements at ABIA.

Other Forms of Transit

Rail facilities are furnished by Union Pacific and Longhorn Railway Company. Amtrak provides a stop for its passenger train traveling the Mexico City-Kansas City route. Bus service is provided by Greyhound and Kerrville Bus-Coach USA.

On January 19, 1985, the citizens of Austin and several surrounding areas approved the creation of a metropolitan transit authority ("Capital Metro") and adopted an additional one percent sales tax to finance a transit system for the area, which was later reduced to three quarters of a percent, effective April 1, 1989. On June 12, 1995, the Capital Metro board approved a one quarter percent increase in the sales tax, thus returning to one percent effective October 1, 1995.

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Demographic and Economic Statistics - Last Ten Years

<u>Year</u>	<u>City of Austin Population (1)</u>	<u>Area of Incorporation (Square Miles) (1)</u>	<u>Population MSA (2)</u>	<u>Income (MSA) (thousands of dollars) (2)</u>	<u>Median Household Income MSA (3)</u>	<u>Capita Personal Income MSA (2)</u>	<u>Unemployment Rate (MSA) (4)</u>
2005	695,881	294	1,464,563	51,058,588	40,335	34,863	4.5%
2006	714,237	296	1,528,958	56,105,872	40,888	36,695	4.2%
2007	732,381	297	1,577,856	59,924,200	42,263	37,978	3.7%
2008	746,105	298	1,633,870	65,153,669	46,340	39,877	4.4%
2009	770,296	302	1,682,338	64,383,075	47,520	38,270	6.8%
2010	778,560	306	1,727,661	67,582,224	48,460	39,118	7.1%
2011	805,662	308	1,780,708	74,168,909	46,689	41,651	6.8%
2012	821,012	319	1,834,303	78,695,523	46,436	42,902	5.8%
2013	841,649	321	1,883,051	84,285,529	46,436	44,760	5.2%
2014	878,002	321	1,912,746 (6)	89,879,067 (5)	49,227	46,990 (5)	4.2%
2005-2014 Change	26.17%	9.34%	30.60%	76.03%	22.05%	34.78%	

Note: Prior year statistics are subject to change as more precise numbers become available.

- (1) Source: City Demographer, City of Austin, Neighborhood Planning and Zoning Department based on full purpose area as of September 30.
- (2) Source: Bureau of Economic Analysis for all years except 2014 which will not be available until after first quarter 2015.
- (3) Source: Claritas, a Nielson Company.
- (4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30.
- (5) Data not available for 2014. Figures are estimated.
- (6) Source: PFM CBK – CBSA 2014.

Connections and Permits

<u>Year</u>	<u>Utility Connections</u>			<u>Building Permits</u>		
	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Taxable</u>	<u>Federal, State and Municipal</u>	<u>Total</u>
2004	369,458	188,441	203,966	1,280,385,298	20,533,975	1,300,919,273
2005	372,735	192,511	207,686	1,405,871,887	40,484,950	1,446,356,837
2006	380,696	197,511	213,009	2,353,171,746	16,526,040	2,369,697,786
2007	388,626	199,671	188,101	2,529,648,915	14,272,851	2,543,921,766
2008	396,791	206,695	198,718	1,468,699,801	4,099,000	1,472,798,801
2009	407,926	209,994	208,232	834,498,480	6,988,999	841,487,479
2010	419,355	210,901	204,823	1,413,989,503	4,252,978	1,418,242,481
2011	418,968	212,754	213,365	745,909,589	2,812,350	748,721,939
2012	412,552	214,971	217,170	1,088,133,995	23,788,268	1,111,922,263
2013	430,582	217,070	216,688	1,456,541,504	-	1,456,541,504

Source: Various including the City of Austin, Texas Gas Services, Atmos Energy and Centerpoint Energy.

Housing Units

Rental rates in the City averaged \$1.26 per square foot, with an occupancy rate of 94% as of December 2014, per Capitol Market Research.

Residential Sales Data

<u>Year</u>	<u>Number of Sales</u>	<u>Total Volume</u>	<u>Average Price</u>
2004	22,567	\$4,487,464,528	\$198,900
2005	26,905	5,660,934,916	210,400
2006	30,284	6,961,725,607	229,900
2007	28,048	6,910,962,480	246,400
2008	22,440	5,470,518,171	243,800
2009	20,747	4,924,240,373	237,300
2010	19,872	4,906,445,110	246,900
2011	21,208	5,336,642,011	251,600
2012	25,521	6,789,371,785	266,000
2013	30,436	8,718,869,997	286,500
2014	30,921	9,446,362,668	305,500

Note: Information is updated periodically; data contained in this document is latest provided.
Source: Real Estate Center at Texas A&M University.

City-Wide Austin Office Occupancy Rate

<u>Year</u>	<u>Occupancy Rate</u>
2004	80.8%
2005	84.2%
2006	87.5%
2007	85.6%
2008	80.6%
2009	77.7%
2010	80.0%
2011	82.7%
2012	86.8%
2013	89.2%
2014	90.9%

Source: Oxford Commercial.

Education

The Austin Independent School District had an enrollment of 84,591 for the 2014/2015 school year. The District includes 129 campus buildings.

<u>School Year</u>	<u>Average Daily Membership</u>	<u>Average Daily Attendance</u>
2004/05	77,937	73,572
2005/06	79,500	74,860
2006/07	82,063	74,212
2007/08	82,739	74,622
2008/09	83,730	75,606
2009/10	84,996	76,658
2010/11	85,273	80,198
2011/12	86,724	79,087
2012/13	86,732	79,460
2013/14	85,363	77,928

Source: Austin Independent School District.

The following institutions of higher education are located in the City: The University of Texas, St. Edward's University, Huston Tillotson University, Concordia University of Texas, Austin Presbyterian Theological Seminary, Episcopal Theological Seminary of the Southwest and Austin Community College.

The University of Texas at Austin had a total enrollment of 51,313 for the fall semester of 2014 and is a major research university with many nationally ranked academic programs at the graduate level. It is also known for its library collections and research resources. The present site has expanded more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Pickle Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

Tourism

The impact of tourism on the City's economy is significant. There are approximately 32,000 hotel rooms available within the Austin Metropolitan Area and year-to-date occupancy through February 2015 is 69.9%.

Existing City convention and meeting facilities include a 881,000 square-foot Convention Center with 369,000 total square feet of exhibit and meeting space, which is supported by hotel/motel occupancy tax collections and revenues of the facility and the Lester E. Palmer Events Center with 70,000 square feet of exhibit space and 5,000 square feet of meeting space. Other facilities in Austin include the Frank Erwin Center, a 17,000-seat arena at The University of Texas, the Texas Exposition and Heritage Center, the Austin Music Hall, and The Long Center for the Performing Arts. The Texas Exposition and Heritage Center offers a 6,000-seat arena and 20,000 square feet of banquet/exhibit hall facilities. The Long Center for the Performing Arts, a \$77 million venue, opened in March 2008. The Center contains two theaters: the 2,400-seat Michael and Susan Dell Hall and the flexible 230-seat Debra and Kevin Rollins Studio Theater. This venue belongs to the City, while a private nonprofit entity operates the building. The Austin City Limits Live at The Moody Theater is a state-of-the-art, 2,700+ person capacity live music venue that also serves as the home of the KLRU-TV produced PBS program Austin City Limits, the longest running music series in American television history. The venue hosts approximately 100 concerts a year. In 2012, the Circuit of the Americas opened its 1,500-acre venue just outside downtown Austin, that is a premier destination for world-class motorsports and entertainment in the United States. The venue includes a 3.41 mile racetrack and the Austin360 Amphitheater, which is the largest permanent outdoor amphitheater in Central Texas. Additionally, the University of Texas Darrel K. Royal-Texas Memorial Stadium has a seating capacity of 100,119.

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APPENDIX B

Audited Financial Statements

APPENDIX C

Forms of Bond Counsel's Opinions

APPENDIX D

Summary of Refunded Obligations