Airport Advisory Commission

REGULAR MEETING
MINUTES **October 11, 2016**

The Airport Advisory Commission convened in a regular meeting on October 11, 2016, at 2716 Spirit of Texas Drive, in Room 174-A in Austin, Texas.

Board Members in Attendance:

Ernest Saulmon, Chair	Stephanie Trinh, Secretary	Alex Reyna
Greg Anderson	John Walewski	Mike Rodriguez

Board Members Absent:

Luke Legate	Sam Sargent	Vicky Sepulveda
Teddy McDaniel, III, Vice Chair		

Staff in Attendance:
Shane Harbinson, Rohini Kumarage, Robert Mercado, Jim Halbrook, Mike Robinson, Jennifer Williams, Janice White, Lyn Estabrook, Francisco Garza, Phillip Bays, Ghizlane Badawi, Donnell January, Jessica BlueBird

Others Present:
Ed Campos – COA
Jeff Toner – Jacobs
Dale Murphy – K Friese
Scott Dukette – RPS Klotz Associates
Chris Ruebush – PGAL
Charles Meyer – PGAL
Byron Chavez – RS&H
Josh Crawford – Garver
Andrein Kirchoff – Landrum & Brown
Russell Blanck – Landrum & Brown
Grayson Cox – KSA
Dan Benzon – Trillion Aviation
Ken Buchard-Juarez - Garner

Welcome & Call the Meeting to Order:

Ernest Saulmon called the meeting to order at 5:15 p.m.

1. **CITIZENS COMMUNICATIONS:**

None.

2. **APPROVAL OF MINUTES – September 13, 2016**

Motion to approve the minutes. Motion made by Mike Rodriguez and seconded by John Walewski. Motion passed 6-0-0-4 (Commission Members Luke Legate, Teddy McDaniel, III, Sam Sargent and Vicky Sepulveda were absent at this vote).

3. **STAFF BRIEFING, REPORTS AND PRESENTATIONS**

a) Finance & Operations Reports for Fiscal Year 2016 to date.

b) Planning & Engineering Capital Improvement Project Monthly Status Reports.

c) New Parking Garage and Administration Building Status Update.

d) Airport Tenant Updates.

e) Ground Transportation Staging Area (GTSA) Transactions Report for September 2016.

f) Transportation Network Companies (TNCs) Airport Transactions to date.

4. **FOR RECOMMENDATION**

a) Authorize negotiation and execution of a contract with IER, INC. for the purchase and installation of keypad and new barcode/passport reader for the common use self-service kiosks in an amount not to exceed $117,360.

Motion to approve. Motion made by Mike Rodriguez and seconded by John Walewski. Motion passed 6-0-0-4 (Commission Members Luke Legate, Sam Sargent, Teddy McDaniel, III and Vicky Sepulveda were absent at this vote).

b) Authorize award and execution of a 36-month contract with JOHN BEAN TECHNOLOGIES CORPORATION DBA JBT AEROTECH, JETWAY SYSTEMS, to provide JetAire pre-conditioned air units inspection, maintenance, repair services, and training, in an amount not to exceed $339,000, with three 12-month extension options in an amount not to exceed $113,000 per extension option, for a total contract amount not to exceed $678,000.

Motion to approve. Motion made by Stephanie Trinh and seconded by Alex Reyna. Motion passed 6-0-0-4 (Commission Members Luke Legate, Sam Sargent, Teddy McDaniel, III and Vicky Sepulveda were absent at this vote).

c) Authorize negotiation and execution of a professional services agreement with LANDRUM & BROWN, INC., (staff recommendation) or one of the other qualified responders for Request for Qualifications Solicitation No. CLMP206 to provide professional services for the 2017 ABIA Master Plan in amount not to exceed $4,000,000. (District 2)

Motion to approve. Motion made by Greg Anderson and seconded by Alex Reyna. Motion passed 6-0-0-4 (Commission Members Luke Legate, Sam Sargent, Teddy McDaniel, III and Vicky Sepulveda were absent at this vote).

5. NEW BUSINESS

a) None.

6. OLD BUSINESS (updates)

Authorize award and execution of a construction contract with TOTAL DEMOLITION, INC., for the Demolish Buildings and Fence project in the amount of $97,000 plus a $9,700 contingency, for a total contract amount not to exceed $106,700. **[Item went before City Council on October 6, 2016 and passed.]**

Approve a resolution declaring the City of Austin's official intent to reimburse itself from revenue bonds in an amount not to exceed $178,378,142 for Austin-Bergstrom International Airport improvements. **[Item went before City Council on September 14, 2016 and passed.]**

Approve a resolution authorizing acceptance of grants from the Federal Aviation Administration, the Department of Homeland Security, and other state and federal agencies to the City of Austin, Department of Aviation, for Austin-Bergstrom International Airport for Fiscal Year 2016-2017 in an amount not to exceed $30,000,000. **[Item went before City Council on October 6, 2016 and passed.]**

Authorize negotiation and execution of a 12-month contract with BRYMER COMMUNICATION SERVICES, LLC, DBA BRYCOMM, LLC, or one of the other qualified offers to Request For Proposals PAX0135, to provide cabling infrastructure maintenance and repair services, in an amount not to exceed $350,000, with four 12-month extension options in an amount not to exceed $350,000 per extension option, for a total contract amount not to exceed $1,750,000. **[Item went before City Council on October 6, 2016 and passed.]**

Authorize negotiation and execution of a contract with AIRPORT & AVIATION PROFESSIONALS, INC. DBA AVAIR PROS, to provide airline technical representation services, in an amount not to exceed $86,600. **[Item went before City Council on October 6, 2016 and passed.]**

7. FUTURE AGENDA ITEMS

Date of next meeting: November 8, 2016.

ADJOURNMENT.

Meeting was adjourned at 6:49 p.m.

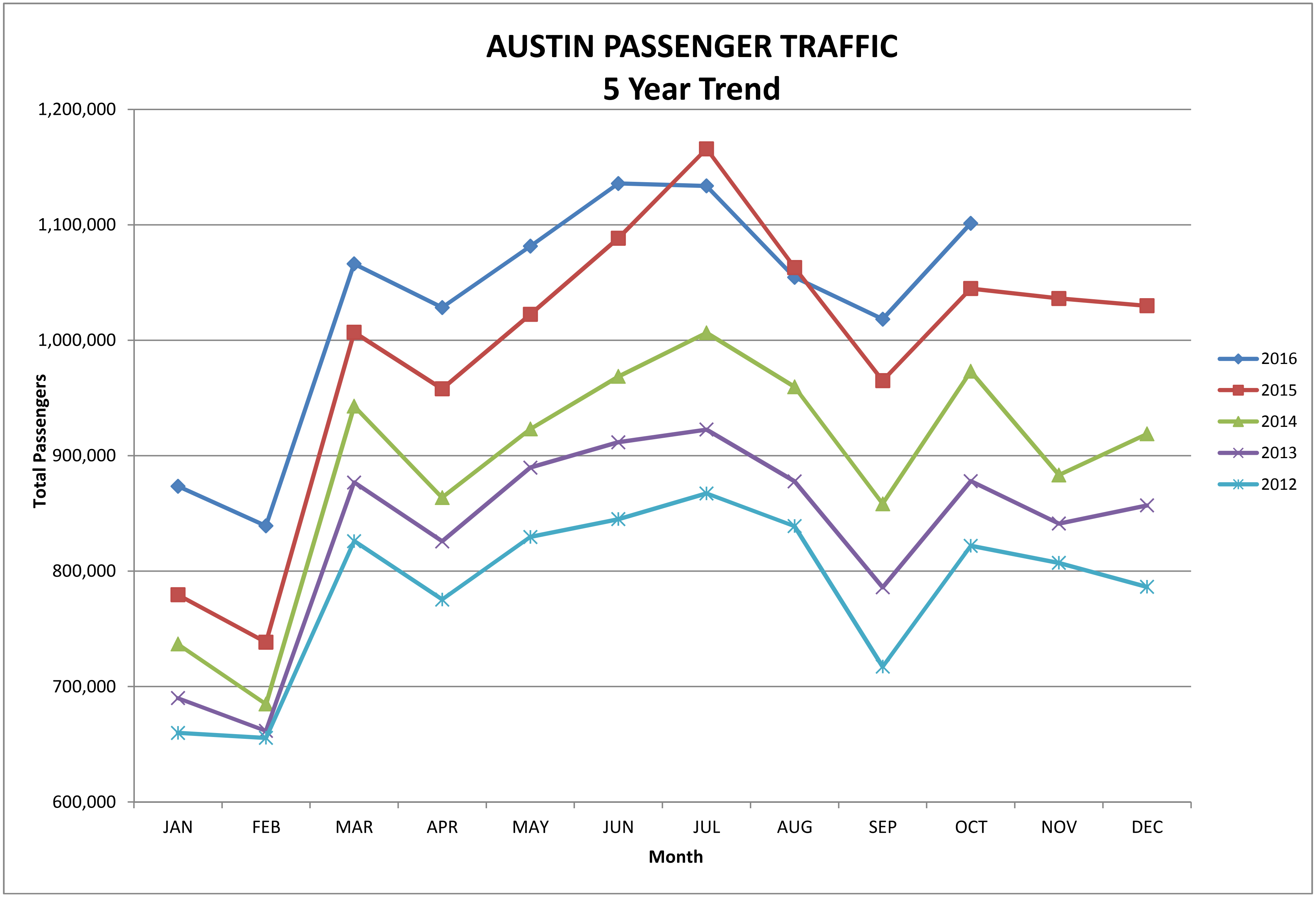
CITY OF AUSTIN
AUSTIN-BERGSTROM INTERNATIONAL AIRPORT
Airport Operating Fund 5070
Income Statement - For Internal Use Only
Fiscal Year to Date for 1 Month(s) ended October 31, 2016

	Amended Budget	Budget Annualized 1 month(s)	Year to Date w/ Encumb	Y-T-D Variance Fav (Unfav)	Y-T-D % Variance Fav (Unfav)
REVENUE					
AIRLINE REVENUE					
Landing Fees	27,743,000.00	2,311,916.67	2,295,939.38	(15,977.29)	(0.7%)
Terminal Rental & Other Fees	36,210,000.00	3,017,500.00	3,063,885.52	46,385.52	1.5%
TOTAL AIRLINE REVENUE	63,953,000.00	5,329,416.67	5,359,824.90	30,408.23	0.6%
NON-AIRLINE REVENUE					
Parking	37,583,609.00	3,131,967.42	3,706,747.67	574,780.25	18.4%
Other Concessions	27,150,069.00	2,262,505.75	2,282,294.55	19,788.80	0.9%
Other Rentals and Fees	11,956,138.00	996,344.83	885,988.48	(110,356.35)	(11.1%)
TOTAL NON-AIRLINE REVENUE	76,689,816.00	6,390,818.00	6,875,030.70	484,212.70	7.6%
Interest Income	217,814.00	18,151.17	37,459.30	19,308.13	106.4%
TOTAL REVENUE	140,860,630.00	11,738,385.84	12,272,314.90	533,929.06	4.5%
OPERATING REQUIREMENTS					
Fac Mgmt, Ops and Airport Security	52,194,691.00	4,349,557.58	3,785,814.83	563,742.75	13.0%
Airport Planning and Development	4,162,285.00	346,857.08	234,060.12	112,796.96	32.5%
Support Services	21,342,367.00	1,778,530.58	1,262,075.75	516,454.83	29.0%
Business Services	13,576,502.00	1,131,375.18	1,061,095.04	70,280.14	6.2%
TOTAL OPERATING EXPENSES	91,275,845.00	7,606,320.42	6,343,045.74	1,263,274.68	16.6%
Debt Service					
GO Debt Service Fund	26,940.00	2,245.00	2,245.00	0.00	0.0%
2013A Revenue Refunding Bonds	16,906,054.00	1,409,678.40	1,409,678.40	0.00	0.0%
2013 Prosperity Bank Loan	5,242,472.00	336,683.25	336,683.33	(0.08)	(0.0%)
2014 Bond Issuance	1,022,380.00	25,275.60	25,264.59	11.01	0.0%
2017 Bond Issuance	45,226.00	0.00	0.00	0.00	N/A
2005 Variable rate Notes (Swap)	11,367,213.00	940,692.00	874,049.00	66,643.00	7.1%
2005 Variable rate Notes Fees	1,339,682.00	111,640.14	114,378.37	(2,738.23)	(2.5%)
PFC Debt Service Funding	(12,746,311.00)	(1,060,145.68)	(1,036,773.30)	(23,372.38)	(2.2%)
TOTAL Net Debt Service	23,203,656.00	1,766,068.71	1,725,525.39	40,543.32	2.3%
OTHER REQUIREMENTS					
Workers' Compensation	438,392.00	36,532.67	36,507.00	25.67	0.1%
Citywide Administrative Support	4,426,720.00	368,893.33	368,820.00	73.33	0.0%
Communications & Technology Mgmt	1,665,952.00	138,829.33	138,822.00	7.33	0.0%
Accrued Payroll	185,220.00	15,435.00	15,435.00	0.00	0.0%
Compensation Adjustment	592,680.00	49,390.00	0.00	49,390.00	100.0%
Wage Adjustment Markets	133,472.00	11,122.67	0.00	11,122.67	100.0%
Operating Reserve	1,967,212.00	163,934.33	163,934.33	0.00	0.0%
CTECC	144,161.00	12,013.42	11,996.00	17.42	0.1%
Trunked Radio Allocation	124,230.00	10,352.50	10,352.50	0.00	0.0%
Public Works Capital Projects Mgmt Fund	771,082.00	64,256.83	64,222.00	34.83	0.1%
TOTAL OTHER REQUIREMENTS	10,449,121.00	870,760.08	810,088.83	60,671.25	7.0%
TOTAL REQUIREMENTS	124,928,622.00	10,243,149.21	8,878,659.96	1,364,489.25	13.3%
EXCESS (DEFICIT) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	15,932,008.00	1,495,236.63	3,393,654.94	1,898,418.31	127.0%

ENPLANEMENTS	**Passengers**	**% Inc/(Dec)**
Oct (Month over Month)	552,118	5.89%

CITY OF AUSTIN
AUSTIN-BERGSTROM INTERNATIONAL AIRPORT
INCOME STATEMENT COMPARISON THIS YEAR VS. LAST YEAR

	This month - This Year vs. Last Year FY17 (Oct 16) vs FY16 (Oct 15)				Fiscal YTD - This Year vs. Last Year FY17 (Oct 16 - Oct 16) vs FY16 (Oct 15 - Oct 15)			
Airline Revenue	**FY17 Oct-16**	**FY16 Oct-15**	**Fav (Unfav) $ Variance**	**Fav (Unfav) % Variance**	**FY17 YTD Oct-16**	**FY16 YTD Oct-15**	**Fav (Unfav) $ Variance**	**Fav (Unfav) % Variance**
Landing Fees	2,295,939.38	1,939,906.95	356,032.43	18.4%	2,295,939.38	1,939,906.95	356,032.43	18.4%
Terminal Rental & Other Fees	3,063,885.52	2,718,151.12	345,734.40	12.7%	3,063,885.52	2,718,151.12	345,734.40	12.7%
Total Airline Revenue	5,359,824.90	4,658,058.07	701,766.83	15.1%	5,359,824.90	4,658,058.07	701,766.83	15.1%
Non-Airline Revenue								
Parking	3,706,747.67	3,238,020.95	468,726.72	14.5%	3,706,747.67	3,238,020.95	468,726.72	14.5%
Food/Beverage & Retail	920,163.54	890,904.10	29,259.44	3.3%	920,163.54	890,904.10	29,259.44	3.3%
Rental Car	1,145,508.30	1,141,035.92	4,472.38	0.4%	1,145,508.30	1,141,035.92	4,472.38	0.4%
Advertising	144,229.53	172,543.59	(28,314.06)	(16.4%)	144,229.53	172,543.59	(28,314.06)	(16.4%)
Other Concessions	72,393.18	61,537.76	10,855.42	17.6%	72,393.18	61,537.76	10,855.42	17.6%
Other Rentals and Fees	885,988.48	714,197.27	171,791.21	24.1%	885,988.48	714,197.27	171,791.21	24.1%
Total Non-Airline Revenue	6,875,030.70	6,218,239.59	656,791.11	10.6%	6,875,030.70	6,218,239.59	656,791.11	10.6%
Interest Income	37,459.30	10,888.55	26,570.75	244.0%	37,459.30	10,888.55	26,570.75	244.0%
Total Operating Revenue	**12,272,314.90**	**10,887,186.21**	**1,385,128.69**	**12.7%**	**12,272,314.90**	**10,887,186.21**	**1,385,128.69**	**12.7%**
Operating Requirements								
Fac Mgmt, Ops and Airport Security	3,785,814.83	3,464,313.90	(321,500.93)	(9.3%)	3,785,814.83	3,464,313.90	(321,500.93)	(9.3%)
Airport Planning and Development	234,060.12	181,826.19	(52,233.93)	(28.7%)	234,060.12	181,826.19	(52,233.93)	(28.7%)
Support Services	1,262,075.75	1,051,411.08	(210,664.67)	(20.0%)	1,262,075.75	1,051,411.08	(210,664.67)	(20.0%)
Business Services	1,061,095.04	960,571.23	(100,523.81)	(10.5%)	1,061,095.04	960,571.23	(100,523.81)	(10.5%)
Total Operating Expense	6,343,045.74	5,658,122.40	(684,923.34)	(12.1%)	6,343,045.74	5,658,122.40	(684,923.34)	(12.1%)
Debt Service								
GO Debt Service Fund	2,245.00	2,192.08	(52.92)	(2.4%)	2,245.00	2,192.08	(52.92)	(2.4%)
2013A Revenue Refunding Bonds	1,409,678.40	1,245,887.58	(163,790.82)	(13.1%)	1,409,678.40	1,245,887.58	(163,790.82)	(13.1%)
2013 Prosperity Bank Loan	336,683.33	185,833.33	(150,850.00)	(81.2%)	336,683.33	185,833.33	(150,850.00)	(81.2%)
2014 Bond Issuance	25,264.59	762.50	(24,502.09)	(3213.4%)	25,264.59	762.50	(24,502.09)	(3213.4%)
2005 Variable rate Notes (Swap)	874,049.00	2,075,816.00	1,201,767.00	57.9%	874,049.00	2,075,816.00	1,201,767.00	57.9%
2005 Variable rate Notes Fees	114,378.37	123,278.48	8,900.11	7.2%	114,378.37	123,278.48	8,900.11	7.2%
PFC Debt Service Funding	(1,036,773.30)	(1,523,684.94)	(486,911.64)	(32.0%)	(1,036,773.30)	(1,523,684.94)	(486,911.64)	(32.0%)
Total Debt Service	1,725,525.39	2,110,085.03	384,559.64	18.2%	1,725,525.39	2,110,085.03	384,559.64	18.2%
Other Requirements								
Workers' Compensation	36,507.00	35,469.00	(1,038.00)	(2.9%)	36,507.00	35,469.00	(1,038.00)	(2.9%)
Citywide Administrative Support	368,820.00	315,556.00	(53,264.00)	(16.9%)	368,820.00	315,556.00	(53,264.00)	(16.9%)
Communications & Technology Mgmt	138,822.00	104,000.00	(34,822.00)	(33.5%)	138,822.00	104,000.00	(34,822.00)	(33.5%)
Accrued Payroll	15,435.00	20,234.50	4,799.50	23.7%	15,435.00	20,234.50	4,799.50	23.7%
Operating Reserve	163,934.33	160,241.67	(3,692.66)	(2.3%)	163,934.33	160,241.67	(3,692.66)	(2.3%)
CTECC	11,996.00	11,552.00	(444.00)	(3.8%)	11,996.00	11,552.00	(444.00)	(3.8%)
Trunked Radio Allocation	10,352.50	9,533.00	(819.50)	(8.6%)	10,352.50	9,533.00	(819.50)	(8.6%)
Public Works Capital Projects Mgmt Fund	64,222.00	0.00	(64,222.00)	N/A	64,222.00	0.00	(64,222.00)	N/A
Liability Reserve	0.00	1,416.67	1,416.67	100.0%	0.00	1,416.67	1,416.67	100.0%
Total Other Requirements	810,088.83	658,002.84	(152,085.99)	(23.1%)	810,088.83	658,002.84	(152,085.99)	(23.1%)
Total Requirements	**8,878,659.96**	**8,426,210.27**	**(452,449.69)**	**(5.4%)**	**8,878,659.96**	**8,426,210.27**	**(452,449.69)**	**(5.4%)**
SURPLUS (DEFICIT) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	**$ 3,393,654.94**	**$ 2,460,975.94**	**$ 932,679.00**	**37.9%**	**$ 3,393,654.94**	**$ 2,460,975.94**	**$ 932,679.00**	**37.9%**


AUSTIN PASSENGER TRAFFIC
5 Year Trend
Total Passengers
1,200,000
1,100,000
1,000,000
900,000
800,000
700,000
600,000
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Month
2016
2015
2014
2013
2012

Austin-Bergstrom International Airport
Aviation Activity Report
Calendar Year 2016 vs 2015

	10/2016	10/2015	Percent Change	01/2016 - 10/2016	01/2015 - 10/2015	Percent Change
Passenger Activity						
Domestic Enplaned Revenue	533,081	503,697	5.83	4,943,243	4,709,753	4.96
Domestic Deplaned Revenue	529,815	505,216	4.87	4,941,877	4,707,058	4.99
International Enplaned Revenue	6,333	6,384	-0.80	91,105	91,121	-0.02
International Deplaned Revenue	7,017	6,405	9.56	97,716	91,817	6.42
Domestic Enplaned Non-Revenue	10,621	9,453	12.36	110,713	107,464	3.02
Domestic Deplaned Non-Revenue	10,055	9,409	6.87	110,777	104,734	5.77
International Enplaned Non-Revenue	49	69	-28.99	785	749	4.81
International Deplaned Non-Revenue	63	85	-25.88	802	694	15.56
Intl Enplaned Pre-Cleared Revenue	2,014	1,492	34.99	16,369	7,899	107.23
Intl Deplaned Pre-Cleared Revenue	2,198	1,935	13.59	18,290	9,828	86.10
Intl Enplaned Pre-Cleared Non-Revenue	20	310	-93.55	258	407	-36.61
Intl Deplaned Pre-Cleared Non-Revenue	18	292	-93.84	280	409	-31.54
Passenger Totals	**1,101,284**	**1,044,747**	**5.41**	**10,332,215**	**9,831,933**	**5.09**
Enplaned Passenger Totals	*552,118*	*521,405*	*5.89*	*5,162,473*	*4,917,393*	*4.98*
Deplaned Passenger Totals	*549,166*	*523,342*	*4.93*	*5,169,742*	*4,914,540*	*5.19*
Domestic Passenger Totals	*1,083,572*	*1,027,775*	*5.43*	*10,106,610*	*9,629,009*	*4.96*
International Passenger Totals	*17,712*	*16,972*	*4.36*	*225,605*	*202,924*	*11.18*

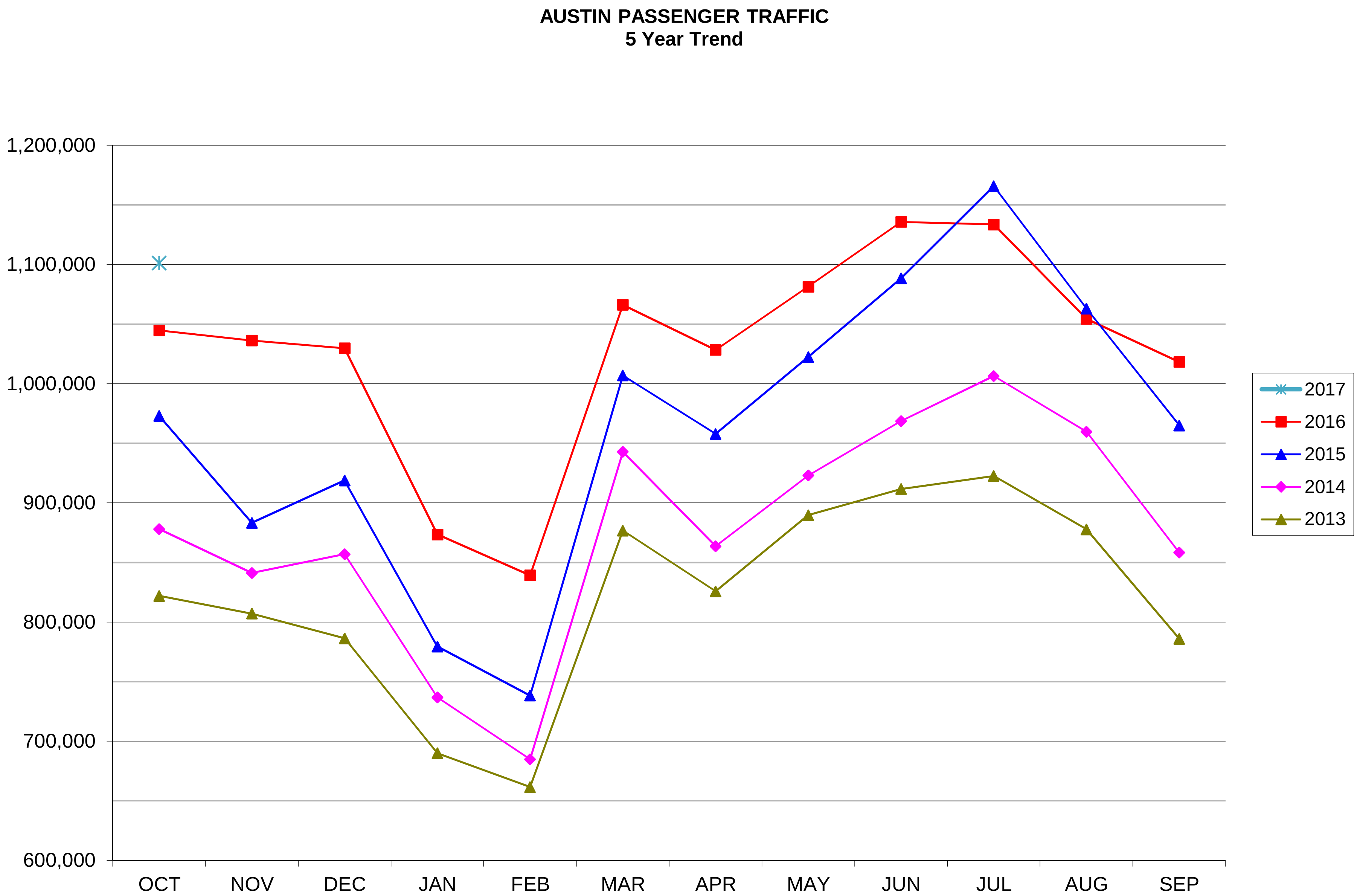
CURRENT PASSENGER RECORD = 1,165,811 RECORD SET = JULY 2015

Aircraft Operations	10/2016	10/2015	Percent Change	01/2016 - 10/2016	01/2015 - 10/2015	Percent Change
Air Carrier	9,612	9,705	-0.96	94,562	94,573	-0.01
Commuter & Air Taxi	1,507	1,392	8.26	13,662	12,711	7.48
Military	911	1,012	-9.98	9,010	7,426	21.33
General Aviation						
Itinerant	5,085	4,944	2.85	41,238	41,920	-1.63
Local	278	500	-44.40	2,244	3,429	-34.56
Total G.A.	5,363	5,444	-1.49	43,482	45,349	-4.12
Total Operations	17,393	17,553	-0.91	160,716	160,059	0.41

Austin-Bergstrom International Airport
Aviation Activity Report
Calendar Year 2016 vs 2015

	10/2016	10/2015	Percent Change	01/2016 - 10/2016	01/2015 - 10/2015	Percent Change
Cargo Activity						
Mail						
Domestic Enplaned Mail	153,359	268,781	-42.94	1,324,797	2,163,714	-38.77
Domestic Deplaned Mail	322,353	316,927	1.71	2,384,074	3,040,689	-21.59
International Enplaned Mail	0	0	0.00	0	0	0.00
International Deplaned Mail	0	0	0.00	2	0	0.00
Mail Totals	**475,712**	**585,708**	**-18.78**	**3,708,873**	**5,204,403**	**-28.74**
Cargo						
Domestic Enplaned Cargo	5,132,008	5,716,156	-10.22	51,466,431	52,590,128	-2.14
Domestic Deplaned Cargo	7,610,130	5,552,801	37.05	65,431,696	50,054,939	30.72
International Enplaned Cargo	1,698,107	1,758,776	-3.45	5,062,747	6,068,497	-16.57
International Deplaned Cargo	579,758	1,400,123	-58.59	3,935,605	4,956,385	-20.60
Cargo Totals	**15,020,003**	**14,427,856**	**4.10**	**125,896,479**	**113,669,949**	**10.76**
Belly Freight						
Domestic Enplaned Belly Freight	258,811	235,984	9.67	2,397,495	2,519,045	-4.83
Domestic Deplaned Belly Freight	432,881	445,866	-2.91	4,616,769	4,753,078	-2.87
International Enplaned Belly Freight	49,903	114,690	-56.49	1,385,969	2,613,484	-46.97
International Deplaned Belly Freight	617,472	308,407	100.21	5,067,633	3,548,324	42.82
Belly Freight Totals	**1,359,067**	**1,104,947**	**23.00**	**13,467,866**	**13,433,931**	**0.25**
Cargo Totals (Mail, Cargo, Belly Freight)	**16,854,782**	**16,118,511**	**4.57**	**143,073,218**	**132,308,283**	**8.14**
Enplaned Cargo Totals	*7,292,188*	*8,094,387*	*-9.91*	*61,637,439*	*65,954,868*	*-6.55*
Deplaned Cargo Totals	*9,562,594*	*8,024,124*	*19.17*	*81,435,779*	*66,353,415*	*22.73*
Domestic Cargo Totals	*13,909,542*	*12,536,515*	*10.95*	*127,621,262*	*115,121,593*	*10.86*
International Cargo Totals	*2,945,240*	*3,581,996*	*-17.78*	*15,451,956*	*17,186,690*	*-10.09*

CURRENT CARGO RECORD = 40,215,518 **RECORD SET = MARCH 2001**



AUSTIN PASSENGER TRAFFIC
5 Year Trend
1,200,000
1,100,000
1,000,000
900,000
800,000
700,000
600,000
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
2017
2016
2015
2014
2013

Austin-Bergstrom International Airport
Aviation Activity Report
Fiscal Year 2017 vs 2016

	10/2016	10/2015	Percent Change	10/2016 - 10/2016	10/2015 - 10/2015	Percent Change
Passenger Activity						
Domestic Enplaned Revenue	533,081	503,697	5.83	533,081	503,697	5.83
Domestic Deplaned Revenue	529,815	505,216	4.87	529,815	505,216	4.87
International Enplaned Revenue	6,333	6,384	-0.80	6,333	6,384	-0.80
International Deplaned Revenue	7,017	6,405	9.56	7,017	6,405	9.56
Domestic Enplaned Non-Revenue	10,621	9,453	12.36	10,621	9,453	12.36
Domestic Deplaned Non-Revenue	10,055	9,409	6.87	10,055	9,409	6.87
International Enplaned Non-Revenue	49	69	-28.99	49	69	-28.99
International Deplaned Non-Revenue	63	85	-25.88	63	85	-25.88
Intl Deplaned Pre-Cleared Non-Revenue	18	292	-93.84	18	292	-93.84
Intl Deplaned Pre-Cleared Revenue	2,198	1,935	13.59	2,198	1,935	13.59
Intl Enplaned Pre-Cleared Non-Revenue	20	310	-93.55	20	310	-93.55
Intl Enplaned Pre-Cleared Revenue	2,014	1,492	34.99	2,014	1,492	34.99
South Terminal-Intl Enplaned Revenue	0	0	0.00	0	0	0.00
South Terminal-Intl Deplaned Revenue	0	0	0.00	0	0	0.00
South Terminal-Intl Enplaned Non-Revenue	0	0	0.00	0	0	0.00
South Terminal-Intl Deplaned Non-Revenue	0	0	0.00	0	0	0.00
Passenger Totals	**1,101,284**	**1,044,747**	**5.41**	**1,101,284**	**1,044,747**	**5.41**
Enplaned Passenger Totals	*552,118*	*521,405*	*5.89*	*552,118*	*521,405*	*5.89*
Deplaned Passenger Totals	*549,166*	*523,342*	*4.93*	*549,166*	*523342*	*4.93*
Domestic Passenger Totals	*1,083,572*	*1,027,775*	*5.43*	*1,083,572*	*1,027,775*	*5.43*
International Passenger Totals	*17,712*	*16,972*	*4.36*	*17,712*	*16,972*	*4.36*

CURRENT PASSENGER RECORD = 1,165,811 RECORD SET = JULY 2015

	10/2016	10/2015	Percent Change	10/2016 - 10/2016	10/2015 - 10/2015	Percent Change
Aircraft Operations						
Air Carrier	9,612	9,705	-0.96	9,612	9,705	-0.96
Commuter & Air Taxi	1,507	1,392	8.26	1,507	1,392	8.26
Military	911	1,012	-9.98	911	1,012	-9.98
General Aviation						
Itinerant	5,085	4,944	2.85	5,085	4,944	2.85
Local	278	500	-44.40	278	500	-44.40
Total G.A.	**5,363**	**5,444**	**-1.49**	**5,363**	**5,444**	**-1.49**
Total Operations	**17,393**	**17,553**	**-0.91**	**17,393**	**17,553**	**-0.91**

Austin-Bergstrom International Airport
Aviation Activity Report
Fiscal Year 2017 vs 2016

	10/2016	10/2015	Percent Change	10/2016 - 10/2016	10/2015 - 10/2015	Percent Change
Cargo Activity						
Mail						
Domestic Enplaned Mail	153,359	268,781	-42.94	153,359	268,781	-42.94
Domestic Deplaned Mail	322,353	316,927	1.71	322,353	316,927	1.71
International Enplaned Mail	0	0	0.00	0	0	0.00
International Deplaned Mail	0	0	0.00	0	0	0.00
South Terminal-Intl Enplaned Mail	0	0	0.00	0	0	0.00
South Terminal-Intl Deplaned Mail	0	0	0.00	0	0	0.00
Mail Totals	**475,712**	**585,708**	**-18.78**	**475,712**	**585,708**	**-18.78**
Cargo						
Domestic Enplaned Cargo	5,132,008	5,716,156	-10.22	5,132,008	5,716,156	-10.22
Domestic Deplaned Cargo	7,610,130	5,552,801	37.05	7,610,130	5,552,801	37.05
International Enplaned Cargo	1,698,107	1,758,776	-3.45	1,698,107	1,758,776	-3.45
International Deplaned Cargo	579,758	1,400,123	-58.59	579,758	1,400,123	-58.59
South Terminal-Intl Enplaned Cargo	0	0	0.00	0	0	0.00
South Terminal-Intl Deplaned Cargo	0	0	0.00	0	0	0.00
Cargo Totals	**15,020,003**	**14,427,856**	**4.10**	**15,020,003**	**14,427,856**	**4.10**
Belly Freight						
Domestic Enplaned Belly Freight	258,811	235,984	9.67	258,811	235,984	9.67
Domestic Deplaned Belly Freight	432,881	445,866	-2.91	432,881	445,866	-2.91
International Enplaned Belly Freight	49,903	114,690	-56.49	49,903	114,690	-56.49
International Deplaned Belly Freight	617,472	308,407	100.21	617,472	308,407	100.21
South Terminal-Intl Enplaned Belly Frt	0	0	0.00	0	0	0.00
South Terminal-Intl Deplaned Belly Frt	0	0	0.00	0	0	0.00
Belly Freight Totals	**1,359,067**	**1,104,947**	**23.00**	**1,359,067**	**1,104,947**	**23.00**
Cargo Totals (Mail, Cargo, Belly Freight)	**16,854,782**	**16,118,511**	**4.57**	**16,854,782**	**16,118,511**	**4.57**
Enplaned Cargo Totals	*7,292,188*	*8,094,387*	*-9.91*	*7,292,188*	*8,094,387*	*-9.91*
Deplaned Cargo Totals	*9,562,594*	*8,024,124*	*19.17*	*9,562,594*	*8,024,124*	*19.17*
Domestic Cargo Totals	*13,909,542*	*12,536,515*	*10.95*	*13,909,542*	*12,536,515*	*10.95*
International Cargo Totals	*2,945,240*	*3,581,996*	*-17.78*	*2,945,240*	*3,581,996*	*-17.78*

CURRENT CARGO RECORD = 40,215,518 **RECORD SET = MARCH 2001**

PE Monthly Report - Austin Airport Advisory Commission

Project		Subproject		Subproject Manager	Current Subproject Status Info	FDU	Expenses YTD	Spend Plan Amount - Budget - FDU Level - Current Year
5415	ABIA Terminal Improvements	ABIA Terminal Fire Protection Improvements-Phase 2	5415.056	Avila, Ben	Project in Close-Out Phase - One consultnat services payment in progress - Need to confirm all FDU accounting is correct then forward OK to Close the FDU	4910 8107 3176	$341	$0
						4911 8107 A176		$239,006
		Terminal Improvements 2012	5415.059	Jones, Burton	No changes.	4910 8107 3190		$0
						4910 8107 6053		$0
						4911 8107 A190		$0
		Terminal East Infill Project	5415.065	Jones, Burton	No change.	4910 8107 3215		$0
						4910 8107 G215		$0
						4911 8107 A215		$0
						4912 8107 B060		$0
						4912 8107 B215	$6,862	$0
		Records Management Implementation	5415.066	Folsom-Heath, Diana	Puchasing/CTM reviews are delaying project. Aviation continues to work with the Departments to get contract started.	4910 8107 3216		$367,690
		Matrix Electrical Room HVAC Improvements	5415.088	Stalder, Ricky	Warranty Period	4910 8107 3253		
		Food Court Improvements	5415.095	Henson, Torrey	The first part of the trash can order is complete and shipment scheduled. This purchase should be completed by mid-Summer.	4910 8107 3265		$1
		Wet Pipe Fire Protection System	5415.096	Robinson, Mike	Contractor has completed approximately 99% of the scope of work.	4910 8107 3266		$0
		Restrooms Renovation	5415.098	Kumarage, Rohini	Finalizing consultant's proposal for additional work with Capital Contracting Office	4910 8107 3285	$3,205	$0
		Shared Use Passenger Processing System	5415.099	Folsom-Heath, Diana	Waiting on final resolution of DAR issues to process final payment.	4910 8107 3283		$0
		South Terminal FY2015	5415.106	Mercado, Robert	Appropriation pending cost estimates from project managers.	4910 8107 3310	$0	$0
		Upper Level Curbside Expansion Joints	5415.107	Kumarage, Rohini	Warrenty Period	4910 8107 3312		$0
5702	ABIA Stormwater / Environmental	Environmental Management System	5702.008	Carpenter, Kane	Open projects: helicopter noise modeling / support services to support amendments to City of Austin helicopter ordinance; updating ABIA hydrologic and hydraulic models to reflect current conditions; NEPA services: to support the terminal ramp expansion-FAA approval received in late September 2015, fuel consortium GSE fuel tanks - 3rd party project cancelled, and de-icing storage facility -FAA approval received in mid-2015; and implement an ABIA environmental records management system-project is wrapping up.	4910 8107 3151	$0	$0
		Stormwater Drainage Improvements	5702.011	Vonstein, Alison	Mandatory pre-bid meeting and site visit held 11/30/2016; eleven prime contractors attended. Bids are due 12/15/2016. Scheduled Council award of construction contract is 2/9/2017. If budget/funding allows, Outfalls 10 and 11 will be bid later as an additional project. The Aviation Department added Outfalls 10 and 11 as emergencies from the floods. When debris was cleared out from the floods, it was noticed that these outfalls need to be rebuilt or redefined. Schedule will be adjusted when it is determined if Outfall 10 and 11 will be included.	4910 8107 3248		$124,945
						4911 8107 A248	$12,170	$256,595
						4912 8107 C502		$882,700
		Reclaimed Water Booster Pump	5702.013	Carpenter, Kane	Project will be delivered under 3rd pary lease agreement. I would like to keep project open until project is completed which is tentatively set for mid-2016.	4910 8107 3290	$0	$30,756
6000	ABIA Airside Improvements	Electronic Airport Layout Plan And Utility Mapping	6000.103	Kumarage, Rohini	Work continues. As part of phase II scope, A-GIS/eALP and Utility Mapping Data Viewer training took place on November 1st and 2nd for DOA staff	4910 8107 3242		$0
		Information Technology Master Plan	6001.072	Mercado, Robert	Final verification of Phase One & Two SUPPs installation underway as part of the ITMP scope of work.	4910 8107 3188		$0
		ABIA Bldg 6005 Improvements-Phase II (P&E)	6001.084	Pirtle, Robert	Construction and architectural contract is complete but this project is currently providing cubicles and furnishings in some of the renovated areas for staff use.	4910 8107 3217	$36,927	$0
						4911 8107 A217	$47,459	$0
		Landside Roadway and Pedestrian Improvements Phase 1	6001.092	Vonstein, Alison	Council approved award and execution of construction contract 3/31/16. Construction contract was executed 4/22/16. Pre-Construction conference held 6/6/2016. NTP start date is 7/18/2016. Submittal process is almost complete. Contractor has installed curb & gutter along Freight Lane and backfilled. Sidewalk and curb and gutter installation along Freight Lane to be completed by 12/12/2016.	4910 8107 3249		$30,000
						4911 8107 A249	$129,423	$1,002,629
						4911 8107 A401	$0	$356,850
		Elevator Refurbishment Re-bid	6001.093	Kumarage, Rohini	Received one bid. The proposed bid is scheduled to be on December Commission Agenda and January council agenda for approval.	4911 8107 A245		$1,003,012

6001	ABIA Landside Facility Improvements	Upper Level Embankment Inspections and Repairs	6001.095	Vonstein, Alison	Project was issued as a CSP 11/7/2016. Pre-proposal meeting was held 11/21/2016. Proposals are due 12/13/2016. Site plan exemption has been approved. Building permit is being re-applied for. Street & Bridge and QMD will be involved during construction. CSD will provide inspection services. Consultant submitted an additional services request 9/21/2016 for construction phase services, re-issuance of the project as a CSP, adding a temporary road and continued monitoring services. This proposal is being revised by the consultant based on the City's review comments. .	4910 8107 3247	$0	$20,084
						4911 8107 A247	$2,430	$4,942,965
		Maintenance Complex Renovations - Bldg. 8220	6001.097	Jones, Burton	Project is being closed.	4910 8107 3263		$1,527,000
						4911 8107 A263		$0
		Central Plant - Media Fill Replacement Project	6001.098	Mercado, Robert	Project work will be completed by Hensel Phelps, contractor for the Terminal East Infill project, since they are working in the Central Plant already as a part of that project. Funding will remain with this FDU.	4911 8107 A400		$0
		Buildings and Fence Demolition	6001.100	Vonstein, Alison	Council approved construction contract award to Total Demolition, Inc. 10/6/2016, for a bid amount of $97,000, including the solar-powered antenna Alternate and a 10% contingency, for a total proposed award amount of $106,700. Execution of the contract is pending as of 12/01/2016. Construction phase services for the consultant are in the process of being authorized.	4911 8107 A403	$42,660	
		Campus HVAC Improvements	6001.102	Avery, Richard	Currently at approximately 30% design. Held first user review and coordination meeting. Scheduling next meeting for early 2017.	4911 8107 A407		$230,377
						4911 8107 A504		$416,714
						4912 8107 C504	$0	$820,766
		Drainage Easement	6001.103	Carpenter, Kane	Per Robert Henst 6/22/15 email: Waiting on final invoice to be paid.	4910 8107 3292		$0
		Landside Roadway and Pedestrian Improvements Phase 2	6001.107	Smythe-Macaulay, David	Bus Shelter Request for Council Approval (RCA) is scheduled for the January 26th Council Meeting. The project will seek the Airport Advisory Committee's (AAC) recommendation at their December 13th meeting. Sidewalk 95% construction documents are being prepared for quality review. The drawings are pending completion of the site plan correction.	4911 8107 A503	$5,297	$459,000
						4912 8107 C500	$6,744	$469,500
						4912 8107 C501	$5,513	$394,500
		Campus Signage Improvements	6001.112	Vonstein, Alison	60% submittal entered QMD review queue 10/26/16. QMD comments returned 11/28/2016. Project is scheduled to be advertised as an IFB 1/16/17, with bids due 2/9/17.	4912 8107 C503	$6,366	$100,000
		Parking Garage & Admin Building - West Lot A - Design & Construction	6001.114	Jones, Burton	We are about to sign the Contractor's agreement. Austin Commercial has been in our last two design meetings. PGAL is continuing the design effort.	4912 8107 C507	$853,082	$79,994,586
		Consolidated Maintenance Facility	6001.117	Chaney, Richard	Conceptual (30%) submittal was expected on 23Sep, it has been delayed. Anticipate delivery to be early October, with design review meeting to follow.	4911 8107 A509	$83,183	$2,500,000
11222	ABIA Terminal - Apron Expansion and Improvements	Apron Expansion	11222.001	Pirtle, Robert	GMP #1 Work: 1B - Walls on the new De-Icing Facility are progressing very well. 3A - Secure Exit Lanes are completed and in use. 3B - The four temporary boarding gates are complete and in use. GMP #2 Work: 2A - Approximately half of the Apron Expansion work under this GMP is complete. Recent rains have, and will continue to cause, delays in the progress of new apron pavement installation. GMP #3A: 3C - Existing Terminal Improvements work is currently being bid by Hensel Phelps. It will be included in GMP #3B. That work is expected to begin in February, 2017. 3D - Removal of existing concrete Apron within the footprint of the new Terminal Expansion was completed near the end of November. Drilling for building support piers was expected to start on December 3rd, but has been delayed due to heavy rain. Pier construction is estimated to take about five weeks to complete. 3E - Terminal Expansion work is currently being bid by Hensel Phelps. It will be included in GMP #3B. Packages 3D and 3E are expected to be combined into a single GMP #3. The Owner, Architect, and Construction Manager have had meetings to discuss potential value engineering (VE) cost reductions. The overall project construction estimate is about $7 million over the construction cost limitation. The team is working collaboratively to bring the project closer to the Owner's budget.	4910 8107 3288		$0
						4911 8107 A288	$76,131	$775,000
						4911 8107 A506	$3,591	$500,000
						4911 8107 A507		$500,000
						4912 8107 C288	$10,498,584	$70,660,000
Total							**$11,819,967**	**$168,604,676**

BUSINESS DEVELOPMENT AND TENANT MANAGEMENT
Austin Airport Advisory Commission Report
December 13, 2016

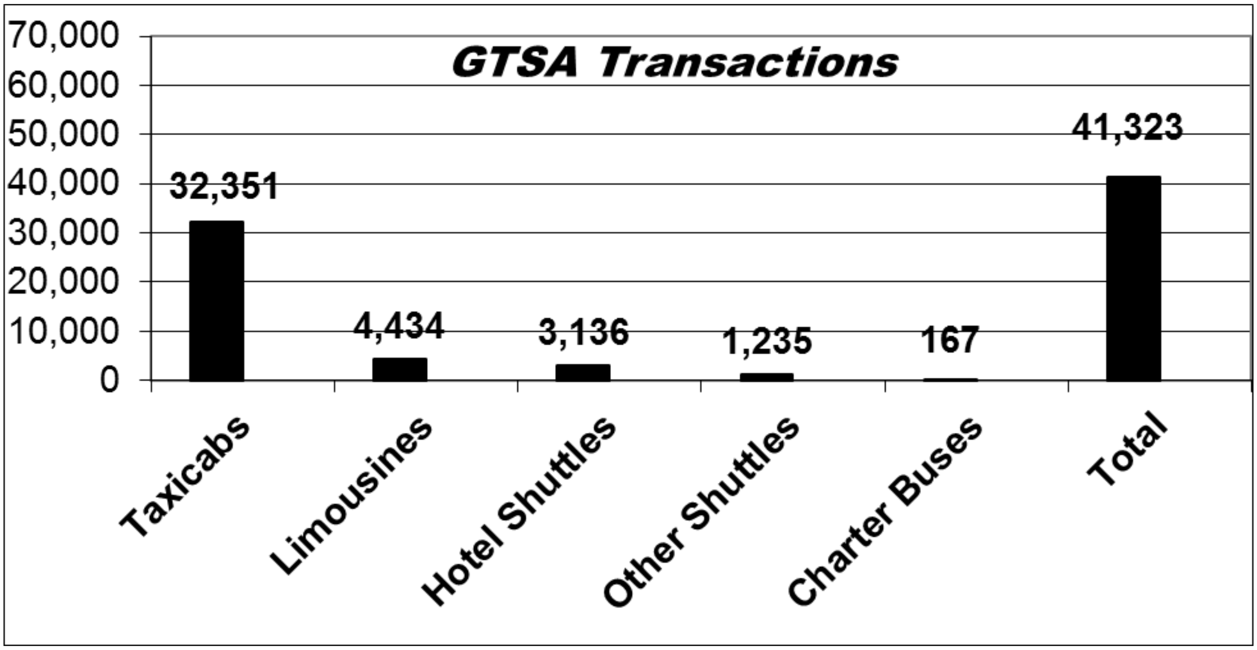
Tenant Updates and Business Development Events

1. Delta Air Lines has announced new daily nonstop service between Austin-Bergstrom International Airport (AUS) and Raleigh-Durham International Airport (RDU). AUS-RDU flights will launch on March 9, 2017 and depart - Austin daily at 11:15 a.m. and arrive in Raleigh-Durham at 3:10 p.m. Flights depart Raleigh-Durham daily at 8:30 a.m. and arrive in Austin at 10:40 a.m. The flight will be operated by GoJet on a CRJ-900 aircraft with 76 seats.

2. Terminal Concessions RFP Update:

   - The Terminal Concessions Request for Proposals issued on August 2, 2016 has closed and ABIA staff is currently in the process of evaluating the 38 responses received on the 18 packages released. A listing of offerors can be found on the RFP website (www.abia.org).

GROUND TRANSPORTATION TRANSACTIONS
NOVEMBER 2016



YEAR TO YEAR COMPARISON			
SERVICE CATEGORY	NOVEMBER 2016	NOVEMBER 2015	% Increase/(decrease)
TAXICAB	32,351	33,792	(4.3%)
LIMOUSINE	4,434	3,688	20.2%
HOTEL SHUTTLE	3,136	3,188	(1.6%)
OTHER SHUTTLE	1,235	1,053	17.3%
CHARTER BUS	167	97	72.2%
OVERALL TOTAL	41,323	41,818	(1.2%)

AIRPORT ADVISORY COMMISSION MEETING
5:00 PM
ROOM No. 174-A
2716 SPIRIT OF TEXAS DRIVE
AUSTIN, TEXAS

2017 MEETING DATES
January 10, 2017
February 14, 2017
March 14, 2017
April 11, 2017
May 9, 2017
June 13, 2017
July 11, 2017
August 8, 2017
September 12, 2017
October 10, 2017
November 14, 2017
December 12, 2017

AUSTIN CITY COUNCIL

AGENDA

Recommendation for Council Action

Austin City Council	**Item ID**	65960	**Agenda Number**	<ITEM_OUTLINE>

Meeting Date:	1/26/2017	**Department:**	Aviation

Subject

Authorize negotiations and execution of an agreement between the City and United Airlines to replace diesel powered equipment operated by United Airlines with electric equipment by utilizing an Environmental Protection Agency Diesel Emission Reduction Act grant, for a total contract amount not to exceed $120,805.

Amount and Source of Funding

Funding is available in the Fiscal Year 2016-2017 Capital Budget of the Aviation Department.

Fiscal Note

A fiscal note is attached.

Purchasing Language:	
Prior Council Action:	
For More Information:	Kane Carpenter, ABIA Environmental Manager, 512-530-6621.
Council Committee, Boards and Commission Action:	December 13, 2016 – To be reviewed by Austin Airport Advisory Commission.
MBE / WBE:	
Related Items:	

Additional Backup Information

This agreement is between the City, administered by Department of Aviation (DOA), and United Airlines (United) to replace five diesel powered aircraft support vehicles owned and operated by United Airlines. The United States Environmental Protection Agency (EPA) will provide funding ($120,805) to the DOA to off-set United Airlines' incremental cost of converting older diesel powered vehicles to electric. The DOA in compliance with EPA grant requirements will provide funds directly to United Airlines. The DOA will ensure the grant requirements are met by United Airlines for grant funded aircraft ground service equipment at Austin-Bergstrom International Airport (ABIA).

This project will improve local air quality by removing five diesel powered from the local airshed. The replacement of diesel powered equipment with electric will remove 9.7 tons of nitrogen oxides, 2.0 tons particulate matter, 1.3 tons of hydrocarbons, 8.8 tons of carbon monoxide, 229 tons of carbon dioxide and 12,000 gallons of diesel from the Austin Metropolitan Statistical Area over the life of the vehicles. The diesel emissions quantifier (DEQ) estimates a monetized community health benefit of $120,000 annually resulting from reduced exposure to PM2.5 due to aircraft ground service equipment replacement. These benefits include the reduction of premature mortality, chronic bronchitis, asthma attacks, non-fatal heart attacks and other health problems. The dollar values are based on studies used by the EPA when estimating the health benefits of environmental rules.

CIP
EXPENSE DETAIL

DATE OF COUNCIL CONSIDERATION: 1/26/17
CONTACT DEPARTMENT(S): Aviation

SUBJECT: Authorize negotiations and execution of an agreement between the City of Austin Department of Aviation and United Airlines to replace diesel powered equipment operated by United Airlines with electric equipment by utilizing an Environmental Protection Agency Diesel Emission Reduction Act grant. The total amount is not to exceed $120,805.

CURRENT YEAR IMPACT:

Department:	**Aviation**
Project Name:	Diesel to Electric Ground Service Equipment Replacement Program
Fund/Department/Unit:	4910-8107-3337
Funding Source:	Department of Aviation Airport Capital Fund
Current Appropriation:	120,805.00
Unencumbered Balance:	120,805.00
Amount of This Action:	(120,805.00)
Remaining Balance:	0.00

Total Amount of this Action funded by CIP	120,805.00

ANALYSIS / ADDITIONAL INFORMATION: As the funds were previously authorized by Council, there is no analysis/ additional information required to demonstrate funding. If additional funding is needed it will be contingent on funding in future budgets.

Recommendation for Council Action

Austin City Council	**Item ID**	65526	**Agenda Number**	15.

Meeting Date:	12/15/2016	**Department:**	Treasury

Subject

Approve an ordinance authorizing the issuance and sale, by June 15, 2017, of City of Austin Airport System Revenue Bonds, Series 2017B (Alternative Minimum Tax or "AMT"), in an amount not to exceed $160,000,000 in accordance with the parameters set out in the ordinance, authorizing related documents, and approving related fees.

Amount and Source of Funding

$2,035,177 in anticipated first year debt service requirements and an estimated annual administration fee of $500 for the paying agent/registrar for the proposed bond sale was included in the 2016-17 Approved Operating Budget of the Airport Revenue Bond Redemption Fund. The Bonds will be used to finance infrastructure improvements at the airport.

Fiscal Note

Information pertaining to the fiscal impact of this item is found under the "Amount and Source of Funding" and "Additional Backup Information" sections.

Purchasing Language:	
Prior Council Action:	
For More Information:	Art Alfaro, Treasurer, 512-974-7882
Council Committee, Boards and Commission Action:	
MBE / WBE:	
Related Items:	Non-AMT

Additional Backup Information

The Bonds are being issued to provide funding related to infrastructure improvements at the airport, specifically, the construction work for the Airport Terminal /Apron Expansion and Improvement project.

The Airport Terminal /Apron Expansion and Improvement project will include nine new passenger boarding gates, four of which will be flexible in design to accommodate both domestic and international flights. The project scope includes utility and infrastructure upgrades to support the new expansion and renovation work in the ticket lobby to match new technology in order to improve customer service and balance the space needs for passengers and airlines.

The project scope of work has been expanded from the 2014 plan to include terminal mechanical system improvements, baggage claim level infrastructure improvements and terminal roof replacement.

The aircraft apron expansion element of the project will include expanding the apron by approximately 48 acres. The expanded apron will provide aircraft parking for the new terminal gates and provide dual parallel taxi lanes to better accommodate existing aircraft movements as well as future larger design group aircraft operations and safely accommodate irregular airline operations.

The apron expansion element of the project scope of work has been expanded from the 2014 plan to include relocation of water quality detention ponds to support aircraft de-icing.

The debt service cost for the currently-proposed $160,000,000 City of Austin Airport System Revenue Bonds, Series 2017B AMT is estimated as follows:

	2016-2017	**Average Per Year**
Principal	$ 0	$4,651,833
Interest	2,035,177	5,012,202
Total Debt Service	$2,035,177	$9,664,035

The Airport financing plan on today's agenda includes "AMT" (Alternative Minimum Tax) bonds and "Non-AMT" bond issuances for ABIA. The entire issuance is supported by Airport System revenue.

This item for the 2017 B series are AMT bonds planned to finance the construction of the terminal and apron expansion and improvements at the Airport. The related item for the 2017 A series bonds are Non-AMT bonds planned to finance the parking garage.

The bonds funding the airport terminal and apron expansion are considered private activity bonds. The interest earned on private activity bonds is subject to the AMT provisions of the Internal Revenue Code. The bonds financing the parking garage are considered governmental bonds for federal income tax purposes and the interest earned on governmental bonds), is not subject to the AMT provisions.

The effect of AMT versus Non-AMT to the City of Austin is that Non-AMT bonds generally bear interest at a lower rate than AMT bonds.

In order to provide the City with the flexibility to respond quickly to changing market conditions, the proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the "Pricing Officer") to complete the sale of the Bonds in accordance with the parameters in the ordinance. Additionally, the authority of the Pricing Officer to exercise the authority delegated by Council under this ordinance expires on June 15, 2017.

This transaction will be sold through RBC Capital Markets, as Senior Manager, and Goldman Sachs, Piper Jaffray & Co., Jeffries, and Siebert Brandford Shank & Co., as Co-Managers. McCall, Parkhurst & Horton L.L.P. will serve as bond counsel, Norton Rose Fulbright will serve as disclosure counsel, and serving as underwriter's counsel will be Orrick, Herrington & Sutcliffe LLP. Public Financial Management is the City's financial advisor.

ORDINANCE NO.

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REVENUE BONDS, SERIES 2017B (AMT), IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $160,000,000.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

ARTICLE ONE

FINDINGS

Section 1.01 **BOND AUTHORIZATION**. Capitalized terms used in this Article One and not otherwise defined shall have the meaning assigned in Article Two. Council finds that:

(a) The City has previously issued, and there are currently outstanding, the Series 2005 Bonds, pursuant to the Series 2005 Bond Ordinance, the Series 2013 Bonds, pursuant to the Series 2013 Bond Ordinance, the Series 2013A Bonds, pursuant to the Series 2013A Bond Ordinance, and the Series 2014 Bonds, pursuant to the Series 2014 Bond Ordinance, issued as Revenue Bonds in compliance with the terms of each Series' respective ordinance.

(b) The Currently Outstanding Revenue Bonds, and all bonds issued on parity with the Currently Outstanding Revenue Bonds are, and will be, secured by a first lien on and pledge of the Net Revenues.

(c) The Revenue Bond Ordinances each (i) provide for the issuance of additional series of obligations, secured by a lien on and pledge of Net Revenues on parity with the Currently Outstanding Revenue Bonds, and (ii) reserve the right to issue subordinated revenue obligations.

(d) The issuance and delivery of the bonds authorized by this Ordinance is in the public interest and the use of the proceeds in the manner specified in this Ordinance constitutes a valid public purpose.

(e) The bonds authorized by this Ordinance are issued as Revenue Bonds in compliance with the Revenue Bond Ordinances and shall be equally and ratably secured on parity with the Currently Outstanding Revenue Bonds.

(f) This Ordinance is substantially in the forms of the Revenue Bond Ordinances, with changes to reflect the terms and conditions of sale of the bonds authorized by this Ordinance.

(g) Council by separate ordinance will authorize the issuance of a separate series of Revenue Bonds on parity with the Currently Outstanding Revenue Bonds and the bonds authorized by this Ordinance.

(h) Council finds that sufficient written notice of the date, hour, place, and subject of the council meeting at which this Ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this Ordinance has been discussed, considered, and formally acted upon. Council further ratifies, approves and confirms the written notice and the contents and posting of the meeting notice.

(i) The table of contents, titles, and headings of the articles and sections of this Ordinance have been provided for convenience of reference only and are not considered to be a part of this Ordinance and shall never be considered or given any effect in interpreting this Ordinance or in determining intent, if any question of intent arises.

ARTICLE TWO

DEFINITIONS

Section 2.01. **DEFINITIONS**. Unless otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section for all purposes of this Ordinance, and any ordinance amending or supplementing this Ordinance, shall have the meanings stated below:

"Additional Revenue Bonds" means the additional parity Revenue Bonds permitted to be issued by the City pursuant to Section 6.01 of this Ordinance.

"Administrative Expense Fund" means the fund by that name established in Section 5.04(d) of this Ordinance.

"Administrative Expenses" means the fees, expenses, and indemnification liabilities payable to the Persons to whom fees and expenses are due and owing in connection with the Revenue Bonds, and Credit Agreement Obligations incurred in connection with a related series of Revenue Bonds, including but not limited to the fees and expenses of the Paying Agent/Registrars, the Credit Providers, the rebate analysts, the remarketing agents and the tender agents, and of which the City is given actual notice at least 30 days prior to the date payment of these amounts is due.

"Airport" means the air carrier airport developed, constructed and operated by the City pursuant to the city-wide election held within the City on May 1, 1993, and designated as the Austin-Bergstrom International Airport (ABIA).

"Airport Consultant" means a nationally recognized independent firm, person or corporation having a widely known and favorable reputation for special skill, knowledge, and experience in methods of developing, operating and financing airports of approximately the same size as the properties constituting the Airport System.

"Airport System" means all or any interest in airport, heliport and aviation facilities, now or from time to time owned, operated or controlled in whole or in part by the City, including the Airport, together with all properties, facilities, and services of the Airport, and all additions, extensions, replacements and improvements to the Airport, and all services currently provided, or to be provided, by the City in connection with the Airport, but expressly excluding (i) any heliport or heliports operated by City departments other than the Aviation Department, (ii) the Austin consolidated rental car facility, financed by the issuance of City of Austin, Texas Rental Car Special Facility Revenue Bonds, Taxable Series 2013, as Special Facilities, and (iii) the Mueller Airport Property.

"Authorized Denominations" means $5,000 and integral multiples of $5,000.

"Authorized Officer" means the City Manager of the City and the Chief Financial Officer of the City, the City Treasurer, or any Assistant City Manager authorized by the City Manager to sign documents on his or her behalf.

"Aviation Director" means the Executive Director of the City's Department of Aviation, or any successor or person acting in that capacity.

"Bond Insurer" or "Insurer" means Assured Guaranty Municipal Corp. (the successor to Financial Security Assurance Inc., a New York stock insurance company), or any successor to or assignee of Assured Guaranty Municipal Corp.

"Bond Purchase Agreement" means the bond purchase agreement between the City and the Underwriters, relating to the sale and delivery of the Bonds, in substantially the form approved by Council in the sale of obligations to underwriters in a negotiated sale.

"Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017B (AMT), authorized by this Ordinance.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the City, or in the City where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located, are generally authorized or obligated by law or executive order to close.

"Capital Fund" means the fund designated in Section 5.04 of this Ordinance.

"Capitalized Interest Account" means the account designated in Section 5.15(c) of this Ordinance.

"Chapter 9" means Chapter 9, Texas Business & Commerce Code.

"Chapter 22" means Chapter 22, Texas Transportation Code.

"Chapter 1208" means Chapter 1208, Texas Government Code.

"Chapter 1371" means Chapter 1371, Texas Government Code.

"City" means the City of Austin, Texas, and, where appropriate, council, or any successor as owner and operator of the Airport System.

"Code" means the Internal Revenue Code of 1986.

"Concurrent Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017A, authorized by the Concurrent Ordinance.

"Concurrent Ordinance" means the ordinance adopted concurrently with this Ordinance, and all amendments and supplements to the ordinance, authorizing the issuance of the Concurrent Bonds.

"Construction Fund" means the fund designated in Section 5.04(g) of this Ordinance.

"Credit Agreement" means (i) any agreement of the City entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Revenue Bonds or (B) providing liquidity with respect to Revenue Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Revenue Bonds to which it relates, and (ii) a Swap Agreement. A determination by the City that an agreement constitutes a Credit Agreement under this definition shall be conclusive as against all Owners.

"Credit Agreement Obligations" means any amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense.

"Credit Provider" means the issuer or provider of a Credit Agreement.

"Currently Outstanding Revenue Bonds" means the Series 2005 Bonds, the Series 2013 Bonds, the Series 2013A Bonds and the Series 2014 Bonds.

"Debt Service" means (i) with respect to a series of Revenue Bonds, an amount equal to the Principal Installment, redemption premium, if any, and interest on such Revenue Bonds, (ii) with respect to a Credit Agreement other than a Swap Agreement, amounts payable as Credit Agreement Obligations, and (iii) with respect to a Swap Agreement, regularly scheduled amounts payable by the City under a Swap Agreement, so long as the counterparty is not in default (specifically excluding Termination Payments, which shall constitute Subordinate Obligations).

"Debt Service Fund" means the fund designated in Section 5.04(b) of this Ordinance established with respect to the Revenue Bonds.

"Debt Service Requirements" means for any particular period of time, an amount equal to the sum of the following for such period with respect to all or any portion of Revenue Bonds or Credit Agreement Obligations, as applicable, then Outstanding:

(a) That portion of interest which would accrue with respect to Revenue Bonds during such period if interest were deemed to accrue only during the six month period prior to its payment (12 month period in the case of capital appreciation or compound interest bonds), plus

(b) That portion of the principal amount of Revenue Bonds which would accrue during such period if principal were deemed to accrue only during the 12 month period prior to its scheduled payment date (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory Revenue Bond redemptions),

less and except any such interest or principal for the payment of which provision has been made by: (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest or principal either from proceeds of bonds, from interest earned or to be earned thereon, from Airport System funds other than Net Revenues, or from any combination of such sources; and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a dedicated fund or account (including, without limitation, the Capitalized Interest Account), the proceeds of which are required to be transferred as needed into the Debt Service Fund, or directly to the Paying Agent/Registrar for the Revenue Bonds.

For purposes of calculating Debt Service Requirements, in making estimates as to interest accrued or to accrue on Variable Rate Bonds, the actual interest rate shall be used to the extent known or ascertainable and to the extent unknown and not ascertainable, the Maximum Interest Rate shall be used; provided, however, that to the extent Variable Rate Bonds are subject to a Swap Agreement, the fixed rate that is effective with respect to such Variable Rate Bonds pursuant to such Swap Agreement shall be used.

"Debt Service Reserve Fund" means the fund designated and established in Section 5.04(c) of this Ordinance with respect to the Revenue Bonds.

"Debt Service Reserve Fund Requirement" means the amount required to be maintained in the Debt Service Reserve Fund. This amount shall be computed and recomputed annually as a part of the City's budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with section 1.148-6 of the regulations promulgated under the Code, exceed the least of: (a) 10% of the stated principal amount of each issue of which the Revenue Bonds or Additional Revenue Bonds are a part; (b) the maximum annual principal and interest requirements of the issue; or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that the additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code and the related regulations promulgated from time to time.

"Debt Service Reserve Fund Surety Bond" means any surety bond or insurance policy having a rating in the highest respective rating categories by Moody's and Standard & Poor's issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance.

"Defeasance Obligations" means: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States; (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date council adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named in Section 8.01 of this Ordinance, its corporate trust office in Plano, Texas, and (ii) with respect to any successor Paying Agent/Registrar, the office of the successor designated and located as may be agreed upon by the City and the successor.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participant" means the securities brokers, dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Federal Payments" means those funds received by the Airport System from the federal government or any agency of the federal government as payments for the use of any facilities or services of the Airport System.

"Fiscal Year" means the City's fiscal year as from time to time designated by the City, which is currently October 1 to September 30.

"General Obligation Airport Bonds" means those bonds or other obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes.

"Gross Revenues" means all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to all or any part of the Airport System, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Airport System, or otherwise, and includes, except to the extent expressly excluded below, all revenues received by the City from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation of the Airport System, interest and other income realized from the investment or deposit of amounts required to be transferred or credited to the Revenue Fund. Gross Revenues expressly excludes:

(a) proceeds of any Revenue Bonds and Subordinate Obligations;

(b) interest or other investment income derived from proceeds of Revenue Bonds and Subordinate Obligations deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund;

(c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies shall be received as payments for the use of the Airport System facilities;

(d) any revenues derived from any Special Facilities (e.g., customer facility charges) which are pledged to the payment of Special Facilities Bonds;

(e) insurance proceeds other than loss of use or business interruption insurance proceeds;

(f) the proceeds of the passenger facility charge (PFC) currently imposed by the City and any other per-passenger charge as may be lawfully authorized;

(g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities;

(h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that the payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners of the Bonds for federal income tax purposes;

(i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges shall be considered Gross Revenues; and

(j) Other Available Funds transferred to the Revenue Fund as provided in this Ordinance.

"Initial Bonds" means the Initial Bonds authorized by Section 3.06 of this Ordinance.

"Interest Payment Date" means each May 15 and November 15, commencing May 15, 2017, until maturity or prior redemption of the Bonds.

"Minimum Capital Reserve" means an amount, designated by the Aviation Director not less frequently than annually at the end of each Fiscal Year, but in any event not more than $100,000 each Fiscal Year, necessary to accumulate or to re-accumulate in the Capital Fund a reserve in an amount not less than $1,000,000.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns, and if this corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall refer to any other nationally recognized securities rating agency designated by the City.

"MSRB" means the Municipal Securities Rulemaking Board.

"Mueller Airport Property" means the property and facilities that comprised the former Robert Mueller Municipal Airport, located within the City. The Mueller Airport Property is not part of the Airport System.

"Net Revenues" means that portion of the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System, including, without limitation, those reasonably allocated City overhead expenses relating to the administration, operation and maintenance of the Airport System; insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund; any general and excise taxes or other governmental charges imposed by entities other than the City; any required rebate of any portion of interest income to the federal government which is payable from Gross Revenues or the Revenue Fund; costs of contractual and professional services, labor, materials and supplies for current operations, including the costs of direct City services rendered to the Airport System as are requested from the City by the Airport System and as are reasonably necessary for the operation of the Airport System; costs of issuance of Revenue Bonds and Subordinate Obligations for the Airport System (except to the extent paid from the proceeds); fiduciary costs; costs of collecting and refunding Gross Revenues; utility costs; any lawful refunds of any Gross Revenues; and all other administrative, general and commercial expenses, but excluding:

(a) any allowance for depreciation;

(b) costs of capital improvements;

(c) reserves for major capital improvements, Airport System operations, maintenance or repair;

(d) any allowance for redemption of, or payment of interest or premium on, Revenue Bonds and Subordinate Obligations;

(e) any liabilities incurred in acquiring or improving properties of the Airport System;

(f) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities to the extent they are required to be paid by such lessees pursuant to the terms of the Special Facilities Leases;

(g) any charges or obligations incurred in connection with any lawful Airport System purpose, including the lease, acquisition, operation or maintenance of any facility or property benefiting the Airport System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of the Capital Fund;

(h) liabilities based upon the City's negligence or other ground not based on contract; and

(i) so long as Federal Payments are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period.

"Operation and Maintenance Reserve Fund" means the fund designated and established in Section 5.04(a) of this Ordinance.

"Ordinance" means this ordinance and all amendments and supplements to this ordinance.

"Other Available Funds" means any amount of unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund; but in no event may this amount exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year for purposes of Sections 5.03 and 6.01 of this Ordinance.

"Outstanding" when used with reference to any Revenue Bonds or Subordinate Obligations, means, as of a particular date, all those Revenue Bonds or Subordinate Obligations delivered except: (a) any obligation paid, discharged, or cancelled by or on behalf of the City at or before that date; (b) any obligation defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any obligation in lieu of or in substitution for which another obligation was delivered pursuant to the ordinance authorizing the issuance of the obligation.

"Owner" or "Registered Owner," when used with respect to any Revenue Bond means the person or entity in whose name the Revenue Bond is registered in the Register. Any reference to a particular percentage or proportion of the

Owners means the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Revenue Bonds then Outstanding under this Ordinance.

"Paying Agent/Registrar" initially means, for the Bonds, the entity named in Section 8.01 and its successors in that capacity.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of the government.

"Principal Installment" means, with respect to Revenue Bonds or a series of Revenue Bonds, any amounts, including any mandatory sinking fund installments, which are stated to be due or required to be made on or with respect to a Revenue Bond or series of Revenue Bonds, which, when made, would reduce the amount of the Revenue Bond or series of Revenue Bonds that remain Outstanding or would retire and pay the same in full.

"Qualified Put" means any agreement, however denominated, provided by a qualifying financial institution (as described in the next sentence) which contractually commits to purchase, upon no more than seven days' notice, for not less than a stated price any class or amount of investment securities or other authorized investments of the City at any time that such investment securities or investments must be liquidated in order to make cash transfers from the fund or account that holds such investments. A Qualified Put may be entered into only with a qualifying financial institution which is (a) a domestic bank the long-term debt of which is rated at least "AA" by Standard & Poor's and "Aa" by Moody's, or (b) a foreign bank the long-term debt of which is rated "AAA" by Standard & Poor's and at least "Aa" by Moody's , or at least "AA" by Standard & Poor's and "Aaa" by Moody's , or (c) a financial institution the long-term debt of which is rated at least "A" by both Standard & Poor's and Moody's and agrees to collateralize its obligations under such agreement by lodging with a third party trustee, escrow agent, custodian or other financial third party direct obligations of the United States of America or its agencies with a market value equal to 102% of the difference between the face amount of its purchase obligation under the agreement and the market value of the investment securities to which the agreement relates (based upon periodic market valuations at least monthly). A Qualified Put may be integrated into any investment authorized under Texas law, such as a repurchase agreement.

"Record Date" shall have the meaning assigned in the FORM OF BONDS (Exhibit A to this Ordinance).

"Refunding Revenue Bonds" mean one or more series of bonds or other evidences of indebtedness issued by the City for the purpose of: (i) refunding Outstanding Revenue Bonds or Credit Agreement Obligations; or (ii) to provide for the payment of a Termination Payment.

"Register" means the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

"Related Document" means any transaction document relating to this Ordinance or the Bonds, including any related underlying security agreement.

"Renewal and Replacement Fund" means the fund designated in Section 5.04(e) of this Ordinance.

"Renewal and Replacement Fund Requirement" means the amount required to be maintained in the Renewal and Replacement Fund pursuant to Article Five, or any greater amount required by any ordinance authorizing any series of Additional Revenue Bonds.

"Representative of the Underwriters" means RBC Capital Markets, LLC, designated by the Underwriters in the Bond Purchase Agreement to act as their representative.

"Revenue Bond Ordinances" means the Series 2005 Bond Ordinance, the Series 2013 Bond Ordinance, the Series 2013A Bond Ordinance, the Series 2014 Bond Ordinance, this Ordinance, the Concurrent Ordinance and any ordinances pursuant to which Additional Revenue Bonds are issued.

"Revenue Bonds" means the Currently Outstanding Revenue Bonds, the Bonds, the Concurrent Bonds, and each series of bonds, notes or other obligations, other than Credit Agreement Obligations, which the City has reserved the right to issue or incur from time to time pursuant to Section 6.01, payable from and secured by a first lien on and pledge of Net Revenues.

"Revenue Fund" means the fund designated in Section 5.04(a).

"Rule" means SEC Rule 15c2-12.

"SEC" means the United States Securities and Exchange Commission.

"Series 2005 Bond Ordinance" means the ordinance of the City adopted by council on August 4, 2005, authorizing the issuance of the Series 2005 Bonds, and all amendments to the ordinance adopted by council after August 4, 2005.

"Series 2005 Bonds" means the City of Austin, Texas, Airport System Refunding Revenue Bonds, Series 2005 (AMT), outstanding, as of November 1, 2016, in the aggregate principal amount of $198,750,000.

"Series 2013 Bond Ordinance" means the ordinance of the City adopted by council on May 9, 2013, authorizing the issuance of the Series 2013 Bonds, and all amendments to the ordinance adopted by council after May 9, 2013.

"Series 2013 Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2013, outstanding, as of November 1, 2016, in the aggregate principal amount of $60,000,000.

"Series 2013A Bond Ordinance" means the ordinance of the City adopted by Council on September 26, 2013, authorizing the issuance of the Series 2013A Bonds, and all amendments to the ordinance adopted by Council after September 26, 2013.

"Series 2013A Bonds" means the City of Austin, Texas, Airport System Revenue Refunding Bonds, Series 2013A, outstanding, as of November 1, 2016, in the aggregate principal amount of $35,014,000.

"Series 2014 Bond Ordinance" means the ordinance of the City adopted by council on November 20, 2014, authorizing the issuance of the Series 2014 Bonds, and all amendments to the ordinance adopted by council after November 20, 2014.

"Series 2014 Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2014 (AMT), outstanding, as of November 1, 2016, in the aggregate principal amount of $244,495,000.

"Special Facilities" means structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, inflight kitchens, training facilities and any and all other facilities and appurtenances being a part of, or related to, the Airport System, the cost of the construction or other acquisition of which is financed with the proceeds of Special Facilities Bonds.

"Special Facilities Bonds" means those bonds previously issued or from time to time issued by the City after the date of this Ordinance pursuant to Section 6.04 of this Ordinance.

"Special Facilities Lease" means any lease or agreement pursuant to which a Special Facility is leased by the City to the lessee in consideration for which the lessee agrees to pay (i) all debt service on the Special Facilities Bonds issued to finance the Special Facility (which payments are pledged to secure the Special Facilities Bonds) and (ii) the operation and maintenance expenses of the Special Facility.

"Standard & Poor's" or "S&P" means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, and if this entity shall for any reason no longer perform the functions of a securities rating agency, "Standard & Poor's" and "S&P" shall refer to any other nationally recognized securities rating agency designated by the City.

"Subordinate Obligations" means each series of bonds, notes, or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, which the City has reserved the right to issue or incur from time to time pursuant to Section 6.03 as Subordinate Obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds.

"Swap Agreement" means a Credit Agreement, approved (if required) in writing by the Bond Insurer, with respect to a series of Revenue Bonds pursuant to which the City has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City's fixed or variable interest rate liability on all or a portion of the Revenue Bonds to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody's, and by Standard & Poor's, and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Revenue Bonds without reference to any Credit Agreement. The "Series 2005 Swap Agreement" previously executed and delivered by the City with respect to the Series 2005 Bonds constitutes a Swap Agreement.

"Termination Payment" means an amount owed by the City to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of the Swap Agreement and which, on the date of execution of the Swap Agreement, is not an amount representing a regularly scheduled payment under the Swap Agreement. "Termination Payment" shall not include any amount representing an Administrative Expense.

"Treasury Regulations" means all applicable temporary, proposed and final regulations and procedures promulgated under the Code or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

"Underwriters" means, with respect to the Bonds, the entities designated in the Bond Purchase Agreement as the underwriters of the Bonds.

"Variable Rate" means an interest rate borne by the Revenue Bonds that is reset from time to time.

"Variable Rate Bonds" means Revenue Bonds which bear a Variable Rate.

Section 2.02 **INTERPRETATIONS**. All terms defined and all pronouns used in this Ordinance shall apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part of this Ordinance and shall not in any way modify or restrict any of the terms or provisions of this Ordinance. References to any article or section shall refer to the article or section contained in this Ordinance. References to FORM OF BONDS refer to the form of the Bonds set forth in Exhibit A to this Ordinance. References to any constitutional, statutory or regulatory provision shall include the provision as it exists on the date this Ordinance is adopted and any future amendments to or successor provisions of the provision. References to a City official means the Person acting in that capacity, whether on either an interim or a permanent basis. This Ordinance and all of its terms and provisions shall be liberally construed to effectuate the purposes set forth in this Ordinance and to sustain the validity of the Revenue Bonds, the Credit Agreement Obligations and the Administrative Expenses and the validity of the lien on and pledge of the Net Revenues to secure their payment. A finding or determination made by an Authorized Officer acting under the authority delegated by this Ordinance with respect to all matters relating to the issuance and sale of the Bonds shall have the same force and effect as a finding or determination made by council. If the Concurrent Bonds are not issued, references to Concurrent Bonds and Concurrent Ordinance in this Ordinance have no effect.

ARTICLE THREE

TERMS OF THE BONDS

Section 3.01 **AUTHORIZATION**. The Bonds shall be known and designated as CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REVENUE BONDS, SERIES 2017B (AMT). The Bonds are authorized to be issued and delivered pursuant to the authority of Chapter 22 and Chapter 1371 and all other applicable law. The Bonds shall be issued in an aggregate principal amount not to exceed $160,000,000 for the purpose of (i) planning, acquiring, establishing, constructing, improving or equipping the Airport, in accordance with Chapter 22, (ii) depositing funds to the credit of the Capitalized Interest Account and the Debt Service Reserve Fund as provided in this Ordinance, and (iii) paying the costs of issuance of the Bonds.

Section 3.02 **INTEREST AND MATURITIES**. The Bonds shall be dated the date set forth in the Bond Purchase Agreement. The Bonds shall be issued in fully registered form, without coupons, in Authorized Denominations, and shall be numbered separately from R-1 upward. Subject to the conditions set forth in Section 10.01 of this Ordinance, the Bonds shall mature on the dates, and shall bear interest at the rates of interest until maturity or prior redemption, as set forth in the Bond Purchase Agreement. Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the date of initial delivery to the Underwriters or the most recent Interest Payment Date to which interest has been paid or provided for. Interest shall be paid on each Interest Payment Date, or the Business Day immediately following an Interest Payment Date if the scheduled Interest Payment Date is not a Business Day. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 3.03 **REDEMPTION PRIOR TO MATURITY**. The Bonds are subject to redemption prior to maturity in the manner provided in the Bond Purchase Agreement. The terms of redemption shall be set forth in, and subject to the conditions reserved in, the FORM OF BONDS. Notice of redemption of Bonds subject to redemption shall be given in the manner provided in the FORM OF BONDS.

Section 3.04 **MANNER OF EXECUTION AND AUTHENTICATION**. The Paying Agent/Registrar is appointed as the paying agent for the Bonds. The Bonds shall be payable, shall have the characteristics, shall be executed and sealed, and shall be authenticated, all as provided and in the manner indicated in the FORM OF BONDS. If any officer of the City whose manual or facsimile signature shall appear on the Bonds, as provided in the FORM OF BONDS, shall cease to be the officer before the authentication of the Bonds or before the delivery of the Bonds, the signature shall nevertheless be valid and sufficient for all purposes as if the officer had remained in office.

Section 3.05 **OWNERSHIP**. The City, the Paying Agent/Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of the Bond for the purpose of making and receiving payment of the principal of and premium, if any, and the interest on, the Bond and for all other purposes, whether the Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the Owner of any Bond in accordance with this section shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon the Bond to the extent of the sums paid.

Section 3.06 **TRANSFER AND EXCHANGE**. On the date of initial delivery and payment for the Bonds, one or more Initial Bonds, representing the entire principal amount of all Bonds, payable to the Underwriters, executed by the Mayor and City Clerk of the City, approved by the Attorney General of the State of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the Representative of the Underwriters. Upon payment for the Initial Bonds, the Paying Agent/Registrar shall cancel the Initial Bonds and deliver to DTC on behalf of the Underwriters one or more registered Bonds for each year of maturity of the Bonds in the aggregate principal amount of the Bonds, registered in the name of Cede & Co., as nominee of DTC.

So long as any Bond remains Outstanding, the Paying Agent/Registrar shall maintain the Register in which the Paying Agent/Registrar shall provide for the registration and transfer of the Bonds in accordance with the terms of this Ordinance, subject to reasonable regulations prescribed by the Paying Agent/Registrar.

Each Bond shall be transferable only upon its presentation and surrender at the Designated Payment Transfer Office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or the authorized representative of the Registered Owner in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond for transfer, the Paying Agent/Registrar shall authenticate and deliver, within 72 hours after such presentation, a new Bond or Bonds in exchange for the Bond presented for transfer, registered in the name of the transferee or transferees, in Authorized Denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the presented Bond or Bonds.

A Bond shall be exchangeable upon its presentation and surrender at the Designated Payment Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar shall be and is authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section. Each Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which a Bond is delivered.

The Paying Agent/Registrar shall require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of the Bond and any fee or charge in connection with the transfer or exchange other than the Paying Agent/Registrar fees, which shall be paid by the City.

The Paying Agent/Registrar shall not be required to transfer or exchange any Bond during the 45-day period prior to the date fixed for redemption; provided, however, that this restriction shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of a Bond called for redemption in part.

Section 3.07 **CANCELLATION**. All Bonds paid or redeemed, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered, in accordance with this Ordinance, shall be cancelled and shall be disposed of in accordance with the rules and regulations promulgated under the Securities Exchange Act of 1934.

Section 3.08 **REPLACEMENT BONDS**. Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding, in exchange for the presented Bond. The Paying Agent/Registrar shall require the Owner of the Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed, and any other expenses, including the fees and expenses of the Paying Agent/Registrar, to effect this exchange.

If any Bond is lost, apparently destroyed, or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that the Bond has been acquired by a bona fide purchaser, shall execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner shall have:

(a) furnished to the City and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of the Bond;

(b) furnished security and indemnity as may be required by the Paying Agent/Registrar and the City to save them harmless;

(c) paid all expenses and charges, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that may be imposed, as a result of the loss, destruction or wrongful taking of the Bond; and

(d) met or complied with any other reasonable requirements of the City and the Paying Agent/Registrar.

If, after the delivery of a replacement Bond, a bona fide purchaser of the original Bond in lieu of which the replacement Bond was issued presents for payment the original Bond, the City and the Paying Agent/Registrar shall be entitled to recover the replacement Bond from the Person to whom it was delivered or any Person taking from the person, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar.

If any mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay that Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which a replacement Bond is delivered.

Section 3.09 **BOOK-ENTRY SYSTEM**. This section describes the book-entry system of DTC. As provided in the Bond Purchase Agreement, the definitive Bonds shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, and held in the custody of DTC.

Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Bonds. Beneficial owners of Bonds will not receive physical delivery of Bond certificates except as provided below. For so long as DTC may serve as securities depository for the Bonds, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, neither the City nor the Paying Agent/Registrar shall have any responsibility or obligation to any DTC Participant or to any Person on whose behalf a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the City nor the Paying Agent/Registrar shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner of the Bonds, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, and (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of the Bonds, as shown in the Register, of any amount with respect to principal of and premium, if any, or interest on the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds other than DTC, or its nominee, but only in the event that (i) DTC determines not to continue to act as securities depository for the Bonds (which determination shall become effective after reasonable written notice to such effect to the City and the Paying Agent/Registrar), or (ii) the City has advised DTC of its determination (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that DTC is incapable of discharging its duties as securities depository for the Bonds, or (iii) the City has determined (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon concurrence of any event described in (i) or (ii) above, the City shall use its best efforts to attempt to locate another qualified securities depository. If the City fails to locate another qualified securities depository to replace DTC, the City shall cause to be executed, authenticated and delivered replacement Bonds, in certificated form, to the DTC Participants having an interest in the Bonds as shown on the records of DTC provided by DTC to the City. In the event that the City makes the determination noted in (iii) above and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Bonds in certificated form to the DTC Participants having an interest in the Bonds as shown on the records of DTC provided by DTC to the City. The City undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in (ii) or (iii) above.

Whenever, during the term of the Bonds, beneficial ownership is determined by a book entry at DTC (or any successor securities depository), the requirements in this Ordinance of holding, registering, delivering, exchanging or transferring Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC (or such successor securities depository) as to holding, registering, delivering, exchanging or transferring the book entry to produce the same effect.

The Blanket Letter of Representations, dated June 1, 1995, between the City and DTC shall apply to the Bonds.

If at any time DTC ceases to hold the Bonds, all references to DTC shall be of no further force or effect.

Section 3.10 **FUNDING OF CAPITALIZED INTEREST ACCOUNT**. On the date of the initial delivery of the Bonds, the City will deposit to the credit of the Capitalized Interest Account, from proceeds of the Bonds, an amount determined by an Authorized Officer to be no greater than the amount of interest payable on the Bonds during the construction of the improvements, and for one year after construction of the improvements, financed with the proceeds of the Bonds is completed.

Section 3.11 **FUNDING OF DEBT SERVICE RESERVE FUND**. On the date of the initial delivery of the Bonds, the City will deposit to the credit of the Debt Service Reserve Fund, from proceeds of the Bonds, the amount determined by an Authorized Officer to enable the Debt Service Reserve Fund Requirement to be fully funded after giving effect to the issuance of the Bonds.

ARTICLE FOUR

FORM OF BONDS

Section 4.01 **FORM GENERALLY**. (a) The Bonds, including the forms of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment to appear on each Bond, (i) shall be substantially in the form set forth in Exhibit A to this Ordinance, with appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance or the Bond Purchase Agreement, and (ii) may have distinguishing letters, numbers, or other marks of identification and legends and endorsements (including any reproduction of an opinion of counsel) as may be determined by the City or by the officers executing the Bonds, as evidenced by their execution of the Bonds.

(b) The Bonds shall be typed, photocopied, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing the Bonds, as evidenced by their execution.

Section 4.02 **CUSIP REGISTRATION**. The City may secure identification numbers through CUSIP Global Services, and may authorize the printing of CUSIP numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving the Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 4.03 **LEGAL OPINION**. The approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, may be printed on or attached to the back of each Bond, but errors or omissions in the printing of the opinion shall have no effect on the validity of the Bonds.

ARTICLE FIVE

SECURITY AND SOURCE OF PAYMENT

Section 5.01 **PLEDGE AND SOURCE OF PAYMENT**. The City covenants and agrees that Gross Revenues shall be deposited and paid into the special funds established and confirmed in this Ordinance, and shall be applied in the manner set forth in this Ordinance, in order to provide for the payment of all Operation and Maintenance Expenses of the Airport System and to provide for the payment of Debt Service on the Revenue Bonds and Credit Agreement Obligations and for the payment when due of Administrative Expenses. Except as otherwise specifically provided in this Ordinance, the Revenue Bonds and the Credit Agreement Obligations shall constitute special obligations of the City that shall be payable from, and shall be equally and ratably secured by a first lien on the Net Revenues. The Administrative Expenses shall constitute special obligations of the City that shall be payable from and secured by a lien on the Net Revenues subordinate only to the payment of Debt Service on the Revenue Bonds. Net Revenues shall, in the manner provided in this Ordinance, be set aside for and pledged to the payment of the Revenue Bonds in the Debt Service Fund and the Debt Service Reserve Fund as provided in this Ordinance. The City grants a lien on the Net Revenues and the Debt Service Fund and the Debt Service Reserve Fund to secure the payment of Debt Service on the Revenue Bonds and related Credit Agreement Obligations in accordance with their terms, and to pay Administrative Expenses to the Persons entitled to payment. All Revenue Bonds and related Credit Agreement Obligations shall be in all respects on a parity with and of equal dignity with one another; provided, however, that a Termination Payment shall be a Subordinate Obligation. Neither the Owners nor the Credit Providers shall ever have the right to demand payment of Debt Service out of any funds raised or to be raised by taxation.

Chapter 1208 applies to the authorization and issuance of the Revenue Bonds and to the pledge of and lien on the Net Revenues granted by the City under this Ordinance, and the pledge of and lien on the Net Revenues are valid and effective in accordance with the terms of this Ordinance and are perfected from the date of adoption of this Ordinance without the filing of any document or other act. To the extent Texas law is amended at any time while the Revenue Bonds are Outstanding and unpaid such that the pledge of and lien on the Net

Revenues granted by the City under this Ordinance are to be subject to the filing requirements of Chapter 9, the City agrees to take all actions and make, or cause to be made, all filings as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9.

Section 5.02 **ANNUAL BUDGET**. So long as any Revenue Bond or Credit Agreement Obligation remains Outstanding, the Aviation Director shall, prior to the commencement of each Fiscal Year, prepare and deliver to the chief budget officer of the City, for submission to council, a recommended annual budget for the Airport System for that Fiscal Year. The City shall adopt annual budgets for the Airport System for each Fiscal Year, containing an estimate of Gross Revenues and only those budgeted expenditures as will produce Net Revenues in an amount that is not less than the amount necessary to pay the Debt Service and Administrative Expenses when due and make the required deposits to the Debt Service Reserve Fund. After the adoption of the annual Airport System budget by the City, the total expenditures for Operation and Maintenance Expenses will not exceed the total expenditures authorized for the purposes described in the budget, as the budget may from time to time be amended.

Section 5.03 **RATE COVENANT**. The City covenants that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the Net Revenues will be at least sufficient to equal the larger of either:

(a) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or

(b) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for Revenue Bonds for the Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

If the Net Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for the Fiscal Year, must request an Airport Consultant to make any recommendations to revise the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the requirements of this Section. Copies of the request and the recommendations of the Airport Consultant shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not have defaulted in the performance of its duties under this Ordinance even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the rate covenant, so long as Debt Service is paid when due.

Section 5.04 **SPECIAL FUNDS**. The following special funds and accounts previously have been established and are confirmed, and shall be maintained and accounted for so long as any Revenue Bond and related Credit Agreement Obligation remains Outstanding and Administrative Expenses remain unpaid. The funds and accounts may also include any additional accounts or subaccounts as may from time to time be designated by the City, including specifically rebate accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, so long as they are not inconsistent with this Ordinance:

(a) Airport System Revenue Fund ("Revenue Fund"), including an Operation and Maintenance Reserve Fund ("Operation and Maintenance Reserve Fund");

(b) Airport System Revenue Bond Debt Service Fund ("Debt Service Fund");

(c) Airport System Revenue Bond Debt Service Reserve Fund ("Debt Service Reserve Fund");

(d) Airport System Revenue Bond Administrative Expense Fund (the "Administrative Expense Fund");

(e) Airport System Renewal and Replacement Fund ("Renewal and Replacement Fund");

(f) Airport System Capital Fund ("Capital Fund"), including a Capital Improvement Account; and

(g) Airport System Construction Fund ("Construction Fund"), including the Capitalized Interest Account and a Series 2017B (AMT) Project Account.

The Revenue Fund, including the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Fund and the Construction Fund (other than any Capitalized Interest Account in the Construction Fund) shall be maintained as separate funds or accounts on the books of the City and all amounts credited to the Funds and Accounts shall be maintained in an official depository bank of the City. The Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund shall be maintained at an official depository bank of the City or in a trustee bank designated by the City separate and apart from all other funds and accounts of the City. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the owners of the Revenue Bonds and the proceeds of which shall be pledged, as herein provided, to the payment of the Revenue Bonds. The Administrative Expense Fund shall constitute trust funds which shall be held in trust for the payment of Administrative Expenses to the Persons entitled to those Administrative Expenses.

Section 5.05 **FLOW OF FUNDS**. Gross Revenues shall be deposited as received by the City into the Revenue Fund. In addition, the City may deposit into the Revenue Fund any Federal Payments not restricted for capital purposes, provided that, so long as the Federal Payments are excluded from the definition of Gross Revenues, the Federal Payments shall be applied solely to the payment of Operation and Maintenance Expenses or capital expenditures and never constitute Net Revenues. Other Available Funds may also be deposited into the Revenue Fund. Moneys from time to time credited to the Revenue Fund shall be applied as follows in the following order of priority:

(a) First, to provide for all payments of Operation and Maintenance Expenses required by the Revenue Bond Ordinances.

(b) Second, to transfer all amounts to the Debt Service Fund required by the Revenue Bond Ordinances necessary to pay Debt Service on the Revenue Bonds and any related Credit Agreement Obligations.

(c) Third, to transfer all amounts to the Administrative Expense Fund required to pay Administrative Expenses to the Persons entitled to payment when due.

(d) Fourth, to transfer all amounts to the Debt Service Reserve Fund required by the Revenue Bond Ordinances.

(e) Fifth, to transfer all amounts necessary to provide for the payment of Subordinate Obligations, or to provide reserves for payment, as may be required by any ordinance authorizing Subordinate Obligations and related credit agreement obligations.

(f) Sixth, to transfer all amounts necessary to provide for the payment of principal of and interest on General Obligation Airport Bonds.

(g) Seventh, to transfer all amounts to the Operation and Maintenance Reserve Fund required by the Revenue Bond Ordinances.

(h) Eighth, to transfer all amounts to the Renewal and Replacement Fund required by the Revenue Bond Ordinances.

(i) Ninth, the balance shall be transferred to the Capital Fund.

Section 5.06 **DEBT SERVICE FUND**. (a) On the date of initial delivery of the Bonds, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund the amount necessary to pay interest coming due on the Bonds on their first Interest Payment Date. Thereafter, to the extent moneys remain on deposit in the Capitalized Interest Account, on the Business Day immediately following an Interest Payment Date, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund amounts available to pay the interest coming due on the Bonds on the next succeeding Interest Payment Date.

(b) On or before the last Business Day of each month so long as any Revenue Bonds remain Outstanding, after making all required payments of Operation and Maintenance Expenses, there shall be transferred from the Revenue Fund to the Debt Service Fund the amount necessary to cause the balance in the Debt Service Fund to equal the Debt Service on all Revenue Bonds and Credit Agreement Obligations accrued, but unpaid, through the end of the current month and the Debt Service on all Revenue Bonds and Credit Agreement Obligations reasonably expected to accrue and be payable on or before the last Business Day of the next succeeding month.

(c) Moneys credited to the Debt Service Fund shall be used solely for the purpose of paying Debt Service on Revenue Bonds and Credit Agreement Obligations.

Section 5.07 **DEBT SERVICE RESERVE FUND**. (a) The City shall establish and maintain a balance in the Debt Service Reserve Fund equal to the

Debt Service Reserve Fund Requirement. Each increase in the Debt Service Reserve Fund Requirement resulting from the issuance of Additional Revenue Bonds shall be funded at the time of issuance and delivery of the series of Additional Revenue Bonds by depositing to the credit of the Debt Service Reserve Fund either: (A) proceeds of the Additional Revenue Bonds and/or other lawfully appropriated funds in not less than the amount which will be sufficient to fund fully the Debt Service Reserve Fund Requirement; or (B) a Debt Service Reserve Fund Surety Bond sufficient to provide that portion of the Debt Service Reserve Fund Requirement. The City further expressly reserves the right to substitute at any time a Debt Service Reserve Fund Surety Bond for any funded amounts in the Debt Service Reserve Fund and to apply the funds released, to the greatest extent permitted by law, to any of the purposes for which the related Revenue Bonds were issued or to pay debt service on the related Revenue Bonds. The City shall not employ any Debt Service Reserve Fund Surety Bond unless: (i) the City officially finds that the purchase of the Debt Service Reserve Fund Surety Bond is cost effective; (ii) the Debt Service Reserve Fund Surety Bond does not impose upon the City a repayment obligation (in the event the Debt Service Reserve Fund Surety Bond is drawn upon) greater than can be funded in 18 monthly installments as provided in subsection (b) below, payable out of Net Revenues on a parity with the monthly deposits that are otherwise required to be made to the Debt Service Reserve Fund; and (iii) that any interest due in connection with the repayment obligations does not exceed the highest lawful rate of interest which may be paid by the City at the time of delivery of the Debt Service Reserve Fund Surety Bond.

(b) In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of that month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service

Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in the Debt Service Reserve Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below this amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in amounts required to restore the Debt Service Reserve Fund to this amount and to pay reimbursement obligations within an 18 month period.

(c) The City shall use the Debt Service Reserve Fund to pay Debt Service on the Revenue Bonds and the Credit Agreement Obligations at any time the amount available in the Debt Service Fund is insufficient for this purpose, and to make any payments required to satisfy repayment obligations to issuers of Debt Service Reserve Fund Surety Bonds. The City may use the Debt Service Reserve Fund to make the final payments for the retirement or defeasance of Revenue Bonds, related Credit Agreement Obligations, and Administrative Expenses.

Section 5.08 **FUNDS AND ACCOUNTS FOR SUBORDINATE OBLIGATIONS**. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund the City shall transfer into the funds and accounts as the City may establish pursuant to an ordinance authorizing the issuance or incurrence of Subordinate Obligations, the amounts required pursuant to the ordinance authorizing the issuance or incurrence of Subordinate Obligations to provide for the payment, or to provide reserves for the payment, of the Subordinate Obligations.

Section 5.09 **ADMINISTRATIVE EXPENSE FUND**. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the City shall transfer to the Administrative Expense Fund an amount equal to the Administrative Expenses expected to be paid to the Persons entitled to payment in the next succeeding month. Amounts on deposit in the Administrative Expense Fund shall be applied solely to the payment of Administrative Expenses.

Section 5.10 **GENERAL OBLIGATION AIRPORT BONDS**. On or before the last Business Day of each month, so long as any General Obligation

Airport Bond remains outstanding, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund and any other fund and account established by ordinance authorizing the issuance of Revenue Bonds and Subordinate Obligations, the City shall transfer from the Revenue Fund, to the extent there are funds available, the amounts necessary to provide for the payment, when due, of principal of and interest on General Obligation Airport Bonds.

Section 5.11 **OPERATION AND MAINTENANCE RESERVE FUND**. The City shall fund and maintain a balance of money and investments in the Operation and Maintenance Reserve Fund at least equal to two months current Operation and Maintenance Expenses, which amount shall annually be re-determined by the Aviation Director at the time the recommended budget for the Airport System is submitted pursuant to Section 5.02 of this Ordinance, based upon either the Aviation Director's recommended budget for Operation and Maintenance Expenses or the Aviation Director's estimate of actual Operation and Maintenance Expenses for the then current Fiscal Year. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as provided in this Ordinance, there shall be transferred from the Revenue Fund, to the extent there are funds available, to the Operation and Maintenance Reserve Fund an amount equal to 1/12th of the deficiency, if any, in the Operation and Maintenance Reserve Fund as of the last day of the previous Fiscal Year until the required balance in the Operation and Maintenance Reserve Fund is established or reestablished. Amounts from time to time credited to the Operation and Maintenance Reserve Fund may be used at any time: first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Revenue Fund; second, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency in any of these funds.

Section 5.12 **RENEWAL AND REPLACEMENT FUND**. The City has established the Renewal and Replacement Fund Requirement to be

$5,000,000. On or before the last Business Day of each month, if the Renewal and Replacement Fund contains less than the Renewal and Replacement Fund Requirement, then after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as provided in this Ordinance, and to the Operation and Maintenance Reserve Fund, the City shall transfer from the Revenue Fund, to the extent there are funds available, to the Renewal and Replacement Fund an amount equal to 1/12th of the deficiency (being the amount by which the Renewal and Replacement Fund Requirement exceeded the unappropriated balance in the Renewal and Replacement Fund) as of the last day of the previous Fiscal Year and, at the discretion of the City, to pay directly from the Revenue Fund any other costs that could be paid from amounts on deposit in the Renewal and Replacement Fund. The City is required to make these transfers into the Renewal and Replacement Fund until such time as the Renewal and Replacement Fund Requirement has again been accumulated in the Renewal and Replacement Fund. Amounts from time to time credited to the Renewal and Replacement Fund may be used at any time: first, to pay for any costs of replacing depreciable property and equipment of the Airport System and making repairs, replacements or renovations of the Airport System; second, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Revenue Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency.

Section 5.13 **CAPITAL FUND**. After the City makes all payments and transfers required by this Ordinance, at least annually it shall also transfer all amounts remaining in the Revenue Fund to the Capital Fund; provided, however, that no transfers shall be made to the Capital Fund unless the Debt Service Reserve Fund contains the Debt Service Reserve Requirement and all Administrative Expenses have been paid. Amounts credited to the Capital Improvement Account may be used only for lawful purposes relating to the Airport System, including without limitation, to pay for any capital expenditures or to pay costs of replacing any depreciable property or equipment of the Airport System, to make any major or extraordinary repairs, replacements or renewals of the Airport System, to acquire land or any interest in such land, to pay costs necessary or incident to the closing or disposition of any facility of the Airport System and, at the City's discretion, to be designated as Other Available Funds to be transferred to the Revenue Fund.

Section 5.14 **DEFICIENCIES IN FUNDS OR ACCOUNTS**. If in any month the City does not transfer into any Fund or Account maintained pursuant to Sections 5.06 through 5.12, inclusive, the full amounts required by this Ordinance, the City shall set apart amounts equivalent to the deficiency and shall transfer those amounts to the deficient Fund or Account from the first available and unallocated moneys in the Revenue Fund, and this transfer shall be in addition to the amounts otherwise required to be transferred to the Fund or Account during any succeeding month or months.

Section 5.15 **CONSTRUCTION FUND**. (a) From the proceeds of each series of Revenue Bonds (other than the proceeds of Refunding Revenue Bonds) there shall be deposited into the Capitalized Interest Account (if any) established in the Construction Fund for that series the amount of capitalized interest required by the ordinance authorizing issuance of the series of Revenue Bonds. The amounts may be applied to pay interest on the series of Revenue Bonds as provided in the authorizing ordinance.

(b) From the proceeds of each series of Revenue Bonds (other than the proceeds of Refunding Revenue Bonds) there shall be deposited into the applicable Project Account established in the Construction Fund the amounts as shall be provided in the ordinance authorizing the series of Revenue Bonds. The amounts may be applied to pay costs of establishing, improving, enlarging, extending, and repairing the Airport System or any project to become part of the Airport System, to reimburse advances made by the City for these costs, to pay costs of issuance of Revenue Bonds and to pay any other capital costs of the Airport System as provided in the ordinance authorizing the series of Revenue Bonds.

(c) There shall be established within the Construction Fund two accounts, the Series 2017B Project Account and the Capitalized Interest Account. Moneys in the Series 2017B Project Account shall be used to pay costs of constructing the improvements to the Airport consistent with the purpose for which the Bonds are issued. Moneys in the Capitalized Interest Account shall be held for the purpose of paying interest on the Bonds during the construction of the improvements and for one year after the improvements have been constructed, and shall be transferred from time to time to the Debt Service Fund in the manner provided in Section 5.06(a) of this Ordinance.

Section 5.16 **MUELLER AIRPORT DISPOSITION FUND**. The Robert Mueller Municipal Airport was closed for aviation purposes and the Mueller Airport Property was transferred out of the Airport System and is no longer part of the Airport System. In connection with the transfer of the Mueller Airport Property, the City deposited certain funds into the Mueller Disposition Fund. These funds, together with any other amounts deposited into the Mueller Disposition Fund, may be used for the payment or reimbursement of all costs and expenses incurred by the City necessary or incident to the closing of Robert Mueller Municipal Airport to aviation purposes and the disposition of the Mueller Airport Property. Any amounts remaining will be transferred to the City's aviation department.

Section 5.17 **INVESTMENT; TRANSFER OF INVESTMENT INCOME**. (a) Money in all Funds and Accounts shall, at the option of the City, be invested in the manner provided by Texas law; provided, that all deposits and investments shall be made in a manner that the money required to be expended from any Fund will be available at the proper time or times. Moneys in the Funds and Accounts may be subjected to further investment restrictions imposed from time to time by ordinance authorizing the issuance of Revenue Bonds and Subordinate Obligations. All such investments shall be valued no less frequently than once per Fiscal Year at market value, except that: (i) any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount; and (ii) any investments which are subject to a Qualified Put may continuously be valued at the amount at which they can be put or sold under the terms of such Qualified Put. For purposes of maximizing investment returns, money in the Funds may be invested, together with money in other Funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of the money or Funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which the money is invested and the share purchased with such money or owned by the Fund are held by or on behalf of each Fund. If and to the extent necessary, the investments or participations shall be promptly sold to prevent any default.

(b) All interest and income derived from deposits and investments credited to any of the following Funds and Accounts shall be applied as follows, except as provided in subsection (c) below:

Source of Interest or Income	**Fund or Account to which such Interest or Income should be Credited**
Revenue Fund	Remains in Revenue Fund
Debt Service Reserve Fund	Remains in the fund until the applicable Debt Service Reserve Fund Requirement is satisfied (unless otherwise required to be transferred to the Rebate Fund by Section 11.01); thereafter to the Revenue Fund
Administrative Expense Fund	Revenue Fund
Operation and Maintenance Reserve Fund	Remains in the fund until fully funded; thereafter to the Revenue Fund
Renewal and Replacement Fund	Remains in the fund until Renewal and Replacement Fund Requirement is met; thereafter to the Revenue Fund
Capital Fund - Capital Improvement Account	Remains in the fund (unless otherwise required to be transferred to the Rebate Fund by Section 11.01) or in the appropriate fund or account therein

(c) Notwithstanding anything to the contrary, any interest and income derived from deposits and investments of any amounts credited to any Fund or Account may be: (i) transferred into any rebate account or subaccount; and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel the payment is required to comply with any covenant or required in order to prevent interest on any bonds payable from Net Revenues from being includable within the gross income of Owners for federal income tax purposes.

Section 5.18 **SECURITY FOR UNINVESTED FUNDS**. So long as any Revenue Bond remains Outstanding, all uninvested moneys on deposit in, or credited to, the Funds and Accounts established or confirmed as stated in this Ordinance shall be secured by the pledge of security, as provided by Texas law.

ARTICLE SIX

ADDITIONAL BONDS

Section 6.01 **ADDITIONAL REVENUE BONDS**. The City reserves the right to issue, for any lawful Airport System purpose, one or more installments of Additional Revenue Bonds payable from and secured by Net Revenues on a parity with the Outstanding Revenue Bonds; provided, however, that no series of Additional Revenue Bonds shall be issued unless:

(a) No Default. The City Manager and the Aviation Director certify that, upon the issuance of Additional Revenue Bonds, the City will not be in default under any term or provision of any Revenue Bonds then Outstanding or any ordinance pursuant to which any Revenue Bonds were issued unless the default will be cured by the issuance of the Additional Revenue Bonds.

(b) Proper Fund Balances. The City's Chief Financial Officer or trustee, if one has been appointed, shall certify that, upon the issuance of Additional Revenue Bonds, the Debt Service Fund will have the required amounts on deposit and that the Debt Service Reserve Fund will contain the Debt Service Reserve Fund Requirement or the amount as is required to be funded at that time.

(c) Projected Coverage for Additional Revenue Bonds. An Airport Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues, together with the estimated Other Available Funds, of the Airport System for each of three consecutive Fiscal Years beginning in the earlier of:

(i) the first Fiscal Year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Additional Revenue Bonds, based upon a certified written estimated completion date by the consulting engineer for the facility or facilities; or

(ii) the first Fiscal Year in which the City will have scheduled payments of interest on or principal of the Additional Revenue Bonds to be issued for the payment of which provision has not been made as indicated in the report of the Airport Consultant from proceeds of the Additional Revenue Bonds, investment income on the proceeds of such Additional Revenue Bonds or from other appropriated sources (other than Net Revenues),

are equal to at least 125% of the Debt Service Requirements on all Outstanding Revenue Bonds scheduled to occur during each respective Fiscal Year after taking into consideration the additional Debt Service Requirements for the Additional Revenue Bonds to be issued.

(d) Alternate Coverage for Additional Revenue Bonds. In lieu of the certification described in (c) above, the City's Chief Financial Officer may provide a certificate showing that, for either the City's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, the Net Revenues, together with Other Available Funds, of the Airport System were equal to at least 125% of the maximum Debt Service Requirements on all Revenue Bonds scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Revenue Bonds proposed to be issued.

(e) Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the maximum annual Debt Service Requirements in any Fiscal Year after the issuance of the Additional Revenue Bonds will not exceed the maximum annual Debt Service Requirements in any Fiscal Year prior to the issuance of the Additional Revenue Bonds.

(f) Bond Ordinance Requirements. Provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for: (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds including, in the event that interest on the additional series of Revenue Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the Debt Service Fund of amounts fully sufficient to pay interest on such Additional Revenue Bonds during the period specified in the Revenue Bond Ordinances; and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by this Ordinance or any other Revenue Bond Ordinance authorizing Additional Revenue Bonds.

(g) Special Provisions for Completion Bonds. The provisions of paragraphs (c) and (d) above shall not apply to the issuance of Completion Bonds in accordance with Section 6.02.

Section 6.02 **COMPLETION BONDS**. The City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Project for which Revenue Bonds have previously been issued.

Prior to the issuance of any series of Completion Bonds the City must provide, in addition to all of the applicable certificates required by Section 6.01, the following documents:

(a) a certificate of the consulting engineer engaged by the City to design the Airport Project for which the Completion Bonds are to be issued stating that the Airport Project has not materially changed in scope since the issuance of the most recent series of Revenue Bonds for the intended purpose (except as permitted in the applicable ordinance authorizing the Revenue Bonds) and setting forth the aggregate cost of the Airport Project which, in the opinion of the consulting engineer, has been or will be incurred; and

(b) a certificate of the Aviation Director: (i) stating that all amounts allocated to pay costs of the Airport Project from the proceeds of the most recent series of Revenue Bonds issued in connection with the Airport Project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of the Airport Project; (ii) containing a calculation of the amount by which the aggregate cost of that Airport Project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Airport Project paid to such date plus the moneys available at such date within any construction fund or other like account applicable to the Airport Project plus any other moneys which the Aviation Director, in his discretion, has determined are available to pay such costs in any other fund; and (iii) certifying that, in the opinion of the Aviation Director, the issuance of the Completion Bonds is necessary to provide funds for the completion of the Airport Project.

For purposes of this Section, the term "Airport Project" means the Airport or any other Airport System facility or project which shall be defined as an Airport Project in any ordinance authorizing the issuance of Additional Revenue Bonds, for the purpose of financing the Airport Project. Any such ordinance may contain further provisions as the City shall deem appropriate with regard to the use, completion, modification or abandonment of the Project.

Section 6.03 **SUBORDINATE OBLIGATIONS**. The City reserves the right to issue or incur, for any lawful Airport System purpose, Subordinate Obligations and credit agreement obligations related to the Subordinate Obligations, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds. Although referred to in this Ordinance as "Subordinate Obligations," the Subordinate Obligations may bear any name or designation provided by ordinance authorizing their issuance or incurrence. The Subordinate Obligations may be further secured by any other source of payment lawfully available. Unless expressly provided to the contrary in this Ordinance, no default with respect to a Subordinate Obligation shall constitute a default under this Ordinance.

Section 6.04 **SPECIAL FACILITIES BONDS**. The City reserves the right to issue from time to time, in one or more series, Special Facilities Bonds as provided in this Ordinance to finance and refinance the cost of any Special Facilities, including all required reserves, all related costs of issuance and other reasonably related amounts, provided that Special Facilities Bonds shall be payable solely from payments by lessees under Special Facilities Leases or other security not provided by the City. In no event shall Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Revenue Bonds or for the construction, operation, maintenance, or repair of the Airport System be pledged to the payment of Special Facilities Bonds. Unless expressly provided to the contrary in this Ordinance, no default with respect to a Special Facilities Bond shall constitute a default under this Ordinance.

Section 6.05 **CREDIT AGREEMENTS**. To the fullest extent permitted by applicable law, the City expressly reserves the right to enter into Credit Agreements in connection with any series of Revenue Bonds and to pledge to and secure the payment of related Credit Agreement Obligations from Net Revenues and the various funds and accounts established or referred to in this Ordinance to the extent permitted by this Ordinance, and any of the City's other ordinances authorizing the issuance of Additional Revenue Bonds and to enter into credit agreements in connection with any series of Subordinate Obligations.

ARTICLE SEVEN

COVENANTS AND PROVISIONS RELATING TO ALL REVENUE BONDS

Section 7.01 **PUNCTUAL PAYMENT OF BONDS**. The City covenants that it will punctually pay, or cause to be paid, the Debt Service on all Revenue Bonds and Credit Agreement Obligations, according to their terms, and to pay all Administrative Expenses to the Persons entitled to payment when due, and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Ordinance and in any other ordinance authorizing the issuance of Revenue Bonds.

Section 7.02 **MAINTENANCE OF AIRPORT SYSTEM**. Except as provided in Section 7.04, the City covenants that it will at all times maintain and operate the Airport System, or within the limits of its authority cause the Airport System to be maintained and operated, in good and serviceable condition.

Section 7.03 **LIMITATION ON CITY CHARGES FOR OPERATION AND MAINTENANCE EXPENSES**. The City covenants that it will not charge the Airport System any amounts for overhead expenses relating to the administration, operation, and maintenance of the Airport System except to the extent that the amounts charged are reasonably allocable to the Airport System based upon a stated policy of allocation, reasonably applied to the Airport System. All charges imposed by the City upon the Airport System shall be consistent with all applicable federal laws, regulations, and other requirements applicable to the Airport System or imposed upon the Airport System in connection with the acceptance by the Airport System of any federal grants or aid.

Section 7.04 **SALE OR ENCUMBRANCE OF AIRPORT SYSTEM**. Except for the use of the Airport System or services pertaining to the Airport System in the normal course of business, the City covenants that neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Revenue Bonds, Credit Agreement Obligations and Administrative Expenses have been paid in full, or unless provision for payment has been made, and the City shall not dispose of its title to the Airport System or to any useful part of the Airport System, including, without limitation, any property necessary to the operation and use of the

Airport System, except for the execution of leases, licenses, easements, or other agreements in connection with the operation of the Airport System by the City, or in connection with any Special Facilities, except for any pledges of and liens on revenues derived from the operation and use of all or any part of the Airport System, or any Special Facilities, for the payment of Revenue Bonds, Credit Agreement Obligations, Administrative Expenses, Special Facilities Bonds, and any other obligations pertaining to the Airport System, and except as otherwise provided in the next two paragraphs.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any property constituting a part of the Airport System which the Aviation Director certifies: (i) to be no longer useful in the construction or operation of the Airport System; (ii) to be no longer necessary for the efficient operation of the Airport System; or (iii) to have been replaced by other property of at least equal value. The net proceeds of the sale or disposition of any Airport System property (or the fair market value of any property so excluded) pursuant to this paragraph shall be used for the purpose of replacing properties at the Airport System, shall be paid into the Capital Fund - Capital Improvement Account or shall be applied to retire or pay principal of or interest on Revenue Bonds.

Nothing in this Ordinance prevents any transfer of all or a substantial part of the Airport System to another body corporate and politic (including, but not necessarily limited to, a joint action agency or an airport authority) which assumes the City's obligations under this Ordinance and in any ordinance authorizing the issuance of Revenue Bonds, in whole or in part, if: (i) in the written opinion of the Airport Consultant, the ability to meet the rate covenant and other covenants under this Ordinance and in any ordinance authorizing the issuance of Revenue Bonds, are not materially and adversely affected; and (ii) in the written opinion of nationally recognized bond counsel, the transfer and assumption will not cause the interest on any Revenue Bonds that were issued as "tax-exempt bonds" within the meaning of the regulations promulgated under the Code to be includable in gross income of the Owners of the Revenue Bonds for federal income tax purposes. Following the transfer and assumption, all references to the City, City officials, City ordinances, City budgetary procedures and any other officials, actions, powers or characteristics of the City will be references to the transferee entity and comparable officials, actions, powers or characteristics of the entity. In the event of any transfer and assumption, nothing in this Ordinance shall prevent the retention by the City of any facility of the Airport System if, in the written opinion of the Airport Consultant, the retention will not materially and adversely affect nor unreasonably restrict the transferee entity's ability to comply with the requirements of the rate covenant and the other covenants of this Ordinance and any other Revenue Bond Ordinance.

Section 7.05 **INSURANCE**. The City covenants and agrees that it will keep the Airport System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that the insurance is available; provided, however, that if any insurance is not commercially available or not available on more favorable economic terms, the City may elect to be self-insured in whole or in part against the risk or loss that would otherwise be covered by insurance, in which case the City will establish reserves for the risk or loss in amounts the City determines to be appropriate. All net proceeds of property or casualty insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the Airport System or to redeem Revenue Bonds. Proceeds of business interruption insurance may be credited to the Revenue Fund.

Section 7.06 **ACCOUNTS, RECORDS, AND AUDITS**. The City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Gross Revenues and the operation of the Airport System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Airport System. After the close of each Fiscal Year, the City shall cause an audit report of the records and accounts described in the preceding sentence to be prepared by an independent certified public accountant or independent firm of certified public accountants, which may be part of an overall audit report of the City and/or other of its enterprise funds. All expenses of obtaining these reports shall constitute Operation and Maintenance Expenses of the Airport System.

Section 7.07 **PLEDGE AND ENCUMBRANCE OF REVENUES**. The City covenants and represents that it has the lawful power to create a lien on and to pledge the Net Revenues to secure the payment of the Revenue Bonds, the Credit Agreement Obligations and Administrative Expenses, and has lawfully exercised this power under the Constitution and laws of the State of Texas, including specifically the Act. The City further covenants and represents that, other than to the payment of Operation and Maintenance Expenses, the Revenue Bonds, the Credit Agreement Obligations and Administrative Expenses, the Gross Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City, unless the lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Revenue Bonds, the Credit Agreement Obligations and Administrative Expenses.

Section 7.08 **BONDHOLDERS REMEDIES**. This Ordinance is a contract between the City and the Owners of the Revenue Bonds and the holders of related Credit Agreement Obligations from time to time outstanding and this Ordinance shall be and remain irrepealable until the Revenue Bonds, the related Credit Agreement Obligations and Administrative Expenses shall be fully paid or discharged or provision for their payment shall have been made as provided in this Ordinance. In the event of a default in the payment of the Debt Service on any of the Revenue Bonds or Credit Agreement Obligations or a default in the performance of any duty or covenant provided by law or in this Ordinance, the Owner or Owners of any of the Revenue Bonds, and the holders of any Credit Agreement Obligations and the Persons to whom Administrative Expenses are owed may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Revenue Bonds or holder of Credit Agreement Obligations or Person to whom Administrative Expenses are owed, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds provided in this Ordinance, and the application of such Gross Revenues in the manner required in this Ordinance.

Notwithstanding the provisions of the foregoing paragraph: (i) acceleration as a remedy is expressly denied; (ii) no grace period for a default in the performance of any duty or covenant shall exceed 30 days, nor shall any grace period be extended for more than 60 days without the written consent of the Bond Insurer (to the extent consent is required); and (iii) no grace period is permitted with respect to a default in the payment of Debt Service or the payment of Administrative Expenses when due. For purposes of exercising the rights of Owners upon the occurrence of an event of default described in the immediately preceding paragraph, the Bond Insurer shall be deemed to be the sole holder of the Series 2005 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant to this Ordinance.

Section 7.09 **DISCHARGE BY DEPOSIT**. (a) The City may discharge its obligation to the Owners of any or all of the Bonds to pay Debt Service, or any portion of the Debt Service, by depositing with the Paying Agent/Registrar cash in an amount equal to the Debt Service of the Bonds to the date of maturity or redemption, or any portion of the Bonds to be discharged, or by depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of $100,000,000, pursuant to an escrow or trust agreement, cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, the Bonds, or any portion thereof, shall no longer be regarded to be Outstanding or unpaid. In case any Bonds are to be redeemed on any date prior to their maturity, the City shall give to the Paying Agent/Registrar irrevocable instructions to give notice of redemption of Bonds to be so redeemed in the manner required in this Ordinance. Any determination not to redeem Bonds that is made in conjunction with the payment arrangements described above shall not be irrevocable, provided that: (1) in the proceedings providing for the payment arrangements, the City expressly reserves the right to call the Bonds for redemption; (2) the City gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the payment arrangements; and (3) the City directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Prior to the defeasance of the Bonds: (i) a report of an independent firm of nationally recognized certified public accountants (Accountant) verifying the sufficiency of the escrow established to pay the Bonds in full on the respective maturity or redemption date (Verification) will be obtained by the City; (ii) an escrow agreement will be executed and delivered by the City; and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer Outstanding under this Ordinance will be obtained by the City. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City.

Section 7.10 **LEGAL HOLIDAYS**. If any date on which a payment of Debt Service is due is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of scheduled payment of Debt Service.

ARTICLE EIGHT

CONCERNING THE PAYING AGENT/REGISTRAR

Section 8.01 **APPOINTMENT OF INITIAL PAYING AGENT/REGISTRAR**. Amegy Bank, a division of ZB, National Association is appointed to serve as the initial Paying Agent/Registrar for the Bonds.

Section 8.02 **QUALIFICATIONS**. Each Paying Agent/Registrar shall be a commercial bank or a trust company organized under the laws of the State of Texas or the United States of America, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 8.03 **MAINTAINING PAYING AGENT/REGISTRAR**. (a) At all times while any Bond is Outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 8.02. An Authorized Officer is authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar in the substantially final form presented with this Ordinance.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve in this capacity, the City will promptly appoint a replacement.

Section 8.04 **TERMINATION**. The City may terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice, at least 60 days before termination, of such termination.

Section 8.05 **NOTICE OF CHANGE TO OWNERS**. Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 8.06 **AGREEMENT TO PERFORM DUTIES AND FUNCTIONS**. By accepting the appointment as Paying Agent/Registrar and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the prescribed duties and functions of Paying Agent/Registrar. The Paying Agent/Registrar Agreement presented with this Ordinance is approved and the Authorized Officers are directed to execute and deliver the Paying Agent/Registrar Agreement with any changes as may be approved by the Authorized Officer.

Section 8.07 **DELIVERY OF RECORDS TO SUCCESSOR**. If a Paying Agent/Registrar is replaced, the Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

Section 8.08 **TRUST FUNDS**. All money transferred to the Paying Agent/Registrar under this Ordinance (except sums representing Paying Agent/Registrar's fees) shall be held in trust for the benefit of the City, shall be the property of the City, and shall be disbursed in accordance with this Ordinance.

Section 8.09 **BONDS PRESENTED**. Subject to the provisions of Section 8.10, all matured Bonds presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the City. The Bonds shall be cancelled as provided in this Ordinance.

Section 8.10 **UNCLAIMED FUNDS HELD BY THE PAYING AGENT/REGISTRAR**. Funds held by the Paying Agent/Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date the funds have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code.

The Paying Agent/Registrar shall have no liability to the Owners of the Bonds by virtue of actions taken in compliance with this Section.

ARTICLE NINE

ALTERATION OF RIGHTS AND AMENDMENT OF ORDINANCE

Section 9.01 **ALTERATION OF RIGHTS AND DUTIES**. The rights, duties, and obligations of the City and the Owners of the Bonds and the holders of Credit Agreement Obligations related to the Bonds, and Persons to whom Administrative Expenses are owed, are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or as may be amended in the future.

Section 9.02 **AMENDMENT OF ORDINANCE WITHOUT CONSENT**. The City may, without the consent of or notice to any of the Owners of the Bonds, amend this Ordinance for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in the Revenue Bond Ordinances or in the Revenue Bonds; or to comply with any applicable provision of law or regulation of Federal agencies; to obtain a rating on the Revenue Bonds from any Rating Agency; or to obtain the approving opinion of the Attorney General of Texas as required by law; provided, however, that such action shall not adversely affect the interests of the Owners of the Revenue Bonds;

(b) to change the terms or provisions of this Ordinance to the extent necessary to prevent the interest on the Revenue Bonds from being includable within the gross income of the Owners for federal income tax purposes;

(c) to grant to or confer upon the Owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Revenue Bonds;

(d) to add to the covenants and agreements of the City contained in the Revenue Bond Ordinances other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in this Ordinance;

(e) to amend any provisions of this Ordinance relating to the issuance of Revenue Bonds and Subordinate Obligations, or the incurrence of and security for reimbursement obligations in connection with the issuance of Revenue Bonds and Subordinate Obligations, so long as to do so does not cause any reduction in any rating assigned to the Outstanding Revenue Bonds by any nationally recognized rating agency then rating any series of Revenue Bonds;

(f) to subject to the lien and pledge of the Revenue Bond Ordinances additional Net Revenues which may include revenues, properties or other collateral; and

(g) to amend the provisions of Article Twelve to the extent permitted in Article Twelve.

Section 9.03 **AMENDMENTS OF ORDINANCE REQUIRING CONSENT**. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of this Ordinance but, if the amendment is not of the character described in Section 9.02, only with the consent given in accordance with Section 9.04 of the Owner or Owners of not less than 66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding and affected by the amendment, modification, addition, or elimination and with the consent of the Bond Insurer (to the extent the consent is required); provided, however, that nothing in this Section shall permit (a) an extension of the maturity of the principal of or interest on any Revenue Bond issued under this Ordinance, or (b) a reduction in the principal amount of any Revenue Bond or the rate of interest on any Revenue Bond, or (c) a privilege or priority of any Revenue Bond or Revenue Bonds over any other Revenue Bond or Revenue Bonds, or (d) a reduction in the percentage of aggregate principal amount of the Revenue Bonds required for consent to the amendment.

Section 9.04 **CONSENT OF OWNERS**. Any consent required by Section 9.03 by any Owner must be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by the Owner or its duly authorized attorney. Proof of the execution of any consent or of the writing appointing any attorney and of the ownership of Revenue Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Revenue Bond Ordinances, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under the instrument, namely:

(a) The fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged its execution before him or her, or by affidavit of any witness to the execution;

(b) The fact of the ownership by any person of any Revenue Bond and the date of the ownership may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that on that date the Revenue Bond was registered in the name of that party in the Register.

In lieu of the foregoing the City may accept any other proof as it finds appropriate.

Consents required pursuant to Section 9.03 shall be valid only if given following the giving of notice by or on behalf of the City requesting the consent and setting forth the substance of the amendment of this Ordinance in respect of which such consent is sought and stating that copies thereof are available at the office of the City Clerk for inspection. Such notice shall be given by certified mail to each Registered Owner of the Revenue Bonds affected at the address shown on the Register.

Copies of all amendments and supplements to this Ordinance or to any Related Document shall be sent to Standard & Poor's and Moody's at least 10 days before its effective date.

Section 9.05 **REVOCATION OF CONSENT**. Any consent by any Owner of a Revenue Bond pursuant to the provisions of this Article shall be irrevocable for a period of 18 months from the date of mailing of the notice provided for in this Article, and shall be conclusive and binding upon all future Owners of the same Revenue Bond and any Revenue Bond delivered on transfer thereof or in exchange for or replacement of the Revenue Bond during this period. The consent may be revoked at any time after 18 months from the date of the first mailing of the notice by the Owner who gave the consent or by a successor in title, by filing notice with the Paying Agent/Registrar, but the revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Revenue Bonds Outstanding as in this Ordinance defined have, prior to the attempted revocation, consented to and approved the amendment.

Section 9.06 **CONSENT TO CERTAIN AMENDMENTS GIVEN THROUGH OWNERSHIP OF BONDS**. By acceptance of the Bonds, each Owner of a Bond: (i) irrevocably and specifically consents to and approves the amendments described in (1) and (2) below; (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact for the limited purpose of executing the written instrument required by Section 9.04 of this Ordinance to evidence the Owner's specific consent to and approval of the amendments described in (1) and (2) below; and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner, it being specifically provided that the Aviation Director need not consult with, or provide notice to, an Owner in connection with the actions taken by the Aviation Director under this Section. The power of attorney granted to the Aviation Director shall be limited to effecting the below amendments and is irrevocable for so long as any Bond remains Outstanding.

The amendments are:

(1) Amend Section 6.01(e) of this Ordinance and the Revenue Bond Ordinances to read:

"Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Prior Lien Bonds or Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the aggregate Debt Service Requirements after the issuance of the Additional Revenue Bonds do not exceed the aggregate Debt Service Requirements prior to the issuance of the Additional Revenue Bonds; provided, that the annual debt service on the refunding bonds in any Fiscal Year will not be more than 10% higher than it is in any other Fiscal Year."

(2) Amend Section 9.03 of this Ordinance and the Revenue Bond Ordinances by changing the phrase "66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding" to "a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding".

The amendment described in clause (1) will become effective once the City determines that the consent of 66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received, and the amendment described in clause (2) will become effective once the City determines that the consent of 100% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received. Since the Series 2005 Bonds are insured, the consent of the Insurer will be required to be obtained. Since there are no Prior Lien Bonds (as defined in the Series 2005 Bond Ordinance) now Outstanding, the reference to Prior Lien Bonds in clause (1) above is of no force and effect.

ARTICLE TEN

SALE OF THE BONDS; APPROVAL OF BOND PURCHASE AGREEMENT; APPLICATION OF PROCEEDS OF THE BONDS

Section 10.01 **SALE OF THE BONDS; BOND PURCHASE AGREEMENT**. The Bonds shall be sold to the Underwriters in accordance with the terms of this Ordinance and the Bond Purchase Agreement. In the Bond Purchase Agreement, there shall be a finding made that the sale of the Bonds to the Underwriters is on terms that are most advantageous to the City reasonably obtained and, upon the advice of the City's financial advisor, is in the best interests of the City.

Each Authorized Officer is authorized come to an agreement with the Underwriters on the following, among other matters:

(1) The details of the purchase and sale of the Bonds, including series designation;
(2) The details of the public offering of the Bonds by the Underwriters;
(3) The details of an Official Statement (and, if appropriate, any Preliminary Official Statement) relating to the Bonds and the City's compliance with the Rule;
(4) A security deposit for the Bonds;
(5) The representations and warranties of the City to the Underwriters;
(6) The details of the delivery of, and payment for, the Bonds;
(7) The Underwriters' obligations under the Bond Purchase Agreement;
(8) The conditions to the obligations of the City and the Underwriters under the Bond Purchase Agreement;
(9) Termination of the Bond Purchase Agreement;
(10) Particular covenants of the City;

(11) The survival of representations made in the Bond Purchase Agreement;

(12) The payment of any expenses relating to the Bond Purchase Agreement;

(13) Notices; and

(14) Any and all such other details that are found by the Authorized Officer to be necessary and advisable for the purchase and sale of the Bonds.

The Authorized Officer and other appropriate officers, employees, and agents of the City shall carry out and comply with the terms and provisions of the Bond Purchase Agreement. Bonds sold under the Bond Purchase Agreement may not be sold: (1) in an aggregate principal amount in excess of $160,000,000; (2) bearing interest in any maturity in excess of 8.00% per annum; (3) having a final maturity after November 15, 2047; and (4) unless the Bonds have a credit rating that would cause the Bonds to be "obligations", as defined in Chapter 1371. The authority of an Authorized Officer to execute a Bond Purchase Agreement expires at 5:00 p.m., Friday, September 29, 2017.

The Mayor and City Clerk of the City may manually or electronically execute and deliver for and on behalf of the City copies of a Preliminary Official Statement and Official Statement, prepared in connection with the offering of the Bonds by the Underwriters, in final form as may be required by the Underwriters, and the final Official Statement in the form and content as approved by an Authorized Officer or as manually or electronically executed by the City officials shall be deemed to be approved by council and constitute the Official Statement authorized for distribution and use by the Underwriters.

Section 10.02 **APPROVAL, REGISTRATION, AND INITIAL DELIVERY**. The Authorized Officer shall have control and custody of the Bonds and all necessary records and proceedings pertaining to the Bonds pending their delivery, and the Authorized Officer and other officers and employees of the City are instructed to make certifications and to execute instruments as may be necessary to accomplish the initial delivery of the Initial Bonds and to assure the investigation, examination, and approval of the Bonds by the Attorney General of the State of Texas and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds, the Comptroller of Public Accounts of the State of Texas (or a deputy designated in writing to act for her) shall be requested to sign manually the Comptroller's Registration Certificate set forth in the FORM OF BONDS and the seal of the Comptroller of Public Accounts of the State of Texas shall be impressed or printed or lithographed on the Initial Bonds. The Bonds will be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement.

Section 10.03 **APPLICATION OF PROCEEDS OF THE BONDS**. On the closing date for the Bonds, proceeds from the sale of the Bonds shall be applied as set forth in the letter of instructions executed by the City, as follows:

(a) A portion of the proceeds from the sale of the Bonds shall be deposited to the credit of the Series 2017B (AMT) Project Account within the Construction Fund and used to pay costs of financing the improvements to the Airport; and

(b) A portion of the proceeds from the sale of the Bonds shall be deposited to the credit of the Capitalized Interest Account in an amount determined in accordance with Section 3.10 of this Ordinance; and

(c) A portion of the proceeds from the sale of the Bonds shall be deposited to the credit of the Debt Service Reserve Fund in an amount determined in accordance with Section 3.11 of this Ordinance; and

(d) The balance of the proceeds of the Bonds shall be applied to pay all costs of issuance of the Bonds, and, to the extent not so used, shall be deposited into the Debt Service Fund.

Section 10.04 **USE OF PASSENGER FACILITY CHARGES**. Consistent with the definitions of Debt Service Requirements and Gross Revenues, the City acknowledges and agrees that debt service with respect to the Revenue Bonds paid from passenger facility charges is not included in the calculation of Debt Service Requirements. The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) $4.50 derived from each passenger facility charge so imposed and collected by the City for the payment of debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the passenger facility charges will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net

Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%.

ARTICLE ELEVEN

FEDERAL INCOME TAX COVENANTS

Section 11.01 **GENERAL TAX COVENANTS**. The City covenants to take any action to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. The City covenants as follows:

(a) to take such action or refrain from such action which would result in the Bonds not being "exempt facility bonds", as defined in section 142(a) of the Code, at least 95 percent of the proceeds of which are used to provide airport facilities (within the meaning of section 142(a) of the Code);

(b) to take such action to assure at all times while the Bonds remain outstanding, the facilities, directly or indirectly, financed with the proceeds thereof will be owned by a governmental unit;

(c) that no part of the facilities, directly or indirectly, financed with the proceeds of the Bonds will constitute: (A) any lodging facility; (B) any retail facility (including food or beverage facilities) in excess of a size necessary to serve passengers and employees at the exempt facility; (C) any retail facility (other than parking) for passengers or the general public located outside the exempt facility terminal; (D) any office building for individuals who are not employees of a governmental unit or of the operating authority for the exempt facility; (E) any industrial park or manufacturing facility; or (F) any residential real property for family units;

(d) that the maturity of the Bonds does not exceed 120 percent of the economic life of the facilities, directly or indirectly, financed with the proceeds of the Bonds, as more specifically set forth in section 147(b) of the Code;

(e) that fewer than 25 percent of the proceeds of the Bonds will be used for the acquisition of land or an interest in such land, unless such land is acquired for noise abatement or wetland preservation or the future use of the Airport, and there is no other significant use of such land;

(f) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with:

(1) proceeds of the Bonds invested for a reasonable temporary period until the proceeds are needed for the purpose for which the Bonds are issued;

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations; and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(g) that any property acquired, directly or indirectly, with the proceeds of the Bonds was not placed-in-service prior to its acquisition unless the provisions of section 147(d) of the Code, relating to rehabilitation, are satisfied;

(h) that the costs of issuance to be financed with the proceeds of the Bonds do not exceed two percent of the proceeds of the Bonds;

(i) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(j) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, to satisfy the requirements of section 148 of the Code (relating to arbitrage);

(k) to create and maintain a Rebate Fund, as required below, to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings", within the meaning of section 148(f) of the Code, and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

(l) to maintain records that will enable the City to fulfill its responsibilities under this Section and section 148 of the Code and to retain the records for at least six years following the final payment of principal and interest on the Bonds.

The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of the issuance of the Bonds. It is the understanding of the City that the covenants contained in this Ordinance are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant to the Code. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of the foregoing, the Mayor, the City Manager, any Assistant City Manager, the Chief Financial Officer of the City, any Deputy Chief Financial Officer of the City and the City Treasurer may execute any documents, certificates or other reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

In order to facilitate compliance with clause (h) above, a "Rebate Fund" is established and held by the City for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the Registered Owners of the Bonds. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

Section 11.02 **DISPOSITON OF PROJECT**. The City covenants that the property financed or refinanced with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of nationally-recognized bond counsel substantially to the effect that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. The portion of the property comprising personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation. The City shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 11.03 **CONTINUING OBLIGATION**. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Article Eleven shall survive the defeasance and discharge of the Bonds.

ARTICLE TWELVE

CONTINUING DISCLOSURE

Section 12.01 **ANNUAL REPORTS**. The City shall provide annually to the MSRB, within six months after the end of each Fiscal Year ending in or after 2017, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by Section 10.01 of this Ordinance, being the information described in Section 12.04. Any financial statements provided shall be prepared in accordance with the accounting principles described in Section 12.04, or other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and audited, if the City commissions an audit of the statements and the audit is completed within twelve months after the end of each fiscal year ending in or after 2017. If audited financial statements of the City are not available by the end of the 12 month period, the City will provide notice that the audited financial statements are not available, and will provide unaudited financial statements by the end of the 12 month period and audited financial statements for the applicable fiscal year when and if the audited financial statements become available.

If the City changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) before the next date the City would be required to provide financial information and operating data pursuant to this Article. The financial information and operating data to be provided pursuant to this Article may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document), if it is available to the public on the MSRB's internet website or filed with the SEC. Filings shall be made electronically, in the format and accompanied by identifying information as prescribed by the MSRB.

Section 12.02 **DISCLOSURE EVENT NOTICES**. The City shall provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

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 Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, 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.

The City shall provide to the MSRB, in an electronic format as prescribed by the MSRB, notice in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 12.01 of this Ordinance by the time required by Section 12.01 of this Ordinance. 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 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. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

Section 12.03 **LIMITATIONS, DISCLAIMERS, AND AMENDMENTS**. The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give the notice required by Section 12.02 of any Bond calls and any defeasance that cause the City to be no longer an "obligated person."

The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or to update any information provided in accordance with this Article or otherwise, except as expressly provided in this Ordinance. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BONDS OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Article shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

Should the Rule be amended to obligate the City to make filings with or provide notices to entities other than the MSRB, the City agrees to undertake the obligation in accordance with the Rule, as amended.

The provisions of this Article may be amended by the City 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, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds 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 (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the City amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.01 an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The City may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that the provisions of the Rule are invalid, but only and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 12.04 **DESCRIPTION OF ANNUAL FINANCIAL INFORMATION.**

(a) Annual Financial Information and Operating Data. The financial information and operating data with respect to the City to be provided annually pursuant to Section 12.01 of this Ordinance are (i) the portions of the financial statements of the City appended to the final Official Statement authorized by Section 10.01 of this Ordinance as Appendix B, but for the most recently concluded Fiscal Year, and (ii) all quantitative financial information and operating data with respect to the City of the general type included in the main text of the final Official Statement authorized by Section 10.01 of this Ordinance within the numbered Tables 1 through 9 only. As used in this Article, the term "unaudited financial statements" means the financial statements and tables that are referenced in the section entitled "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports" in the final Official Statement authorized by Section 10.01 of this Ordinance.

(b) Accounting Principles. The accounting principles referred to in Section 12.01 are the accounting principles described in the notes to the financial statements referred to clause (a)(i) above, as the principles may be changed from time to time to comply with State law or regulation.

ARTICLE THIRTEEN

MISCELLANEOUS

Section 13.01 **FURTHER PROCEDURES**. The Mayor, the City Manager, the Aviation Director, the Chief Financial Officer, the City Treasurer and the City Clerk, and other appropriate officials of the City, are authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance. Council authorizes the City Clerk to designate a person or persons to carry out her duties under this Ordinance should the City Clerk be absent and unable to fulfill all or part of her duties under this Ordinance.

Section 13.02 **COMPLIANCE WITH SECTION 2252.908, GOVERNMENT CODE**. The Chief Financial Officer shall confirm that, to the extent required by Section 2252.908, Texas Government Code, each contracting party in connection with the issuance of Bonds has made disclosure filings to the Texas Ethics Commission in accordance with Section 2252.908, Texas Government Code. Within 30 days of receipt of the disclosure filings from the contracting party, the City will submit a copy of the disclosure filings with the Texas Ethics Commission.

Section 13.03 **SEVERABILITY**. If any article, section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of the article, section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 13.04 **EFFECTIVE IMMEDIATELY**. Notwithstanding the provisions of the City Charter, this Ordinance is effective immediately upon its adoption at this meeting pursuant to Section 1201.028, Texas Government Code.

Section 13.05 **REPEALER**. All orders, resolutions and ordinances, or parts inconsistent with this Ordinance are repealed to the extent of such inconsistency.

PASSED AND APPROVED this 15th day of December, 2016.

____
Steve Adler, Mayor

ATTEST:

______________________________ (SEAL)
Jannette S. Goodall, City Clerk

APPROVED:

____
Anne L. Morgan, City Attorney

EXHIBIT A
FORM OF BONDS

REGISTERED REGISTERED

No. ___________ $ ___________

United States of America
State of Texas
CITY OF AUSTIN, TEXAS
AIRPORT SYSTEM REVENUE BOND
SERIES 2017B (AMT)

MATURITY DATE	INTEREST RATE	DELIVERY DATE	CUSIP
November 15, ____	____%		

THE CITY OF AUSTIN, TEXAS (the "City"), in Travis, Williamson and Hays Counties, Texas, for value received, hereby promises to pay to ________ or registered assigns, on the Maturity Date, as specified above, the sum of

____________________ DOLLARS

and to pay interest thereon, to the maturity date specified above, or the date of its redemption prior to scheduled maturity, at the rate of interest per annum specified above, with said interest being payable on May 15, 2017, and semiannually on each November 15 and May 15 thereafter; except that if the Paying Agent/Registrar's Authentication Certificate appearing on the face of this Bond is dated later than May 15, 2017, such interest is payable semiannually on each November 15 and May 15 following such date. Interest on the Bonds shall accrue from the Delivery Date specified above. Interest on the Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Capitalized terms appearing herein that are defined terms in the Ordinance defined below, have the meanings assigned to them in the Ordinance. Reference is made to the Ordinance for such definitions and for all other purposes.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Plano, Texas (the "Designated Payment Transfer Office"), of Amegy Bank, a division of ZB, National Association, as Paying Agent/Registrar, or, with respect to a successor Paying Agent/Registrar, at the Designated Payment Transfer Office of such successor. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof as shown by the Registration Books kept by the Paying Agent/Registrar at the close of business on the last Business Day of the month next preceding such Interest Payment Date (a "Record Date") by check, dated as of such Interest Payment Date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first class postage prepaid, on each such Interest Payment Date, to the registered owner hereof at its address as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. Any accrued interest due at maturity or upon redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the Designated Payment/Transfer Office of the Paying Agent/Registrar. The City covenants with the registered owner of this Bond that no later than each principal payment and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar from the Debt Service Fund the amounts required to provide for the payment, in immediately available funds, of all principal of, premium, if any, and interest on the Bonds, when due.

In the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City or in the city in which the Designated Payment Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a series of fully registered bonds specified in the title hereof, dated ____________, issued in the aggregate principal amount of $________ pursuant to the Ordinance. This Bond is one of the Revenue Bonds authorized by the Ordinance and is subject to the terms and provisions thereof. The Ordinance and its terms and provisions are incorporated herein for all purposes.

The Bonds are issued by the City for the purposes of obtaining funds to construct improvements to the City's Austin-Bergstrom Municipal Airport, to fund a reserve fund and capitalized interest for the Bonds, and to pay the City's costs incurred in connection with the issuance of the Bonds.

This Bond and all of the Bonds are special obligations of the City that are equally and ratably payable from and secured by a first lien on and pledge of the "Net Revenues" and by amounts on deposit in certain special funds of the "Airport System" of the City of Austin, Texas. Net Revenues are required to be set aside for and pledged to the payment of the Bonds and certain other outstanding obligations equally and ratably secured on a parity with the Bonds (collectively, the "Revenue Bonds") and "Credit Agreement Obligations" heretofore or hereafter issued or incurred in connection therewith, in the debt service fund and the debt service reserve fund required to be maintained for the payment of all such Revenue Bonds, all as more fully described and provided for in the Ordinance. This Bond and the series of which it is a part, together with the interest thereon, are payable solely from such Net Revenues and special funds and do not constitute an indebtedness or general obligation of the City.

The City has reserved the right to issue additional obligations on a parity with the outstanding Revenue Bonds and the Bonds and subordinate or inferior obligations, subject to the restrictions contained in the Ordinance, which may be secured by a lien on a parity with, subordinate or inferior to, the lien on the aforesaid Net Revenues securing this Bond and the series of which it is a part.

The Ordinance contains provisions permitting the City to defease the Ordinance and to amend the Ordinance under certain circumstances. Any amendment to the Ordinance shall be binding upon the Owner of this Bond without endorsement hereon or any reference to such amendment, provided that no amendment shall permit (a) an extension of the maturity of the principal of or the interest on this Bond, or (b) a reduction of the principal amount of this Bond or the rate of interest thereon.

The Bonds maturing on and after November 15, 2027 may be redeemed prior to their stated maturities, at the option of the City, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and if within a stated maturity by lot by the Paying Agent/Registrar), on November 15, 2026 or on any date thereafter, at the redemption price of par plus accrued interest thereon to the redemption date.

The Bonds maturing on November 15 in each of the years 20__ and 20__ are subject to mandatory sinking fund redemption in part (at random in such manner as the Paying Agent/Registrar in its discretion deems proper) on the dates and in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the Redemption Date, from sinking fund installments which are required to be made in amounts sufficient to redeem on the dates set forth below the principal amount of such respective Bonds specified below:

Sinking Fund Installments

Date	Principal Amount ($)

*Final Maturity

The principal amount of the Term Bonds of a stated maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the Issuer, by the principal amount of Term Bonds of like maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Not less than thirty 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 to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms and provisions relating thereto contained in the Ordinance. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of such redemption given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, 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.

In the event a portion of the principal amount of a Bond is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Ordinances for the then unredeemed balance of the principal sum of such Bond or Bonds will be issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within forty-five days of the redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

As provided in the Ordinance, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar, and, thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the City nor the Paying Agent/Registrar shall be affected by notice to the contrary.

It is hereby certified, recited and represented that the issuance of the Bonds is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the principal of and interest on the Revenue Bonds by granting a first lien on and pledge of the Net Revenues and special funds as provided in the Ordinance; and that the issuance of the Bonds does not exceed any constitutional or statutory limitation.

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Bond either (i) is registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) is authenticated by the Paying Agent/Registrar by due execution of the authentication certificate manually endorsed hereon. A duly executed certificate of authentication shall be conclusive evidence that this Bond was delivered by the Paying Agent/Registrar under the provisions of the Ordinance.

The owner of this Bond shall never have the right to demand payment of this Bond or the interest thereon out of any funds raised or to be raised by taxation.

IN WITNESS WHEREOF, the City has caused the official seal of the City to be impressed or placed in facsimile hereon and this Bond to be signed by the Mayor and attested by the City Clerk by their manual, lithographed, or printed facsimile signatures.

____
Jannette S. Goodall
City Clerk, City of Austin, Texas

____
Steve Adler
Mayor, City of Austin, Texas

[SEAL]

Form of Certificate of Paying Agent/Registrar

CERTIFICATE OF PAYING AGENT/REGISTRAR

It is hereby certified that this Bond has been issued under the Ordinance as described in the text of this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or portions of a bond or bonds of an issued which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

____
Amegy Bank, a division of ZB, National Association, as Paying Agent/Registrar

Dated:

Form of Comptroller's Registration Certificate

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bonds in lieu of the Certificate of the Paying Agent/Registrar:

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	REGISTER NO. _____
THE STATE OF TEXAS	§	

I HEREBY CERTIFY THAT this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and registered by the Comptroller of Public Accounts of the State of Texas

WITNESS MY SIGNATURE AND SEAL OF OFFICE this ___________________.

[SEAL]

____
Comptroller of Public Accounts
of the State of Texas

Form of Assignment

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

____

____

____

(Social Security or other identifying number: ________________) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _________________ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Signature Guaranteed By:

____

Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner satisfactory to the Paying Agent/Registrar.

EXHIBIT B

TABLE OF CONTENTS

ABIA POS
Draft 3
6-Dec 2016

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

PRELIMINARY OFFICIAL STATEMENT

DATED __________, 2016

New Issue: Book-Entry-Only System

Rating: Standard & Poor's: "__"
Moody's: "__"
(See "OTHER RELEVANT INFORMATION – Ratings")

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "TAX MATTERS" herein. Interest on the Bonds will be an item of tax preference for purpose of determining the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion and certain collateral federal tax consequences.

CITY OF AUSTIN, TEXAS

(Travis, Williamson and Hays Counties)

$_____________*	**$_____________***
Airport System Revenue Bonds, Series 2017A	**Airport System Revenue Bonds, Series 2017B (AMT)**

Dated: __________, 20__; Interest to accrue from Date of Initial Delivery   Due: As shown on the inside cover page

The $_________* City of Austin, Texas Airport System Revenue Bonds, Series 2017A and the $_________* City of Austin, Texas Airport System Revenue Bonds, Series 2017B (AMT) (collectively referred to as the "Bonds"), are limited special obligations of the City of Austin, Texas (the "City"), issued pursuant to the ordinances adopted by the City on December 15, 2016 (the "Ordinances"). In the Ordinances, the City Council has delegated the authority to sell the Bonds to an Authorized Officer (as defined in the Ordinances), subject to the parameters set forth in the Ordinances.

Proceeds from the Bonds, together with other legally available funds, will be used for the purpose of (i) designing and constructing improvements to Austin-Bergstrom International Airport ("ABIA" or the "Airport"), as more fully described in "DESCRIPTION OF THE 2017 PROJECTS" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs of issuance incurred in connection with the issuance of the Bonds. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Selected Definitions" and "SOURCES AND USES OF FUNDS" in this document.

Interest on the Bonds is calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from their date of initial delivery, and is payable on May 15, 2017 and semiannually thereafter on November 15 and May 15 of each year until maturity or prior redemption. The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on the 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. See "DESCRIPTION OF THE BONDS – Book–Entry–Only System" in this document.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as more fully described in this document. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

The Bonds, together with the Currently Outstanding Revenue Bonds (defined hereafter) and any Additional Revenue Bonds (defined hereafter), when and if issued, are limited special obligations of the City payable from, and are equally and ratably secured by, a first lien on the Net Revenues (defined hereafter) of the Airport System (defined hereafter) and certain funds established by the Ordinances. No mortgage of any of the physical properties forming a part of the Airport System or any lien thereon or security interest therein has been given. **The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State of Texas is pledged as security for the Bonds. See "SECURITY FOR THE BONDS" in this document.**

The Bonds are offered for delivery when, as and if issued, subject to the opinion of the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Bond Counsel for the City. See "APPENDIX E – Form of Bond Counsel's Opinions" in this document. Certain legal matters will be passed on for the underwriters listed below (the "Underwriters") by their counsel, Orrick, Herrington & Sutcliffe LLP. It is expected that the Bonds will be available for initial delivery to the Underwriters through DTC on or about _________, 20__.

RBC Capital Markets

Goldman, Sachs & Co.
Jefferies

Piper Jaffray
Siebert Brandford Shank & Co.

____

*Preliminary; subject to change.

$______________[1]

CITY OF AUSTIN, TEXAS

Airport System Revenue Bonds, Series 2017A

MATURITY SCHEDULE

Base CUSIP No. ______ [2]

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield [3]	CUSIP Suffix [2]
	$	%	%	

$_______ ____% Term Bonds maturing November 15, ____, priced to yield ____%, CUSIP Suffix _____ [2][3]

$_______ ____% Term Bonds maturing November 15, ____, priced to yield ____%, CUSIP Suffix _____ [2][3]

(Interest to accrue from the Date of Initial Delivery)

---

(1) Preliminary; subject to change

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed by S&P Global Market Intelligence 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. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of CUSIP numbers set forth in this document.

(3) Yield priced to ____________, 20__, the first optional call date. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

$______________(1)

CITY OF AUSTIN, TEXAS

Airport System Revenue Bonds, Series 2017B (AMT)

MATURITY SCHEDULE

Base CUSIP No. ______ (2)

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield (3)	CUSIP Suffix (2)
	$	%	%	

$_______ ____% Term Bonds maturing November 15, ____, priced to yield ____%, CUSIP Suffix _____ (2)(3)

$_______ ____% Term Bonds maturing November 15, ____, priced to yield ____%, CUSIP Suffix _____ (2)(3)

(Interest to accrue from the Date of Initial Delivery)

---

(1) Preliminary; subject to change.

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed by S&P Global Market Intelligence 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. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of CUSIP numbers set forth in this document.

(3) Yield priced to ____________, 20__, the first optional call date. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Bonds defined in this Official Statement 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.

No dealer, broker, salesman or other person has been authorized by the City or by the Underwriters in the initial offering of all or any of the Bonds to give any information or to make any representations, other than as contained in this Official Statement, 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 Bonds, 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 Official Statement 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 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE ORDINANCES BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS.

The information set forth 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 Official Statement are subject to change without notice and neither the delivery of this Official Statement 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 in this Official Statement. CUSIP numbers have been assigned to the Bonds by CUSIP Global Services for the convenience of the owners of the Bonds.

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 Official Statement 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BONDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL, OR STATE SECURITIES AUTHORITY OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

TABLE OF CONTENTS

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CITY OF AUSTIN, TEXAS

Elected Officials (1)

		Term Expires Jan. 5
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

Elaine Hart, CPA	Interim City Manager (1)
Robert Goode	Assistant City Manager
Sue Edwards	Assistant City Manager
Bert Lumbreras	Assistant City Manager
Rey Arellano	Assistant City Manager
Mark Washington	Assistant City Manager
Greg Canally	Interim Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Anne Morgan	City Attorney
Jannette Goodall	City Clerk

(1) On September 1, 2016, the Austin City Council appointed Ms. Elaine Hart as interim City Manager effective October 1, 2016.

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

DISCLOSURE COUNSEL FOR THE CITY
Norton Rose Fulbright US LLP
Dallas and Austin, Texas

FINANCIAL ADVISOR
Public Financial Management, Inc.
Austin, Texas

INDEPENDENT AUDITORS
Deloitte & Touche LLP
Austin, Texas

For additional information regarding the City, please contact:

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Austin, TX 78701
(512) 614–5323
waleyd@pfm.com

OFFICIAL STATEMENT

relating to

CITY OF AUSTIN, TEXAS

(Travis, Williamson and Hays Counties)

$____________*	**$____________***
Airport System Revenue Bonds, Series 2017A	**Airport System Revenue Bonds, Series 2017B (AMT)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to set forth information concerning the City of Austin, Texas (the "City"), the Airport System (see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions" in this document for the complete definition of the Airport System), and the City's Airport System Revenue Bonds, Series 2017A and the Airport System Revenue Bonds, Series 2017B (AMT) (collectively referred to as the "Bonds"). The Bonds are limited special obligations of the City issued pursuant to the ordinances adopted by the City on December 15, 2016 (the "Ordinances"). Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinances. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Selected Definitions" in this document.

The Bonds are being issued pursuant to Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Chapter 22, Texas Transportation Code, as amended, and the Ordinances. In the Ordinances, the City Council has delegated the authority to sell the Bonds to an Authorized Officer, subject to the parameters set forth in the Ordinances.

Proceeds from the Bonds, together with other legally available funds, will be used for the purpose of (i) planning, acquiring, establishing, constructing, improving, or equiping Austin-Bergstrom International Airport ("ABIA" or the "Airport"), the major component of the Airport System, as more fully described in "DESCRIPTION OF THE 2017 PROJECTS" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs of issuance incurred in connection with the issuance of the Bonds. See "SOURCES AND USES OF FUNDS" in this document.

The Bonds, together with the Currently Outstanding Revenue Bonds, are secured by and payable from a first lien on the Net Revenues (as hereinafter defined) of the Airport System. Under certain circumstances, the Ordinances permits the issuance of Additional Revenue Bonds which rank on a parity with the Currently Outstanding Revenue Bonds, and the Bonds are being issued as Additional Revenue Bonds. See "SECURITY FOR THE BONDS – Additional Revenue Bonds" in this document. The Ordinances define the "Currently Outstanding Revenue Bonds" as including the Series 2005 Bonds, the Series 2013 Bonds, the Series 2013A Bonds, and the Series 2014 Bonds. As of November 15, 2016, the outstanding principal balance of the Series 2005 Bonds is $179,075,000, the outstanding principal balance of the Series 2013 Bonds is $56,410,000, the outstanding principal balance of the Series 2013A Bonds is $17,988,000, and the outstanding principal balance of the Series 2014 Bonds is $244,495,000.

By acceptance of the Bonds, each Owner of a Bond (i) irrevocably and specifically consents to and approves amendments to the Ordinances and the ordinances governing the issuance of Revenue Bonds as described below, (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact to evidence an Owner's specific consent to and approval of the amendments described below, and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner. The amendments described below were so approved by the Owners of the Series 2013 Bonds and the Series 2013A Bonds, but have not been approved by the Owners of the Series 2005 Bonds. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

The amendments are as follows:

Amend Section 6.01(e) of the Ordinance and the Revenue Bond Ordinances to read:

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*Preliminary; subject to change.

"Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Prior Lien Bonds or Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the aggregate Debt Service Requirements after the issuance of the Additional Revenue Bonds do not exceed the aggregate Debt Service Requirements prior to the issuance of the Additional Revenue Bonds; provided, that the annual debt service on the refunding bonds in any Fiscal Year will not be more than 10% higher than it is in any other Fiscal Year."

Amend Section 9.03 of the Ordinance and the Revenue Bond Ordinances by changing the phrase "66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding" to "a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding".

The amendment to Section 6.01(e) will become effective once the consent of 66 2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received. Since there are no Prior Lien Bonds now Outstanding, the reference to Prior Lien Bonds above is of no force and effect. The amendment to Section 9.03 will become effective once the consent of 100% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received. Since the Series 2005 Bonds are insured, the consent of the bond insurer will be required to be obtained.

Upon the issuance of the Bonds, the percentage of bondholders of the Currently Outstanding Revenue Bonds and the Bonds who have consented or will have been deemed to have consented to the amendments described above is __._%.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Amendments" in this document.

DESCRIPTION OF THE 2017 PROJECTS

In response to the airlines' request for additional space, as well as the significant increase in passenger growth at ABIA, the City has endeavored to undertake the projects described below (collectively, the "2017 Projects"):

Airport Terminal/Apron Expansion and Improvement Project –

The Airport Terminal/Apron Expansion and Improvement Project will include nine new passenger gates; four of which will be flexible in design to accommodate both domestic and international flights. The project scope includes utility and infrastructure upgrades to support the new expansion and renovation work in the ticket lobby to match new technology in order to improve customer service and balance the space needs for passengers and airlines. The Airport Terminal/Apron Expansion and Improvement Project scope of work has been expanded from the 2014 plan to include terminal mechanical system improvements, baggage claim level infrastructure improvements and terminal roof replacement.

The aircraft apron expansion element of the Airport Terminal/Apron Expansion and Improvement Project will include expanding the existing apron by approximately 48 acres. The expanded apron will provide aircraft parking for the new terminal gates and provide dual parallel taxi lanes to better accommodate existing aircraft movements as well as future larger design group aircraft operations and safely accommodate irregular airline operations. The aircraft apron expansion element of the Airport Terminal/Apron Expansion and Improvement Project scope of work has been expanded from the 2014 plan to include relocation and expansion of water quality detention ponds to support aircraft deicing.

The Airport Terminal Expansion and Improvements are expected to be completed in the Fall of 2018. The overall project is scheduled to be completed in the Summer of 2019.

Parking Garage Project Construction –

Funding is proposed for the construction work for a new, approximately 5,000-space, five-level parking garage at the Lot A site north of the existing parking garage and west of the new rental car facility. The Parking Garage Project Construction scope of work has been expanded to include improvements to the roadways and entry plazas for the newly constructed garage. The garage is scheduled to be completed in November 2018.

For information on the funding plan for these projects, see "CAPITAL IMPROVEMENT PROGRAM" in this document.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated application of proceeds of the Bonds.

	2017A	2017B (AMT)
Sources of Funds:	$	$
Principal Amount		
Original Issue Premium		
Total Sources of Funds	$	$
Uses of Funds:		
Deposit to Project Account		
Deposit to Capitalized Interest Account		
Deposit to Debt Service Reserve Fund		
Costs of Issuance		
Underwriters Discount		
Total Uses of Funds	$	$

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DESCRIPTION OF THE BONDS

General

The Bonds will be issued in the aggregate principal amount and at the interest rates, and will mature in the amounts and on the dates, all as set forth on the inside cover page. The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from their date of delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and will be payable on May 15, 2017, and on each November 15 and May 15 thereafter (each such date is referred to as an "Interest Payment Date") until maturity or prior redemption. The Bonds are initially to be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as securities depository for the Bonds. Purchases by beneficial owners of the Bonds (the "Beneficial Owners") are to be made in book entry form. See "Book-Entry-Only System" below in this document.

The principal of the Bonds shall be payable in lawful money of the United States of America at the corporate trust office in TBD (the "Designated Payment/Transfer Office") of TBD (the "Paying Agent/Registrar"), and the interest on the Bonds shall be paid by check or draft mailed, by first-class mail, by the Paying Agent/Registrar to the respective registered owners thereof at their addresses as they appear on the registration books kept by the Paying Agent/Registrar pertaining to the registration of the Bonds on the last Business Day of the month next preceding an Interest Payment Date. In lieu of mailing such interest payment, such other method may be used at the risk and expense of a registered owner, if requested by the registered owner and acceptable to the Paying Agent/Registrar. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with arrangements between the City and the securities depository. See " - Book-Entry-Only System" below in this document.

Redemption of the Bonds

Optional Redemption. The City reserves the right, at its option, to redeem the Bonds in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on November 15, 2027, 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 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 are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds, or portions thereof, within such maturity and series to be redeemed.

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

Mandatory Sinking Fund Redemption. The Bonds having stated maturities of November 15 in each of the years 20__ and 20__ respectively (the "Term Bonds"), shall be subject to mandatory redemption in part prior to maturity at the redemption price of par plus accrued interest to the date of redemption on November 15 in each of the years and in principal amounts as follows:

_____% Term Bond due November 15, 20__	
Year	Principal Amount
20__	$
20__	
20__	
20__	
20__*	

_____% Term Bond due November 15, 20__	
Year	Principal Amount
20__	$
20__	
20__	
20__	
20__*	

*Stated maturity.

Approximately 45 days prior to each mandatory redemption date of the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the stated applicable maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund; *provided*, that during any period in which ownership of the Term Bonds is determined only by a book entry at a securities depository for the Term Bonds, the particular Term Bonds shall be selected in accordance with the arrangements between the City and the securities depository.

The principal amount of the Term Bonds of a stated maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds of like maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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 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; *provided*, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, the particular Bonds shall be selected in accordance with the arrangements between the City and the securities depository. If a Bond (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 the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Bond shall cease to accrue from and after the redemption date of the Bond, 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.

Any notice of redemption shall state the redemption date, the redemption price, the amount of accrued interest payable on the redemption date, the place at which Bonds are to be surrendered for payment and, if less than the entire principal amount of a Bond is to be redeemed, the portion thereof to be redeemed. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption. When the Bonds have been called for redemption in whole or in part and due provision has been made to redeem them, the Bonds or portions thereof so redeemed shall no longer be regarded as Outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the registered owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Limitation on Transfer of Bonds Called for Redemption

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

Defeasance of Bonds

The Ordinances provide for the defeasance of the Bonds when the payment of the principal of the Bonds, plus interest to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Obligations, 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 Bonds. The Ordinances provide that "Defeasance Obligations" means (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 Obligation will be maintained by any particular rating category. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Discharge by Deposit" in this document.

Remedies

If the City defaults in the payment of principal, interest or redemption price on the Bonds when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinances, or the City declares bankruptcy, the registered owners of the Bonds may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinances 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 courts, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The City may exercise authority to issue obligations and enter into credit agreements pursuant to Chapter 1371, secured by the Net Revenues of the Airport System. In the proceedings authorizing the issuance of obligations or the execution and delivery of credit agreements, the City may agree to waive sovereign immunity from suit or liability for the purposes of adjudicating a claim to enforce the credit agreement or obligation or for damages for breach of the credit agreement or obligation. The City has not waived the defense of sovereign immunity with respect to the Bonds under Chapter 1371. 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 State legislature has effectively waived the City's sovereign immunity from a suit for money damages outside of Chapter 1371, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds 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 revenue, 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 Bonds 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 any other remedies available to the registered owners 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

The Ordinances provide that in the event of a payment default on any of the Bonds or a default in the performance of any duty or covenant provided by law or in the Ordinances, the Owner or Owners of any of the Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Bonds, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Ordinances, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds provided in the Ordinances, and the application of such Gross Revenues in the manner required in the Ordinances.

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" below in this document. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Bonds are described in this Official Statement.

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 and the Underwriters believe 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 Bonds, 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 Bonds), or redemption or other notices, to the beneficial owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States 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 Bonds. The Bonds will be issued as fully-registered Bonds 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 Bonds, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 Bonds 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, Bond 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 the Bonds will be printed and delivered to DTC.

Paying Agent/Registrar

Interest on and principal of the Bonds will be payable, and transfer functions will be performed at the Designated Payment/Transfer Office designated to the City by the Paying Agent/Registrar, currently its TBD, Texas corporate trust 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 Bonds are outstanding and 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 Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds 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. A Bond 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 Bond will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds 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 Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" above in this document for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

SOURCES OF REPAYMENT FOR THE BONDS

Pledge of Net Revenues

The Bonds and the Currently Outstanding Revenue Bonds, together with any Additional Revenue Bonds (if and when issued), are secured by and payable from a first lien on the Net Revenues. Gross Revenues shall be deposited and paid into the special funds established and confirmed in the Ordinances and shall be applied toward the payment of all Operation and Maintenance Expenses of the Airport System, to provide for the payment of Debt Service on the Revenue Bonds and any Credit Agreement Obligations related to outstanding Revenue Bonds, and for the payment when due of Administrative Expenses. **Net Revenues shall mean that portion of Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System**. Debt Service shall be payable prior to the payment of any Administrative Expenses. See "- Flow of Funds" below in this document. For definitions of "Gross Revenues," Operations and Maintenance Expenses," and "Administrative Expense," see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

The Ordinances do not constitute a mortgage of any of the physical properties forming a part of the Airport System or create any lien thereon or security interest therein. The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State of Texas is pledged as security for the Bonds.

As of the date hereof, the Currently Outstanding Revenue Bonds are the only obligations of the City payable from a first lien on and pledge of the Net Revenues.

Use of Passenger Facility Charges

The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) $4.50 derived from each passenger facility charge ("PFC") so imposed and collected by the City for the payment of debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the PFCs will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%. PFCs are currently being used to pay debt service on Revenue Bonds for PFC-eligible projects that have been approved by the Federal Aviation Administration ("FAA"). See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Use of Passenger Facility Charges" in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of "Gross Revenues". Consistent with the definition of "Debt Service Requirements" in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See "- Rate Covenant", "- Additional Revenue Bonds" and the definition of "Debt Service Requirements" in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Selected Definitions" in this document.

The City plans to seek approval from the FAA to use PFCs to fund a portion of the 2017 Projects and to pay a portion of the debt service on the Bonds. Upon approval, the City intends to set aside PFCs to pay PFC-eligible debt service on the Bonds in accordance with the covenant described above. See "CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit F" in this document.

See "CAPITAL IMPROVEMENT PROGRAM – Passenger Facility Charges" in this document for data on historical PFC collections.

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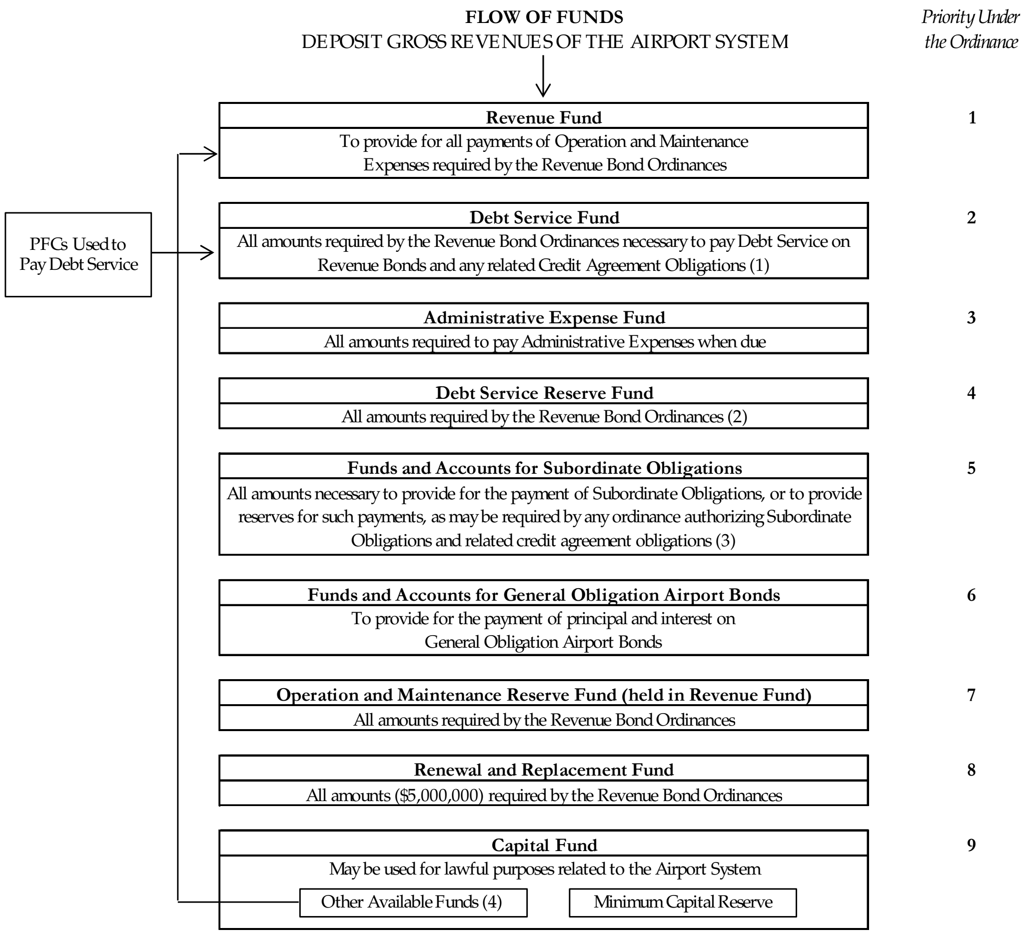
Flow of Funds

The Ordinances confirm the prior establishment of special funds which shall be maintained and accounted for so long as any Revenue Bond and related Credit Agreement Obligation remains Outstanding and Administrative Expenses remain unpaid. Gross Revenues as received are required to be deposited into the Revenue Fund established by the Ordinances, and moneys in such fund are required to be applied and allocated on a monthly basis in the manner and the priority established by the Ordinances. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Funds and Flow of Funds" in this document.



(1) See "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS - Financial Transactions Related to the Series 2005 Bonds" in this document.
(2) See "- Debt Service Reserve Fund".
(3) See "- Subordinate Obligations".
(4) See "HISTORICAL FINANCIAL DATA - Table 8" and the definition of "Other Available Funds" in APPENDIX C in this document.

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Rate Covenant

The City covenants in the Ordinances (see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Particular Covenants – Rate Covenant" in this document) that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year, the Net Revenues will be at least sufficient to equal the **larger** of either (i) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and to pay any debt service or debt service reserve fund or account for Subordinate Obligations, **or** (ii) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for the Revenue Bonds for the Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

If the Net Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for the Fiscal Year, must request an Airport Consultant to make its recommendations, if any, as to a revision of the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the foregoing requirements. Copies of the request and the recommendations of the Airport Consultant shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the covenant set forth above, so long as Debt Service is paid when due.

For purposes of the rate covenant, as described above, Other Available Funds is defined in the Ordinances as unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund; but in no event may this amount exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. The City has had a practice of transferring Other Available Funds to the Revenue Fund pursuant to the Revenue Bond Ordinances. See "HISTORICAL FINANCIAL DATA – Table 8 – Historical Debt Service Coverage" in this document.

Debt Service Reserve Fund

The Ordinances and the ordinances authorizing the Currently Outstanding Revenue Bonds establish a Debt Service Reserve Fund for the benefit of all Revenue Bonds and require that an amount equal to the Debt Service Reserve Fund Requirement be accumulated and maintained therein in accordance with such ordinances. The Debt Service Reserve Fund Requirement is defined in the Ordinances and shall mean the amount required to be maintained in the Debt Service Reserve Fund. This amount shall be computed and recomputed annually as a part of the City's budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with regulations promulgated under the Code, exceed the least of (a) 10% of the stated principal amount of each issue of which the Revenue Bonds or Additional Revenue Bonds are a part, (b) the maximum annual principal and interest requirements of the issue or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that the additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code and the regulations thereunder promulgated from time to time. The Ordinances and the ordinances authorizing the Currently Outstanding Revenue Bonds also provide for the use of a Debt Service Reserve Fund Surety Bond in lieu of a cash deposit. In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of that month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in the Debt Service Reserve Fund shall be transferred to the Revenue Fund.

But if and whenever the balance in the Debt Service Reserve Fund is reduced below this amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in amounts required to restore the Debt Service Reserve Fund to this amount and to pay reimbursement obligations within an 18 month period. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Funds and Flow of Funds - Debt Service Reserve Fund" in this document. Upon the issuance of the Bonds, the aggregate Debt Service Reserve Requirement will be $__________. The Debt Service Reserve Fund is currently funded with $__________ of cash and a Debt Service Reserve Fund Surety Bond (the "2005 Reserve Policy") issued by Assured Guaranty Municipal Corp (rated "A2" by Moodys and "AA" by S&P) in the amount of $__________. The 2005 Reserve Policy will remain in effect so long as all or a portion of the Series 2005 Bonds are outstanding; however, under certain circumstances, the 2005 Reserve Policy may be cancelled prior to the final maturity of the Series 2005 Bonds (see "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS – Financial Transactions Related to the Series 2005 Bonds" in this document). Pursuant to the terms of the 2005 Reserve Policy, all cash on deposit in the Debt Service Reserve Fund must be utilized before any draw may be made on the 2005 Reserve Policy, and the proceeds of any payments made pursuant to the 2005 Reserve Policy may only be applied to the payment of debt service on the Series 2005 Bonds. The City intends to deposit $_________ in the Debt Service Reserve Fund from a portion of the proceeds of the Bonds. See "SOURCES AND USES OF FUNDS" in this document. Upon such deposit, the Debt Service Reserve Fund will be fully funded.

Credit Agreement Obligations

Under certain circumstances, Credit Agreement Obligations may be accorded the status of Bonds. Credit Agreement Obligations are defined under the Bond Ordinances to mean any amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense. Credit Agreements are defined under the Ordinances as means (i) any agreement of the City entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Revenue Bonds or (B) providing liquidity with respect to Revenue Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Revenue Bonds to which it relates, and (ii) a Swap Agreement. The Ordinances further define a Swap Agreement as a Credit Agreement with respect to a series of Revenue Bonds pursuant to which the City has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City's fixed or variable interest rate liability on all or a portion of the Revenue Bonds to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody's, and by Standard & Poor's, and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Revenue Bonds without reference to any Credit Agreement.

Contingent Payment Obligations

The City has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of the City to make payments contingent upon the occurrence or non-occurrence of certain future events, including events that are beyond the direct control of the City. These agreements include interest Swap Agreements and other similar agreements, letter of credit and line of credit agreements for advances of funds to the City in connection with its Bonds and other obligations, and other agreements. See "–Credit Agreement Obligations."

Such contracts and agreements may provide for contingent payments that may be conditioned upon the credit ratings of the City and/or of the other parties to the contract or agreement, maintenance by the City of specified financial ratios, the inability of the City to obtain long-term refinancing for shorter-term obligations or liquidity arrangements, and other factors. Such payments may be payable on a parity with debt service on the Bonds, including any payments made pursuant to a Swap Agreement.

The amount of any such contingent payments may be substantial. To the extent that the City did not have sufficient funds on hand to make any such payment, it is likely that the City would seek to borrow such amounts through the issuance of Additional Revenue Bonds or Subordinate Obligations.

Additional Revenue Bonds

The Bonds will be issued as Additional Revenue Bonds, secured by a first lien on and pledge of the Net Revenues on parity with the Currently Outstanding Revenue Bonds.

Additional Revenue Bonds may be issued upon satisfaction of the conditions set forth in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Additional Bonds" in this document.

The City has retained substantial flexibility as to the terms of any such Additional Revenue Bonds. Such Additional Revenue Bonds (which may include, without limitation, bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein and Credit Agreement Obligations to Credit Providers) may mature on any date or dates over any period of time; bear interest at a fixed or variable rate; be payable in any currency or currencies; be in any denominations; be subject to additional events of default; have any interest and principal payment dates; be in any form (including registered, book-entry or coupon); include or exclude redemption provisions; be sold at a certain price or prices; be further secured by any separate and additional security; be subject to optional tender for purchase; and otherwise include such additional terms and provisions as the City may determine, subject to the then-applicable requirements and limitations imposed by State law.

Subordinate Obligations

The City has reserved the right to issue or incur, for any lawful Airport System purpose, bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Bonds, Currently Outstanding Revenue Bonds, and any Additional Revenue Bonds.

Although referred to in the Ordinances as "Subordinate Obligations", such bonds, notes or other obligations may bear any name or designation provided by the ordinance authorizing their issuance. Such Subordinate Obligations may be secured by any other source of revenues lawfully available for such purposes. No Subordinate Obligations are currently outstanding. See "DEBT SERVICE REQUIREMENTS" in this document.

OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS

Outstanding Revenue Bonds

Four series of Revenue Bonds are currently outstanding: the Series 2005 Bonds, the Series 2013 Bonds, the Series 2013A Bonds, and the Series 2014 Bonds. As of December 1, 2016, the outstanding principal balance of the Series 2005 Bonds is $179,075,000, the outstanding principal balance of the Series 2013 Bonds is $56,410,000, the outstanding principal balance of the Series 2013A Bonds is $17,988,000, and the outstanding principal balance of the Series 2014 Bonds is $244,495,000.

The Series 2005 Bonds are variable rate demand obligations with a final maturity of November 15, 2025; the payment of debt service is secured by letters of credit. See "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS – Financial Transactions Related to the 2005 Bonds" in this document. The Series 2013 Bonds are a fixed rate direct placement loan with Prosperity Bank under the terms of the existing ordinance and have a final maturity of May 15, 2028. The Series 2013A Bonds are a fixed rate direct placement loan with Bank of America Merrill Lynch and have a final maturity of November 15, 2018. The Series 2014 Bonds are fixed-rate bonds with a final maturity of November 15, 2044.

Financial Transactions Related to the Series 2005 Bonds

The Series 2005 Bonds are variable rate demand obligations and consist of four sub-series of Series 2005 Bonds. The City has entered into a Letter of Credit and Reimbursement Agreement (the "Reimbursement Agreement") with Sumitomo Mitsui Banking Corporation, acting through its New York Branch ("SMBC"). Pursuant to the terms of the Reimbursement Agreement, SMBC has issued four separate letters of credit, one for each sub-series of the Series 2005 Bonds, to provide both liquidity and credit support for each sub-series of the Series 2005 Bonds. Payment of scheduled principal of and interest on the Series 2005 Bonds, together with the purchase price of Series 2005 Bonds subject to optional or mandatory tender for purchase which have not been remarketed, will be payable from amounts received under each letter of credit. If a letter of credit is drawn upon to pay debt service or tenders of a sub-series of Series 2005 Bonds, and the funds received from the draw are not promptly repaid by the City, SMBC will become an owner of the sub-series of Series 2005 Bonds. Series 2005 Bonds tendered for purchase will be paid first, from the proceeds of remarketing, if any, and second, from a liquidity drawing on a letter of credit. The existing letters of credit issued by SMBC each have a scheduled expiration date of October 15, 2018. The existing letters of credit may terminate prior to the scheduled expiration date upon the occurrence of certain events of default as described in the Reimbursement Agreement.

Fees of the City payable to SMBC under the Reimbursement Agreement relating to the issuance of the letters of credit, are Credit Agreement Obligations, payable on a parity with the obligation of the City to pay debt service on the Revenue Bonds.

At the time of the issuance of the Series 2005 Bonds, a financial guaranty insurance policy (the "2005 Bond Policy") was issued to guarantee the scheduled payment of principal of and interest on the Series 2005 Bonds when due. The 2005 Bond Policy was issued by Financial Security Assurance Inc.; Assured Guaranty Municipal Corp. ("AGM") succeeded to the interests of Financial Security Assurance Inc. under the 2005 Bond Policy and the other policies described below.

In connection with the issuance of the Series 2005 Bonds, the City entered into an interest rate swap agreement with Morgan Stanley Capital Services, Inc., as "Counterparty" (the "Interest Rate Swap Agreement"). A financial guaranty insurance policy (the "2005 Swap Policy") was issued relating to the swap transaction entered into by the City with the Counterparty (the "Swap Transaction"), and AGM is obligated to make certain payments under the 2005 Swap Policy in relation to certain events occurring with respect to the Swap Transaction.

In connection with the Swap Transaction, the City is obligated to make payments to the Counterparty calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2005 Bonds and a fixed interest rate of 4.051% per annum, and the Counterparty is obligated to make reciprocal payments to the City calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2005 Bonds and a variable rate equal to 71% of the one-month London Interbank Borrowing Rate (LIBOR) for U.S. deposits. Payments are made on a net basis on the first day of each month, ending in November 2025. Interest on the Series 2005 Bonds is determined in a manner that differs from the LIBOR index used to calculate amounts payable to the City under the terms of the Interest Rate Swap Agreement. On the effective date of the Interest Rate Swap Agreement, the Counterparty was rated "Aa3" by Moody's, "AA-" by S&P and "AA-" by Fitch. The City entered into the Interest Rate Swap Agreement in conjunction with the issuance of the Series 2005 Bonds in order to effect and quantify a debt service savings on outstanding bonds that were refunded with the proceeds of the Series 2005 Bonds. Payments to be made by the City, if any, under the terms of the Interest Rate Swap Agreement (other than a "termination payment" as discussed below) constitute Credit Agreement Obligations and are therefore payable solely from and equally and ratably secured by a lien on the Net Revenues of equal rank and dignity with the lien and pledge securing the payment of the Revenue Bonds. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS - Note 9b – Variable Rate Debt Management Program" in this document for a discussion relating to the valuation of and risks associated with the Interest Rate Swap Agreement. As of September 30, 2016, the net aggregate monthly payments the City has made to the Counterparty under the Interest Rate Swap Agreement equal $____________.

The City's obligation to make scheduled payments under the Interest Rate Swap Agreement is insured by AGM under the terms of the 2005 Swap Policy issued in 2005. Any termination payment the City may become obligated to pay under the terms of the Interest Rate Swap Agreement is not covered by the 2005 Swap Policy. A discussion of events that could result in the termination of the 2005 Swap Policy follow below.

If either party to the Interest Rate Swap Agreement commits an event of default, suffers a reduction in credit worthiness, or merges with a materially weaker entity, or in certain other circumstances, the Interest Rate Swap Agreement may be terminated at the option of the other party. Accordingly, no assurance can be given that the Interest Rate Swap Agreement will continue in existence until November 2025. If the Interest Rate Swap Agreement is terminated, then current market conditions will determine whether the City will owe a termination payment to the Counterparty or be entitled to receive a termination payment from the Counterparty. Such termination payment generally would be based on the market value of the Interest Rate Swap Agreement on the date of termination and could be substantial. In addition, a partial termination of the Interest Rate Swap Agreement could occur to the extent any Series 2005 Bonds are redeemed pursuant to the City exercising its right to effect an optional redemption of the Series 2005 Bonds. If such optional redemption were to occur, termination payments related to the portion of the Interest Rate Swap Agreement to be terminated will be owed by either the City or the Counterparty, depending on the existing market conditions. The obligation of the City to pay a termination payment to the Counterparty could result in the City issuing Additional Revenue Bonds or Subordinate Obligations to enable the City to make such a termination payment.

SMBC, the City, the paying agent and tender agent, and AGM have entered into a Second Amended and Restated Bond Insurance Policy Cancellation Agreement (the "Cancellation Agreement"). Under certain conditions as described in the Cancellation Agreement, the providers of the letters of credit may direct the cancellation of the 2005 Bond Policy, which will effect a mandatory tender of the Series 2005 Bonds. No draws upon the 2005 Bond Policy may occur once the providers of the letters of credit have directed the cancellation of the 2005 Bond Policy. Should AGM have made payments, directly or indirectly, on account of principal of or interest on Series 2005 Bonds to any holder of the Series 2005 Bonds (the "Holder") prior to the date the 2005 Bond Policy is cancelled (the "Cancellation Date"), AGM will be (a) subrogated to the rights of the Holder to receive the amount of such payment from the City, and (b) deemed the Holder of such Series 2005 Bonds for all purposes under the Series 2005 Ordinance, including, without limitation, the direction of remedies, the voting or giving consent with respect to remedies and other actions or inactions that may require voting or consent, and the filing of proofs of claim and other indicia of ownership in any insolvency proceeding. AGM also will be entitled to receive the amount of principal and interest as provided in the Series 2005 Bond Ordinance and the Series 2005 Bonds, and the parties to the Cancellation Agreement will otherwise treat AGM as the owner of such rights to the amount of such payment.

In connection with the issuance of the Series 2005 Bonds a Debt Reserve Fund Surety Bond was issued relating to the Series 2005 Bonds (the "2005 Reserve Policy"), and AGM is obligated under the terms of the 2005 Reserve Policy to make payments in the event conditions specified in the ordinance relating to the Series 2005 Bonds occur which would result in a draw being necessary to pay debt service on the Series 2005 Bonds. See "SOURCES OF REPAYMENT FOR THE BONDS – Debt Service Reserve Fund" in this document. The Cancellation Agreement provides that upon the cancellation of the 2005 Bond Policy in accordance with the terms of the Cancellation Agreement (unless an Insurer Event of Default has occurred and is continuing), the 2005 Reserve Policy shall be cancelled by a date that is not more than three years after the Cancellation Date, and the City shall (i) beginning with the first full calendar month following the Cancellation Date, commence funding on a monthly basis an amount sufficient so that the Debt Service Reserve Fund Requirement established in support of the Series 2005 Bonds is established (without giving effect to the 2005 Reserve Policy) by the date that is three years after the Cancellation Date and (ii) restore any draw on the Debt Service Reserve Fund from over a period of no more than eighteen (18) months as required by the Ordinances. The City further agrees in the Cancellation Agreement not to issue any Additional Revenue Bonds payable from the 2005 Reserve Policy.

The City and AGM, in connection with the delivery of the letters of credit described above, have entered into a Second Amended and Restated Agreement Regarding Insured Swap Transaction (City of Austin) (the "Swap Management Agreement"), in which the City may be required to terminate the 2005 Swap Policy if the 2005 Bond Policy is cancelled under the terms of the Cancellation Agreement. In the Swap Management Agreement, upon the termination of the 2005 Bond Policy pursuant to the Cancellation Agreement, the City shall provide AGM with (i) on a monthly basis, a statement of the estimated aggregate mark-to-market value of the Interest Rate Swap Agreement and (ii) notice at such time, if any, as the aggregate mark-to-market value of the Interest Rate Swap Agreement is negative $100,000 or an amount more favorable to the City within two (2) Business Days of that being the case. Unless AGM directs or agrees otherwise, not later than the earlier of (a) ten (10) Business Days after the first date on which the estimated aggregate mark-to-market value of the Interest Rate Swap Agreement payable by the City is zero or on which such estimated aggregate mark-to-market value is positive to the City and (b) three (3) years of the date of the cancellation of the 2005 Bond Policy pursuant to the Cancellation Agreement, the City shall do one of the following: (1) designate an early termination date, or other optional termination, with respect to the Interest Rate Swap Agreement, or (2) deliver to AGM the original 2005 Swap Policy together with an instrument from the Counterparty satisfactory to AGM deeming the Interest Rate Swap Agreement to no longer be insured and releasing AGM from all further liability under the 2005 Swap Policy. **The Swap Management Agreement does provide, however, that the City and AGM agree that in the event the 2005 Bond Policy is cancelled as a result of the occurrence of an Insurer Event of Default (as defined in the Reimbursement Agreement), the City shall not be obligated to perform its obligations described in the immediately preceding sentence.**

Special Facilities Bonds

The City has reserved the right to issue from time to time, in one or more series, Special Facilities Bonds as provided in the Ordinances to finance and refinance the cost of any Special Facilities, including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto, provided that such Special Facilities Bonds shall be payable solely from payments by Special Facilities lessees and/or other security not provided by the City. In no event shall any Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. The City has issued and there is currently outstanding one series of Special Facilities Bonds, the City of Austin, Texas, Rental Car Special Facility Revenue Bonds, Taxable Series 2013.

Subordinate Debt to Support Austin Airport Hotel Refinancing

In 1998, the City of Austin (City) created Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), a public facility corporation, to issue revenue bonds to finance the construction and equipping of the hotel at the airport (Airport Hotel Bonds).

In 1999, ABLE issued: (1) senior "A" bonds in the amount of $38,785,000 at 6.75% interest rate secured by a senior lien pledge of hotel revenue, and (2) subordinated "B" bonds in the amount of $3,730,000 at 10.5% interest rate secured by a subordinate lien pledge of hotel revenue. The Airport Hotel Bonds are limited obligations and payable by ABLE solely from hotel revenue.

Since 2004, ABLE has not generated sufficient cash flow to pay debt service on the Airport Hotel Bonds due to the large debt issuance, high interest rates, and other economic factors. The failure to pay debt service when due on the Airport Hotel Bonds is an event of default under the indenture pursuant to which the Airport Hotel Bonds were issued.

Current Condition of the Airport Hotel

In 2014, significant damage to the roof of the airport hotel was caused by a hail storm and one of six energy recovery units located on the hotel roof failed. The energy recovery units extract hot air and humidity from the building and are a necessary feature of the hotel's heating and cooling system in maintaining air balance and moisture levels of the building.

The roof and energy recovery unit were replaced after some delays due to additional storm damage to the roof and funding concerns by bondholders. In 2015, mold was identified in the hotel atrium. Mold remediation is estimated to cost approximately $4 million which includes replacing the hotel's heating, ventilating, and air conditioning (HVAC) system, skylight and stucco repairs, and other related mechanical repairs.

Plan To Refinance Airport Hotel Debt and Provide Additoinal Funds For Repairs and Capital Improvements

As of December 1, 2016, ABLE's total outstanding debt is over $62.4 million in principal and interest. The City of Austin Department of Aviation (Airport) has assisted ABLE in its negotiations with the Bondholders to: (1) refinance the terms of the Airport Hotel Bonds and (2) finance the necessary repairs and capital improvements the hotel requires to continue operating in a first class manner with high Hilton standards.

The City, Airport, ABLE, and Bondholders have executed a letter of intent including the following financing structure:

1. ABLE will issues new bonds in the estimated amount of $46 million.
2. Airport will support Hotel Debt on a subordinate basis by replacing draws on the Hotel Bond debt service reserve fund.
3. New bonds will buy out bondholders with $30 million
4. ABLE and bondholders will split cost to replace HVAC and remediate mold in hotel.
5. Airport to advance up to $3M to start repairs immediately. Funds were provided August 2016. Project is currently underway with Project Manager evaluating engineering and design proposals.
6. Airport will be reimbursed from new bonds.
7. New bonds will provide $9M for hotel remodel and other capital improvements.

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DEBT SERVICE REQUIREMENTS (TO COME)

Bond Year Ending November 15th	Outstanding Revenue Bonds	The Bonds Principal	Interest	Total	Total Debt Service
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					

THE AIRPORT SYSTEM

Airport Facilities

The Airport System is comprised of airport, heliport and aviation facilities or any interest therein owned, operated or controlled in whole or in part by the City and includes ABIA, but expressly excludes any heliport or heliports operated by City departments other than the Aviation Department. ABIA is classified by the FAA as a medium hub airport. According to Airports Council International, ABIA is the 38th largest airport in the United States based on calendar year 2015 total passengers.

ABIA opened in 1999 at the site of the former Bergstrom Air Force Base, replacing Robert Mueller Municipal Airport. The 700-acre Mueller Airport site, approximately three miles from downtown Austin, is being redeveloped as a mixed-use urban community by the City of Austin under a public-private partnership agreement. The Mueller Airport property is not part of the Airport System.

ABIA occupies a 4,240-acre site approximately eight miles southeast of downtown Austin. Airport access is provided by Texas State Highway 71 (SH 71), a six-lane divided highway running east-west, and U.S. Highway 183 (US 183), a four-lane divided highway running north-south. SH 71 provides access to Interstate Highway 35 (I-35) approximately six miles to the west.

The Airport's parallel north-south runways, designated 17L-35R and 17R-35L, are 9,000 feet and 12,250 feet long, respectively, 150 feet wide, and capable of accommodating all aircraft now in commercial service. The runways are separated by 6,700 feet, allowing their use for the simultaneous arrival of aircraft in virtually all weather conditions.

The passenger terminal is 736,000 square feet and contains four levels:

> Level 1, the baggage claim level, provides 149,000 square feet of space for baggage claim devices, lobby, and support facilities. The baggage claim level accommodates a 33,000-square-foot CBP facility for the processing of international arriving passengers.
>
> Level 2, the apron level, provides 230,000 square feet of space for inbound and outbound baggage handling equipment and facilities, airline operations space, and other non-public areas. The apron level also provides a passenger holdroom for the ground-level loading of regional airline aircraft (Gate 1). The aircraft parking apron adjacent to the terminal provides approximately 56 acres for aircraft parking at the 25 terminal gates, as well as up to 24 "remain overnight" parking positions.
>
> Level 3, the concourse level, provides 294,000 square feet of space for airline check-in counters with lobby and queuing areas, airline offices, public circulation areas, passenger security screening facilities, concessions, passenger holdrooms, restrooms, and supporting facilities. The concourse provides 23 loading bridge-equipped aircraft parking positions (gates) capable of accommodating up to B-757-size aircraft in domestic service, one loading bridge-equipped gate (Gate 2) capable of accommodating widebody aircraft in international service (providing access to the CBP facility), and access to Gate 1 at the apron level.
>
> Level 4, the mezzanine level, provides 56,000 square feet of space for Aviation Department and other offices and airline club rooms. Above the mezzanine level is a 7,000-square-foot penthouse level with mechanical rooms.

Approximately 13,404 public and 1,516 employee parking spaces are provided on Airport property in a three-level parking garage adjacent to the terminal, the consolidated rental car garage, and in surface lots served by shuttle buses. The parking garage provides 3,654 spaces for short-term and valet public parking. . The first level of the garage is at the same level as the arrivals roadway and baggage claim level of the terminal. The third level of the garage is at the same level as the departures roadway and concourse level of the terminal.

The consolidated rental car garage opened in September 2015 and provides 3,200 rental car spaces and 900 public parking spaces on five levels. When the rental car garage opened, the 1,100 spaces on the third level of the existing garage were converted to use for public parking so that the rental garage project resulted in a net increase of 2,100 spaces for rental car parking and 2,000 spaces for public parking. The consolidated rental car garage was financed with the proceeds of bonds that are Special Facilities Bonds. See "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS –

Special Facilities Bonds" in this document.

Other facilities at the Airport include air cargo, general aviation, Texas State Department of Transportation flight services, Texas Air National Guard, aviation support, and non-aeronautical facilities. See "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT – Airline Traffic Analysis – Airport Facilities" in this document.

AIRPORT MANAGEMENT

The Department of Aviation is a department within the City. See "THE CITY" in this document. The operations of the Department of Aviation are managed by the Executive Director of Aviation who is appointed by the city manager. The Executive Director of Aviation sets rates and charges for the Airport. Biographical information concerning the Executive Director of Aviation and other key employees of the Department of Aviation is provided below.

Jim Smith, Executive Director of Aviation. Mr. Smith is responsible for the City's Department of Aviation. He served in executive capacities in Norfolk, Virginia and Dayton, Ohio before joining the City in 1984. Since coming to Austin he has served as Director of Planning and Development, Director of Public Works and Transportation, Assistant City Manager and now Executive Director of the Department of Aviation. He has a Bachelor of Science Degree from the City University of New York and a Master of Public Administration Degree from the University of Dayton.

Patti Edwards, IAP, Director, Chief Operating Officer. Ms. Edwards is responsible for the day to day operations of the airport. This includes overseeing several areas responsible for maintenance, operations, security, parking, and information technology. In addition to working with departmental staff, she is the airport liaison with the TSA, CBP, Austin Police Department, and Austin Fire Department. She has been employed by the City's Aviation Department for over 20 years and has been in her current position since November 2005. Ms. Edwards has over 32 years of experience in Facilities and Project management. She is an active member of BOMA, IFMA Airport Council, ACI and AAAE and has earned the Airport Council International certification as an "International Airport Professional".

Jamy Kazanoff, Assistant Director, Aviation Business Development & Customer Relations. Ms. Kazanoff is responsible for airport marketing, business development and community relations for ABIA. She oversees the areas of marketing, art and music, air service development, media relations and serves as the point of contact with many Austin-area business and community groups. She has been employed by the City's Aviation Department for 26 years. Ms. Kazanoff has over 30 years of marketing and business development experience, serving in account executive positions with advertising agencies in the private sector. She is actively involved in the Airports Council International (ACI) International Air Service Committee, serving as Chairwoman in 2016. She is also active in ACI's Marketing and Communications Program, Central Texas Regional Partnership, Austin Airport Task Force, and Austin Hospitality Council. She is a graduate of the University of Texas at Austin with a Bachelor of Journalism degree, Public Relations.

David Arthur, CPA, Assistant Director and Chief Financial Officer. Mr. Arthur is responsible for overall financial management of the Airport System, including financial accounting and reporting, day to day fiscal operations, budgeting, grants administration and airport rate setting. Before joining the City's Aviation Department in July 2009, he served the Houston Airport System in Financial and Management positions, most recently as Assistant Director, Finance and Budget. He is a graduate of Northwest Missouri State University and a Certified Public Accountant and has earned the Airport Council International certification as an "International Airport Professional".

Shane Harbinson, Assistant Director, Planning & Engineering. Mr. Harbinson is responsible for Airport Planning, Development and Environmental Services. Mr. Harbinson has served in airport positions at Minneapolis St. Paul International and Midland International in Midland, Texas before joining the City in 1999. Since coming to the City, he has served as Operations Coordinator, Noise Abatement Officer, Airport Planner, Manager of Airport Operations, Assistant Director of Operations and Security, and now Assistant Director of Planning & Engineering. He is a graduate of Saint Cloud State University, Saint Cloud, Minnesota, with a Bachelor of Science in Aviation. He is active in the American Association of Airport Executives and Airport's Council International.

Donnell January, Deputy Chief Operations Officer, Maintenance and Facilities. Mr. January is responsible for all Maintenance and Facility Services at ABIA. He oversees the areas of Airline Maintenance, Building Maintenance, Airside Maintenance, Landside Maintenance, Facility Services, Motor-pool and the Sign Shop. He joined the Department of Aviation in 2005, and has over 20 years of management experience. Since joining the Aviation Department, Mr. January has served as Division Manager implementing and maintaining the new in-line baggage handling system. Mr. January has a Bachelor of Science Degree from the College of Engineering Technology at Prairie View A&M University, Prairie View, Texas.

Ghizlane Badawi, Deputy Chief Operating Officer, Airport Operations. Mrs. Badawi is responsible for airport operations, security, asset management, safety, ground transportation, and guest services. She has been employed by the City's Aviation Department for over nine years, serving as Internal Auditor, Business Process Consultant Senior, Chief Administrative Officer, and now Deputy Chief Operating Officer. Mrs. Badawi's previous work experience includes banking, insurance, auditing, consulting, information technology, sales, and customer service. She is an active member of the American Association of Airport Executives (AAAE), Airports Council International (ACI), Association of Airport Internal Auditors (AAIA), and Risk and Insurance Management Society (RIMS). She has a Bachelor of Business Administration Degree from Al Akhawayn University, Morocco and a Master of Business Administration Degree from Quinnipiac University, Hamden, Connecticut. She has earned Aviation Safety and Security Certification from the Viterbi School of Engineering, University of Southern California, is a Certified Internal Controls Auditor, and has earned RIMS certification as a Certified Risk Management Professional.

Susana Carbajal, Assistant Director, Support Services. Ms. Carbajal manages the airport's business development, tenant management, advertising and marketing, business assurance, administration, legal services, and governmental affairs. Prior to working at Austin-Bergstrom International Airport, Susana served as Chief Counsel for the 2008 Democratic National Convention. She began her legal career as an attorney at the law firm of Brown McCarroll, LLP (now Husch Blackwell, LLP) in Austin, Texas where she focused on corporate reorganization, bankruptcy, and commercial litigation. She served at The White House for President Bill Clinton in the Office of Presidential Personnel. Susana graduated magna cum laude from American University in Washington, D.C. and The University of Texas School of Law.

AIRPORT SERVICE REGION

Primary Service Region

The Airport's primary service region is the 4,220-square-mile, 5-county Austin-Round Rock Metropolitan Statistical Area (the "MSA"). According to the U.S. Department of Commerce, Bureau of the Census, the population of the MSA in 2015 was 2,001,000. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC ANALYSIS – Airport Service Region" in this document.

Nearby Airports

The Airport's secondary service region is defined by the location of (and airline service provided at) the nearest commercial service airports. The nearest airports classified as large or medium hub airports by the FAA are those serving San Antonio (a medium hub approximately 80 road miles to the southwest), Houston (approximately 160 miles to the east served by Houston Bush Intercontinental, a large hub, and Houston Hobby, a medium hub) and Dallas-Fort Worth (approximately 220 road miles to the north served by DFW International, a large hub and Dallas Love Field, a medium hub). See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC ANALYSIS – Airport Service Region" in this document.

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AIRPORT ACTIVITY STATISTICS

Table 1
Historical Airline Traffic
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)

Fiscal Year	Enplaned Passengers (a)	Annual Increase (Decrease)	Passenger Aircraft Departures Annual	Passenger Aircraft Departures Average Daily	Enplaned Passengers per Departure
2000	3,655,588		46,260	126	79
2001	3,679,949	0.7%	45,326	124	81
2002	3,264,847	(11.3)	41,959	115	78
2003	3,282,670	0.5	43,747	120	75
2004	3,482,196	6.1	47,207	129	74
2005	3,715,811	6.7	48,668	133	76
2006	3,981,081	7.1	50,663	139	79
2007	4,262,698	7.1	53,828	147	79
2008	4,473,485	4.9	56,597	155	79
2009	4,107,593	(8.2)	47,848	131	86
2010	4,256,806	3.6	46,745	128	91
2011	4,524,641	6.3	48,398	133	93
2012	4,662,738	3.1	48,372	132	96
2013	4,928,979	5.7	50,554	139	97
2014	5,275,464	7.0	51,877	142	102
2015	5,792,387	9.8	55,557	152	104
2016	6,180,464	6.7	56,349	154	110

	Average Annual Percent Increase (Decrease)	
2000-2003	(3.5)%	(1.8)%
2003-2008	6.4%	5.3%
2008-2009	(8.2)%	(15.5)%
2009-2016	6.0%	2.4%

Note: Calculated percentages may not match those shown because of rounding.
(a) Excludes through passengers.
Source: City of Austin, Aviation Department records.

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As of the date of this Official Statement, ABIA is being served by the following airlines.

Table 2
List of Airlines

Passenger Airlines (a)	All-Cargo Airlines
AeroMexico	ABX Air
Air Canada	Air Cargo Carriers
Alaska Airlines	Ameriflight
Allegiant Air	Atlas Air
American Airlines	Baron Aviation Services
Ameristar Jet Charter	C & M Airways
Atlas Air	Cargolux Airlines International
Branson Air Express	Ameriates Sky Cargo
British Airways	Federal Express
Delta Airlines	Kalitta Air
Frontier	Martinaire
JetBlue	Nippon Cargo Airlines
Kalita Charters	Qatar Airways
Miami Air	Singapore Airlines Cargo
Omni Air	Sky Lease Cargo
Public Charters	Southern Air
Republic Airlines	United Parcel Services
Singapore Airlines	
Southwest Airlines	
Sun Country Airlines	
Titan Airways	
Transportes Aeromar	
United Airlines	
US Airways	
Virgin America	

(a) Includes regional affiliates.
(b) Includes US Airways
Source: City of Austin, Department of Aviation records.

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The following table presents the airlines' shares of enplaned passengers for Fiscal Years 2000-2016.

Table 3
Airline Market Shares
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)

Airline (a)	2000	2005	2010	2011	2012	2013	2014	2015	2016
Southwest	34.6%	33.1%	36.8%	36.8%	37.8%	39.0%	38.1%	36.6%	38.4%
American	33.2%	30.3%	25.5%	24.8%	24.0%	23.4%	22.4%	21.8%	20.8%
United	16.4%	14.1%	16.4%	16.3%	16.7%	16.0%	16.5%	16.8%	15.7%
Delta	14.9%	15.5%	10.4%	11.4%	11.8%	12.1%	12.2%	12.1%	12.0%
JetBlue	--	--	5.8%	5.9%	6.1%	6.3%	5.6%	4.8%	4.5%
Frontier	--	2.2%	2.5%	2.7%	2.3%	1.7%	1.8%	2.8%	2.5%
Alaska	--	--	2.4%	2.1%	1.2%	1.1%	1.1%	1.2%	1.7%
Virgin America	--	--	--	--	--	0.3%	0.9%	1.8%	1.6%
British Airways	--	--	--	--	--	--	0.7%	1.0%	1.0%
Allegiant	--	--	--	--	--	--	0.6%	1.0%	1.3%
Condor	--	--	--	--	--	--	0.1%	0.0%	0.1%
Air Canada	--	--	--	--	--	--	--	0.1%	0.3%
Other (b)	0.9%	4.7%	0.2%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%
Airport Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: Columns may not add to totals shown because of rounding. Shares include affiliates of airlines shown, if any. Percentages of "0.0" indicate a value of less than 0.05%.

(a) Includes regional affiliates.

(b) The high percentage for 2005 is mainly accounted for by Mesa Airlines and SkyWest Airlines, which operated as affiliates of various Signatory Airlines.

(c) Source: City of Austin, Department of Aviation records.

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The following table presents historical aircraft operations (landings and takeoffs) for Fiscal Years 2000 – 2016.

Table 4
Historical Aircraft Operations
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)

Fiscal Year	Air Carrier	Air Taxi/ Commuter	General Aviation	Military	Total	Annual Increase/ (Decrease)
2000	99,631	16,416	82,757	5,059	203,863	
2001	102,661	15,766	98,428	7,720	224,575	10.2%
2002	93,206	17,628	97,451	8,333	216,618	(3.5)%
2003	92,602	21,993	89,087	13,797	217,479	0.4%
2004	92,298	26,048	86,238	15,708	220,292	1.3%
2005	101,296	27,242	79,738	10,386	218,662	(0.7)%
2006	94,611	24,973	80,523	7,312	207,419	(5.1)%
2007	100,672	28,177	73,450	5,679	207,978	0.3%
2008	106,362	30,820	75,470	5,103	217,755	4.7%
2009	94,484	17,157	59,601	5,882	177,124	(18.7)%
2010	92,372	17,433	57,463	6,899	174,167	(1.7)%
2011	95,095	18,466	59,696	6,879	180,136	3.4%
2012	96,823	15,962	50,867	5,828	169,480	(5.9)%
2013	101,006	16,979	52,582	6,698	177,265	4.6%
2014	103,710	17,289	51,231	6,994	179,224	1.1%
2015	112,079	15,830	54,401	7,771	190,081	6.1%
2016	114,150	16,194	51,231	10,435	192,010	1.0%
	Average Annual Percent Increase (Decrease)					
2000-2003	(2.4)%	10.2%	2.5%	39.7%	2.2%	
2003-2008	2.8%	7.0%	(3.3)%	(18.0)%	0.0%	
2008-2009	(11.2)%	(44.3)%	(21.0)%	15.3%	(18.7)%	
2009-2016	2.7%	(0.8)%	(2.1)%	8.5%	1.2%	

Note: Calculated percentages may not match those shown because of rounding.
Source: City of Austin, Department of Aviation records.

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The following table presents historical aircraft landed weight for Fiscal Years 2000 – 2016.

Table 5
Historical Aircraft Landed Weight
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)
(in 1,000-pound units)

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	Annual Increase/ (Decrease)
2000	5,266,397	985,074	6,251,471	
2001	5,526,750	997,993	6,524,743	4.4%
2002	4,982,674	875,652	5,858,326	(10.2)
2003	4,844,743	768,318	5,613,062	(4.2)
2004	4,824,584	723,773	5,548,357	(1.2)
2005	5,061,919	743,608	5,805,526	4.6
2006	5,163,142	592,220	5,755,362	(0.9)
2007	5,578,438	543,275	6,121,713	6.4
2008	5,758,583	601,430	6,360,014	3.9
2009	5,249,325	439,566	5,688,891	(10.6)
2010	5,143,676	397,117	5,540,793	(2.6)
2011	5,353,345	405,953	5,759,298	3.9
2012	5,394,633	420,904	5,815,537	1.0
2013	5,688,131	434,382	6,122,513	5.3
2014	5,944,339	433,628	6,377,968	4.2
2015	6,598,612	492,026	7,090,637	11.2
2016	6,939,722	481,109	7,420,831	4.7

	Average Annual Percent Increase (Decrease)		
2000-2003	(2.7)%	(7.9)%	(3.5)%
2003-2008	3.5%	(4.8)%	2.5%
2008-2009	(8.8)%	(26.9)%	(10.6)%
2009-2016	4.1%	1.3%	3.9%

Note: Calculated percentages may not match those shown because of rounding.
Source: City of Austin, Department of Aviation records.

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HISTORICAL FINANCIAL DATA

The City, as operator of the Airport System, currently accounts for its activities according to generally accepted accounting principles through an enterprise fund. The following table represents the historical operating results of the Airport enterprise fund for Fiscal Years 2011 through 2015 based on the audited financial statements of the City, as reported on by the City's certified public accountants. The City's audited financial statements for the Fiscal Year ended September 30, 2015 are included as APPENDIX B in this document.

TABLE 6
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings/Net Position
City of Austin, Texas
Airport Fund
(Fiscal Year Ended September 30)
(in thousands)

	2011	2012	2013	2014	2015
Revenue					
User fees and rental	$ 89,548	$ 95,904	$ 103,515	$ 108,960	$ 119,969
Operating revenues	89,548	95,904	103,515	108,960	119,969
Expenses					
Operating expenses before depreciation	63,835	69,201	70,148	76,042	80,182
Depreciation	19,581	20,398	21,121	21,151	20,690
Total operating expenses	83,416	89,599	91,269	97,193	100,872
Operating income before nonoperating revenues (expenses) and operating transfers	6,132	6,305	12,246	11,767	19,097
Nonoperating revenues (expenses)					
Interest and other revenues	711	395	190	221	1,225
Interest on revenue bonds and other debt	(14,087)	(12,933)	(12,801)	(11,794)	(18,924)
Interest capitalized during construction	372	512	843	1,409	1,284
Passenger facility charges	17,430	18,414	19,506	19,806	22,384
Cost (recovered) to be recovered in future years	(229)	(220)	(207)	-	-
Other nonoperating expenses	(5,923)	537	(3,704)	(312)	(686)
Total nonoperating revenues (expenses)	(1,726)	6,705	3,827	9,330	5,283
Income (loss) before contributions and transfers	4,406	13,010	16,073	21,097	24,380
Capital contributions	5,479	9,030	4,598	4,808	8,405
Transfers In	-	-	-	3	-
Transfers Out	-	(6,395)	(72)	(793)	(52)
Change in net position	9,885	15,645	20,599	25,115	32,733
Total net position - beginning	468,819	478,704	494,349	514,948 *	517,020
Total net position - ending	478,704	494,349	514,948	540,063	549,753

The information in the following table was derived from financial information maintained by the City's Department of Aviation, which was prepared according to generally accepted accounting principles. The following table presents the Airport revenue detail for Fiscal Years 2011 through 2015. The City's audited financial statements for the Fiscal Year ended September 30, 2015 are included as APPENDIX B in this document.

TABLE 7
Airport Revenue Detail by Fiscal Year
(Fiscal Year Ended September 30)
(in thousands)

	2010	2011	2012	2013	2014	2015
Airline Revenue						
Landing Fees	$18,762	$19,403	$19,738	$21,431	$20,852	$22,720
Terminal Rental & Other Fees	19,564	22,385	24,029	23,154	23,424	26,906
Total Airline Revenue	$38,326	$41,788	$43,767	$44,585	$44,276	$49,626
Non-Airline Revenue						
Parking	$25,201	$28,416	$31,568	$32,155	$33,723	$36,586
Other Concessions	18,191	17,934	18,751	19,803	22,082	24,736
Other Rentals and Fees	1,559	1,410	1,818	6,972	8,879	9,020
Total Non-Airline Revenue	$44,951	$47,760	$52,137	$58,930	$64,684	$70,343
Total Revenue	$83,277	$89,548	$95,904	$103,515	$108,960	$119,969

Source: City of Austin, Department of Aviation

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The information set forth in the following table was derived from financial information maintained by the City. The following table presents the historical debt service coverage information for the Outstanding Revenue Bonds for Fiscal Years 2011 through 2015. The amounts shown in the following table were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, "Gross Revenues", "Operation and Maintenance Expenses", "Administrative Expenses" and certain other amounts specified therein are not measured according to generally accepted accounting principles for purposes of the rate covenant and other provisions of the Ordinances and the Revenue Bond Ordinances. See the definitions of such terms in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

TABLE 8
Historical Debt Service Coverage
(Fiscal Year Ended September 30)
(in thousands)

	2011	2012	2013	2014	2015
Gross Revenues	$ 90,259	$ 96,344	$ 103,705	$ 109,263	$ 120,780
Other Available Funds (1)	3,739	3,594	3,805	3,620	3,551
Funds Available to Pay Debt Service	$ 93,997	$ 99,938	$ 107,511	$ 112,883	$ 124,331
Operating Expenses (2)	(64,371)	(65,689)	(69,338)	(73,822)	(76,995)
Net Available Revenue	$ 29,626	$ 34,249	$ 38,172	$ 39,061	$ 47,336
Debt Service (3)	$ 14,955	$ 14,375	$ 15,221	$ 14,480	$ 14,205
Coverage	1.98	2.38	2.51	2.70	3.33

(1) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of "Other Available Funds" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.
(2) Amounts shown include "Operation and Maintenance Expenses" and "Administrative Expenses" (as such terms are defined in the Ordinances and the Revenue Bond Ordinances), and exclude depreciation and other unfunded post-employment benefits and pension obligation accruals. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City's rate covenant, and Administrative Expenses are not included in the coverage calculations for the purpose of issuing Additional Revenue Bonds. See "SOURCES OF REPAYMENT FOR THE BONDS – Flow of Funds", "– Rate Covenant" and "– Additional Revenue Bonds" in this document.
(3) Amounts are net of PFCs used to pay debt service. See "SOURCES OF REPAYMENT FOR THE BONDS – Use of Passenger Facility Charges" in this document.

Historical Debt Service Coverage Information Contained in Audited Financial Statements

As described above, the amounts shown in Table 8 were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. The City's audited financial statements for the Fiscal Year ended September 30, 2015 are included as Appendix B in this document, also contain historical debt service coverage information for the Outstanding Revenue Bonds. The debt service coverage reported in Note 6.c. on page 75 and in Table 17 of the statistical section of the audited financial statements (which can be accessed at https://assets.austintexas.gov/financeonline/downloads/cafr/cafr2015.pdf) include Other Available Funds as being 25% of the gross debt service on the Revenue Bonds, before deducting the amount of PFCs used to pay debt service. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of "Other Available Funds" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" and "SOURCES OF REPAYMENT FOR THE BONDS – Use of Passenger Facility Charges" in this document. In addition, the amounts shown as Other Available Funds and debt service due for Fiscal Year 2012 in Table 17 of the statistical section of the audited financial statements include a transfer from the Capital Fund to the Debt Service Fund to retire in full variable rate notes in the amount of $28 million. Such amounts are excluded from the Fiscal Year 2012 information contained in Table 8, as payments of debt service from the Capital Fund do not affect the calculation of debt service coverage for purposes of the Ordinances and the Revenue Bond Ordinances.

Historical Debt Service Coverage Information Contained in Report of Airport Consultant

The Airport's strong growth in passenger activity and revenue continued in 2015 and throughout 2016. In 2015, the Airport experienced consistent passenger growth for the sixth consecutive year, was the third fastest growing medium hub airport in the United States and served a record eleven (11) million passengers for calendar year 2015 for the first time in the Airport's history.

For the Fiscal Year ended September 30, 2015, the Airport increased enplanements 9.8% over the Fiscal Year ended September 30, 2014. For the Fiscal Year ended September 30, 2016, the Airport set a new record for annual traffic for the sixth consecutive year. The total passengers served during Fiscal Year 2016 were 12,341,704 and the enplaned passenger traffic increased 6.7% over the prior year.

Airport revenue for the Fiscal Year ended September 30, 2015 was $120.0 million, an increase of 10.1% over Fiscal Year 2014.

Airport operating expenses for the Fiscal Year ended September 30, 2015 were $80.2 million, an increase of 5.4% over Fiscal Year 2014. Moderate increases in Airport operating expenses in light of record growth and revenue improvement reflect the Airport's culture of cost control and providing value to airlines and airport customers.

Thanks to the robust Austin economy, the Airport continues to attract additional new air service at a time when many other U.S. airports are losing air service routes. New airlines and routes include:

- Condor commenced operations at the Airport in June 2016 with twice-weekly seasonal service to Frankfurt, Germany;
- Effective August 2016, Volaris started non-stop services three days per week to Guadalajara;
- In November 2016, Aeromexico launched non-stop service to Mexico City four times per week; and
- Allegiant started twice-weekly service to Albuquerque in June 2016 and twice-weekly service to Pittsburgh in December 2016.

See "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX B – AUDITED FINANCIAL STATEMENTS" in this document.

AIRLINE INFORMATION

Revenues of the Airport System may be affected by the ability of the airlines operating at ABIA, individually and collectively, to meet their respective obligations. Each of said airlines (or their respective parent corporations) is subject to the information reporting requirements of the United States Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (the "SEC"). Certain information, including financial information, as of particular dates concerning each of the airlines operating at ABIA (or their respective parent corporations) is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20659, and at the SEC's regional offices at 219 South Dearborn Street, Chicago, Illinois 60604; 26 Federal Plaza, New York, New York 10278; and 5757 Wilshire Boulevard, Suite 500 East, Los Angeles, California 90036-3648 and copies of such reports and statements can be obtained from the Public Reference Section of the SEC at the above address at prescribed rates. In addition, each airline operating at ABIA is required to file periodic reports of financial and operating statistics with the United

States Department of Transportation (the "U.S. DOT"). Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the U.S. DOT at prescribed rates.

AIRLINE AGREEMENTS

Most of the airlines serving the Airport operate under the provisions of an Airline Use and Lease Agreement (the "Airline Agreement") that became effective in October 2009 with an initial five-year term that, under its terms, continues month to month after expiration of the initial five-year term. Airlines that are signatory to the Airline Agreement are:

American Airlines (including US Airways)
Delta Airlines
Frontier Airlines
JetBlue Airlines
Southwest Airlines
United Airlines

These six airlines, (collectively, the "Signatory Airlines"), accounted for approximately 94% of passengers enplaned at the Airport in 2016. An amendment to the Airline Agreement has been executed by Southwest Airlines, American Airlines, United Airlines and Delta Airlines to (a) extend the term of the Agreement for an additional one year after the Date of Beneficial Occupancy of the Airport Terminal Gate and Apron Expansion Project (b) clarify the landing fee billing process to compliment the Airport's third-party landing fee management program and (c) update the minimum gate usage requirement for Preferential Use of a Gate. The amendment increases minimum gate usage for an airline to obtain or maintain Preferential Use of a Gate from an average of 6 departures to 7 departures or 800 seats per gate per day. Jet Blue is expected to execute the amendment to the Airline Agreement by December 15, 2016.

The City is currently utilizing a shared use system of operations for a portion of the existing terminal space. As the 2014 Projects are implemented, the City will continue to consider the optimal approach for the payment of terminal fees and charges as well as equipment rental. The Signatory Airlines have not objected to continuing operating under the terms of the current Airline Agreements on a month-to-month basis. As the City continues to consider the optimal approach to operating facility space and the payment of terminal fees and charges and equipment rentals, the Airlines are engaged in the process and are supportive of the 2014 Projects and the funding plan included in the five-year Capital Improvement Plan. See "CAPITAL IMPROVEMENT PROGRAM" in this document.

Rate-Making Approach at ABIA

The airlines agree to pay Signatory Airline rates and charges at the Airport calculated according to the rate-making procedures contained in each Airline Agreement and Operating Agreement, adjusted to include an allocated portion of debt service and coverage on all Airport System debt in the aeronautical rate base. The City believes that the rate-making methodology, costs included in the aeronautical rate base, and cost center allocation methodology assumed in the financial forecasts contained in the Report of the Airport Consultant are fair and reasonable and substantially in conformance with the FAA Policy Regarding Airport Rates and Charges issued on June 21, 1996, and as subsequently amended. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" in this document.

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CAPITAL IMPROVEMENT PROGRAM

The City continually develops and monitors a list of capital projects and assesses the timing of implementing these projects based on funding availability and needs. These projects comprise the Airport's Capital Improvement Program ("CIP") for the period ending 2020. The current CIP is $801,036,000 and includes the 2017 Projects. Also included are projects that are anticipated to be funded, all or in part, by an Airport System bond issue projected to be issued in 2018. Certain of the federal grants and PFCs described in the table below either have not been applied for or the application for such sources is pending. See "CERTAIN INVESTMENT CONSIDERATIONS – Availability of Funding for the Capital Improvement Program" in this document. Provided below is a table of the estimated funding plan for the CIP:

	Project costs	Federal grants	PFC revenues pay-as-you-go	Capital Fund	Revenue Bonds Prior Bonds	Revenue Bonds 2017 Bonds	Revenue Bonds 2018 Bonds
Terminal and Apron Expansion and Improvement							
East concourse expansion	$ 163,650,000	$ -	$ 56,000,000	$ -	$ 88,558,000	$ 19,092,000	$ -
Aircraft parking apron expansion	113,255,000	39,660,000	-	-	13,494,000	60,101,000	-
Other terminal improvements	73,119,000	-	-	-	34,357,000	38,763,000	-
Subtotal	$ 350,024,000	$ 39,660,000	$ 56,000,000	$ -	$ 136,409,000	$ 117,956,000	$ -
Parking Garage	$ 203,750,000	$ -	$ -	$ -	$ 23,000,000	$ 180,750,000	$ -
Centralized Bag Handling System	100,000,000	10,000,000	-	-	-	-	90,000,000
Maintenance Facility	30,656,000	-	-	-	3,656,000	-	27,000,000
IT Facility	15,000,000	-	-	-	-	-	15,000,000
Administration Building	20,000,000	-	-	-	-	-	20,000,000
Other airfield projects	19,535,000	14,465,000	-	4,170,000	900,000	-	-
Other terminal projects	6,000,000	-	-	4,000,000	2,000,000	-	-
Other landside projects	15,750,000	-	-	4,550,000	11,200,000	-	-
Information technology projects	43,291,000	-	-	43,291,000	-	-	-
Capital equipment and vehicles	11,495,000	-	-	11,495,000	-	-	-
Total	$ 815,501,000	$ 64,125,000	$ 56,000,000	$ 67,506,000	$ 177,165,000	$ 298,706,000	$ 152,000,000

Source: City of Austin, Aviation Department, November 4, 2016.

Note: It is expected that PFC revenues will be available to pay eligible portions of debt service on the 2017A-B and 2018 Bonds

Passenger Facility Charges

Under the Aviation Safety and Capacity Act of 1990 (the "PFC Act"), as modified by the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century ("AIR-21"), the FAA may authorize a public agency to impose a PFC of $1.00, $2.00, $3.00, $4.00 or $4.50 on each passenger enplaned at any commercial service airport controlled by the public agency, subject to certain limitations.

The City has approval from the FAA to impose a PFC per eligible enplaned passenger at the Airport. The PFC was imposed at $3.00 in August 1995 and increased to $4.50 in April 2004. The cumulative amount of PFC approvals received by the City is $353,389,005. Through September 30, 2014, cumulative PFC revenues, including investment earnings, totaled $266,935,961. Under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of April 2020. The City has applied PFCs toward project costs on a pay-as-you-go basis and has set aside and applied PFCs toward the following year's Airport System Revenue Bond debt service up to the maximum eligible amount. The City intends to continue such application of PFC revenues in accordance with the covenant of the City contained in the Ordinances. See "SOURCES OF REPAYMENT FOR THE BONDS – Use of Passenger Facility Charges" in this document. Provided below is a table showing the City's PFC revenues, including investment earnings, and the amount set aside for debt service on Revenue Bonds in Fiscal Years 2009-2016 for the payment of debt service due on Revenue Bonds during the next succeeding Fiscal Year.

TABLE 9
PFC Detail by Fiscal Year

Fiscal Year	PFC Revenues	Amount Set Aside and Applied Toward Debt Service
2009	$16,249,735	$11,525,909
2010	17,222,017	12,045,971
2011	17,581,883	12,045,493
2012	18,494,930	11,032,005
2013	19,581,247	11,135,562
2014	19,855,510	11,260,015
2015	22,487,714	17,460,639

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of “Gross Revenues”. Consistent with the definition of “Debt Service Requirements” in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See “- Rate Covenant”, “- Additional Revenue Bonds” and the definition of “Debt Service Requirements” in “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Selected Definitions” in this document.

The City has formally requested approval from the FAA to use PFCs to fund a portion of the 2017 Projects and to pay a portion of the debt service on the Bonds. Upon approval, the City intends to set aside PFCs to pay PFC-eligible debt service on the Bonds in accordance with the covenant described above. See “CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval” in this document.

REPORT OF THE AIRPORT CONSULTANT

APPENDIX A attached to this document contains the Report prepared by the Airport Consultant. The Report provides information regarding the Airport System, the 2017 Projects, historical and forecast air traffic activity, historical financial information, and forecasts of financial results for the Airport System. The Report should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts. As noted in the Report, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. See “CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements”, and “-Assumptions in the Airport Consultant’s Report” in this document.

The following table provides the debt service coverage estimates and projections from the Report. See “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Financial Analysis – Exhibit G” in this document. Such table is qualified in its entirety by reference to the complete copy of the Report attached as APPENDIX A to this document. The information set forth in the following table was determined in the same manner as the historical debt service coverage information set forth in Table 8 (prepared by the City) above, except as described in “HISTORICAL FINANCIAL DATA – Historical Debt Service Coverage Information Contained in Report of the Airport Consultant” in this document.

		(thousands)						
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Gross Revenues		$142,678,000	$148,731,000	$158,847,000	$168,587,000	$180,008,000	$187,856,000	$195,367,000
Less: Operation and Maintenance Expenses		(95,815,000)	(99,460,000)	(104,681,000)	(116,269,000)	(121,067,000)	(126,037,000)	(131,180,000)
Net Revenues		$46,863,000	$49,271,000	$54,166,000	$52,318,000	$58,941,000	$61,819,000	$64,187,000
Other Available Funds		6,182,000	6,647,000	8,856,000	10,768,000	11,716,000	11,641,000	11,645,000
Net Revenues plus Other Available Funds		$53,045,000	$55,918,000	$63,022,000	$63,086,000	$70,657,000	$73,460,000	$75,832,000
Less: Administrative Expenses (net of payments from PFC revenues)		(746,000)	(737,000)	(659,000)	(567,000)	(476,000)	(390,000)	--
Subtotal	[A]	$52,299,000	$55,181,000	$62,363,000	$62,519,000	$70,181,000	$73,070,000	$75,832,000
Revenue Bond debt service		$36,649,000	$37,244,000	$48,034,000	$63,996,000	$68,789,000	$69,099,000	$69,130,000
Less: Paid from PFC revenues		(11,920,000)	(10,656,000)	(12,612,000)	(20,926,000)	(21,926,000)	(22,536,000)	(22,552,000)
Revenue Bond Debt Service Requirements	[B]	$24,729,000	$26,588,000	$35,422,000	$43,070,000	$46,863,000	$46,563,000	$46,578,000
Debt service coverage	[A/B]	2.11	2.08	1.76	1.45	1.50	1.57	1.63
Debt service coverage requirement		1.25	1.25	1.25	1.25	1.25	1.25	1.25

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(1) Amounts shown for Fiscal Year 2016 are estimates. Amounts shown for Fiscal Years 2017 and thereafter are projections.

(2) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of “Other Available Funds” in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES” in this document.

(3) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, moneys on deposit in the Revenue Fund

are used to pay Debt Service on Revenue Bonds (including the Bonds), and any related Credit Agreement Obligations, prior to being used to pay Administrative Expenses. Further, pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City's rate covenant, and Administrative Expenses are not included in the coverage calculations for the purpose of issuing Additional Revenue Bonds. See "SOURCES OF REPAYMENT FOR THE BONDS – Flow of Funds", "– Rate Covenant" and "– Additional Revenue Bonds" in this document. In addition, amounts shown are net of PFCs used to pay Administrative Expenses. See "HISTORICAL FINANCIAL DATA – Historical Debt Service Coverage Information Contained in Report of the Airport Consultant" in this document.

(4) Amounts are net of PFCs used to pay debt service. See "SOURCES OF REPAYMENT FOR THE BONDS – Use of Passenger Facility Charges" in this document.

CERTAIN INVESTMENT CONSIDERATIONS

General

Since the events of September 11, 2001, the Airport, as well as the rest of the aviation industry, has faced numerous challenges. Following the terrorist events, the aviation industry continued to face obstacles as airline traffic and revenue remained soft, the economy weakened, air traffic demand continued to decrease, and airlines' expenses continued to increase. The aviation industry continues to face obstacles including hostilities in the Middle East, elevated oil prices, increased fare discounting, escalating security costs, the outbreak of SARS, and, most recently, the Zika virus. All of this has had an impact on the operational levels at airports across the country, including the Airport. The City and the Department of Aviation have been seeking to respond to these series of challenges.

The principal of and interest on the Bonds are payable pursuant to the Ordinances solely from the Net Revenues of the Airport System and moneys on deposit in the Debt Service Fund and the Debt Service Reserve Fund. The ability to pay debt service on the Bonds will depend on the receipt of sufficient Gross Revenues, including the receipt of PFC revenues, a portion of which the City has covenanted in the Ordinances to set aside for payment of the Revenue Bonds, including the Bonds.

The Airport System's ability to generate Gross Revenues, including any PFC revenues, depends upon sufficient levels of aviation activity and passenger traffic at the Airport. The achievement of increased passenger traffic will depend partly on the profitability of the airline industry and the ability of individual airlines to provide sufficient capacity to meet demand. A weak economy, international hostilities and the threat of terrorist activity reduces demand for air travel. To the extent the Airport System is unable to make up for revenue shortfalls, the City's ability to pay debt service on the Bonds may be adversely affected.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain risks associated with the Bonds. There follows a summary of some, but not necessarily all, of the possible investment considerations and risks which should be carefully evaluated by prospective purchasers of the Bonds prior to the purchase thereof. Moreover, the order in which investment considerations are presented in this caption is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. The Bonds may not be suitable investments for all persons. Prospective purchasers should be able to evaluate the risks and merits of an investment in the Bonds and should confer with their own legal and financial advisors before considering a purchase of the Bonds.

Limited Obligations

The Bonds, together with the Currently Outstanding Revenue Bonds and any Additional Revenue Bonds, when and if issued, are limited special obligations of the City payable from, and equally and ratably secured by, a first lien on the Net Revenues of the Airport System and the Debt Service Fund and Debt Service Reserve Fund established in the Ordinances. No mortgage of any of the physical properties forming a part of the Airport System or any lien thereon or security interest therein has been given. **The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State of Texas is pledged as security for the Bonds.** See "SOURCES OF REPAYMENT FOR THE BONDS" in this document.

No Acceleration

The Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation, on the occurrence or continuance of an event of default in the payment of debt service on any of the Revenue Bonds (including the Bonds) or a default in the performance of any duty or covenant provided by law or in the Ordinances. Upon the occurrence of such an event of default, Holders of the Bonds would only be entitled to principal and interest payments on the Bonds as they come due. Under certain circumstances, Holders of the Bonds may not be able to pursue certain remedies or enforce covenants contained in the Ordinances. Moreover, since Net Revenues are that portion of Gross Revenues that remain after the deduction of the Operation and Maintenance Expenses of the Airport System, and the City is not subject to involuntary bankruptcy proceedings, the City may be able to continue indefinitely collecting Gross Revenues and applying them to the operation of the Airport System even if an event of default has occurred and no payments are being made on the Bonds. See "DESCRIPTION OF THE BONDS – Remedies" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

Factors Affecting the Airline Industry

General

Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Net Revenues available for payment of the Revenue Bonds (including the Bonds), include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of ABIA; competition from neighboring airports; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession that occurred between 2008 and 2009. Other business decisions by airlines, such as the reduction or elimination of service to unprofitable markets could affect airline operations in the future.

In addition to revenues received from the airlines, the City derives a substantial portion of its revenues from parking operations, food and beverage concessions, retail concessions, car rental companies, and others. See Tables 6 and 7 in "HISTORICAL FINANCIAL DATA" in this document. Declines in passenger traffic at ABIA may adversely affect the commercial operations of many of such concessionaires. While the City's agreements with retail, food and beverage concessionaires as well as car rental companies require them to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by a concessionaire or rental car company to make the required payments or could lead to the cessation of operations of such concessionaire or rental car company.

Many of these factors are outside the City's control. Changes in demand, decreases in aviation activity and their potential effect on enplaned passenger traffic at Airport may result in reduced Gross Revenues and PFCs. Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, costs of aviation fuel, airline concentration, international conflicts and threats of terrorism and structural changes in the travel market. See also "- Aviation Security and Health Safety Concerns" below for additional discussion on the costs of security.

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. Between 2008 and 2009, the U.S. economy experienced a recession, which was followed by weak economic growth. While the economy has recovered since 2009, any substantial deterioration in the level of regional or national economic activity in the future could have an adverse impact on the air transpotation industry.

Cost of Aviation Fuel

Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America (an airline trade association, formerly known as Air Transport Association of America), fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather.

Between early 2011 and mid-2014, fuel prices were relatively stable, partly as a result of increased oil supply from U.S. domestic production. As of mid-2014, average fuel prices were approximately three times those prevailing at the end of 2003. Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel. Decreased demand from China and other developing countries, combined with a continued surplus in the worldwide supply (and the potential for further surpluses from Iran as trade sanctions are lifted) resulted in further reductions in fuel prices in 2015. As shown on Figure 8, the average price of aviation fuel mid-2016 was approximately 50% of the price at mid-2014. The reduction in fuel prices is having a positive effect on airline profitability as well as far-reaching implications for the global economy. While fuel prices have declined significantly in the past few years, significant and prolonged increases in the cost of aviation fuel in the future could have an adverse impact on airline profitability.

Airline Concentration; Effect of Airline Industry Consolidation

The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airlines mergers occurring over the last several years include: (a) in 2008, Delta acquired Northwest and its affiliated air carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass; (b) on October 1, 2010, United Airlines and Continental Airlines merged and United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012; (c) on May 2, 2011, Southwest acquired Air Tran, and Southwest and Air Tran began operating as a single airline (under the Southwest brand) in March 2012; and (d) effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways continue to operate as separate airlines until their operations have been fully integrated. As of the date of this Official Statement, none of these mergers have had any material impact on airline service or enplanements at ABIA. In April 2016, Alaska Air Group, parent of Alaska Airlines, announced that it will acquire Virgin American Airlines. The proposed acquisition is subject to regulatory approval. Alaska Airliens and Virgin America both serve the Airport, accounting for 1.2% and 1.8% of total enplaned passengers, respectively, in FY 2015. While prior mergers have not had any material impact on airline service and enplanements at the Airport or on Gross Revenues, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Gross Revenues, reduced PFC collections and/or increased costs for the other airlines serving ABIA.

International Conflict and the Threat of Terrorism

The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The City cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the City or the airlines operating at the Airport from such incidents or disruptions.

Structural Changes in the Travel Market

Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Consumers have come to expect extraordinarily low fares. In addition, the availability of fully transparent price information on the internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video- conferencing.

Effect of Airline Bankruptcies

General

Since December 2000, numerous airlines have filed for bankruptcy protection including, among others, Northwest, Delta, including its subsidiary Comair, Mesaba, Sun Country (which filed for protection twice), US Airways (which filed for protection twice), UAL Corporation, the parent of United, AMR Corporation, the parent of American Airlines and American Eagle, Air Canada and Frontier. Each of these airlines has emerged from bankruptcy. Only Delta, United, American, Frontier, Northwest, and Sun Country operated at ABIA at the time of their respective filings for bankruptcy protection, and each such airline except for Northwest continues to operate at the Airport.

Assumption or Rejection of Agreements

An airline that has executed an Airline Agreement or other executory contract with the City and seeks protection under the U.S. bankruptcy laws must assume or reject (a) its Airline Agreement within 120 days after the bankruptcy filing (subject to court approval, a one-time 90-day extension is allowed (further extensions are subject to the consent of the City)), and (b) its other executory contracts with the City prior to the confirmation of a plan of reorganization.

In the event of assumption and/or assignment of any agreement to a third party, the airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable Airline Agreement or other agreements.

Rejection of an Airline Agreement or other agreement or executory contract will give rise to an unsecured claim of the City for damages, the amount of which in the case of an Airline Agreement or other agreement is limited by the United States Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of an Airline Agreement or other agreement could be considerably less than the maximum amounts allowed under the United States Bankruptcy Code. Certain amounts unpaid as a result of a rejection of an Airline Agreement or other agreement in connection with an airline in bankruptcy, such as airfield, terminal, concourse and ramp costs would be passed on to the remaining airlines under their respective Airline Agreements, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs. In addition, pre-petition payments made by an airline in bankruptcy within 90 days of filing a bankruptcy case could be deemed to be an "avoidable preference" under the United States Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy. In general, risks associated with bankruptcy include risks of substantial delay in payment or of reduced or non-payment and the risk that the City may be delayed or prohibited from enforcing any of its remedies under the agreements with a bankrupt airline. Northwest, Delta, Sun Country, United, American, and Frontier were each operating at Airport under an agreement at the time of their respective filings for bankruptcy protection.

Northwest, Delta, United, American, and Frontier each assumed their respective Airline Agreements when they emerged from bankruptcy protection. During its first bankruptcy proceedings, Sun Country rejected its Operating Agreement; however, the investor group that purchased the assets of the defunct Sun Country signed a new operating agreement. During its second bankruptcy proceedings, Sun Country assumed its operating agreement. See "AIRLINE AGREEMENTS" in this document.

With respect to an airline in bankruptcy proceedings in a foreign country, the City is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

Pre-Petition Obligations

During the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the City on account of goods and services provided prior to the bankruptcy. Thus, the City's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees. All of the pre-petition obligations of Northwest, Delta, Sun Country, United, American, and Frontier were paid in full.

PFCs

Pursuant to the PFC Act, the FAA has approved the City's applications to require the airlines to collect and remit to the City a $4.50 PFC on each enplaning revenue passenger at ABIA. See "CAPITAL IMPROVEMENT PROGRAM - Passenger Facility Charges" in this document.

The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the City) imposing the PFCs, except for any handling fee (which currently is $0.11 per PFC) or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the City cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at ABIA.

The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues.

It is possible that the City could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the City cannot predict whether an airline operating at ABIA that files for bankruptcy protection would have properly accounted for the PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for the PFCs owed by such airline. All of the airlines that were operating at the Airport at the time of their respective filings for bankruptcy protection and during the time they operated at ABIA while under bankruptcy protection submitted to the City all of the PFCs collected by them. PFCs are not pledged to the repayment of the Revenue Bonds (including the Bonds), however, see "SOURCES OF REPAYMENT FOR THE BONDS - Use of Passenger Facility Charges" in this document for a description of the City's covenants to set aside a portion of PFCs received by the City to pay debt service on the Revenue Bonds eligible to paid from PFCs.

Aviation Security and Health Safety Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001 and again in 2014 following the high profile disappearance of Malaysia Airlines Flight 370 and the crash of Malaysia Airlines Flight 17. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against future terrorist incidents and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the TSA, more effective dissemination of information about threats, more intensive screening of passengers, baggage, and cargo, and deployment of new screening technologies. The airlines and the federal government were primarily responsible for, and bore most of the capital costs associated with, implementing the new security measures. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, while the United States Centers for Disease Control and Prevention ("CDC") and the World Health Organization ("WHO") did not recommend that people avoid domestic or international travel, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel, particularly to and from Mexico and Asia. More recently, the CDC has issued travel alerts in 2016 warning pregnant women to avoid travel to areas where outbreaks of the Zika virus, which has been linked to birth defects, are occurring. The lists of such areas includes more than 50 countries and certain locations in Miami, Florida. While the Airport is not in an area of concern identified by the CDC, further spread of the virus could impact the Airport by reducing travel to affected regions. This disease or future pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport. The City is unable to predict how serious the impact of the Zika virus or future pandemic may become, what effect it may have on air travel to and from the Airport, and wheter any such affects will be material.

Regulations and Restrictions Affecting the Airport

The operations of the Airport System are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Agreements and the Operating Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the terrorist attacks of September 11, 2001, ABIA also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Department of Aviation management.

It is not possible to predict whether future restrictions or limitations on Airport System operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport System, whether additional requirements will be funded by the federal government or require funding by the City, or whether such restrictions or legislation or regulations would adversely affect Net Revenues. See "- Aviation Security and Health Safety Concerns" above, "CAPITAL IMPROVEMENT PROGRAM" and "CAPITAL IMPROVEMENT PROGRAM - Passenger Facility Charges" in this document.

Ability to Meet Rate Covenant

As described in "SOURCES OF REPAYMENT OF THE BONDS - Rate Covenant" in this document, the City has covenanted in the Ordinances that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year, the rate covenant set forth in the Ordinances is met. In addition to Net Revenues, the City expects to use approximately $11.3 million to $19.4 million of PFCs in each of the Fiscal Years between 2015 and 2021, respectively, to pay a portion (approximately 29.1% - 41.0%) of the Debt Service on the Revenue Bonds. If PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for the Revenue Bonds, the principal and/or interest on such Revenue Bonds is excluded from the calculation of Debt Service Requirements; thus decreasing Debt Service Requirements and increasing debt service coverage for purposes of the rate covenant under the Ordinances. See "SOURCES OF REPAYMENT FOR THE BONDS - Use of Passenger Facility Charges" in this document. See also, "- Availability of PFCs and PFC Approval" below in this document.

If Net Revenues (and PFCs expected to be used to pay debt service) were to fall below the levels necessary to meet the rate covenant in any Fiscal Year, the Ordinances provide for procedures under which the City would retain and request an Airport Consultant to make recommendations as to the revision of the City's rentals, rates, fees and other charges, its Operating and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the rate covenant set forth in the Ordinances. The Ordinances provide that so long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the rate covenant set forth in the Ordinances, so long as Debt Service is paid when due.

Increasing the schedule of rentals, rates, fees and other charges for the use of the Airport System and for services rendered by the City in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see "— Regulations and Restrictions Affecting the Airport" above). Implementation of an increase in the schedule of rentals, rates, fees and other charges for the use of the Airport System could have a detrimental impact on the operation of the Airport System by making the cost of operating at the Airport System unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport System. Notwithstanding this potential detrimental impact, the Airline Agreements acknowledge the existence of the rate covenant under the Ordinances and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges.

Availability of PFCs and PFC Approval

In addition to the use of Net Revenues, the City expects to use between $11.3 million and $19.4 million of PFCs each Fiscal Year between Fiscal Years 2015 and 2021, (UPDATE?) to pay a portion of the debt service on the Revenue Bonds (including the Bonds). See "SOURCES OF REPAYMENT FOR THE BONDS - Use of Passenger Facility Charges" and "- Ability to

Meet Rate Covenant" above in this document. Additionally, the City expects to use approximately $___ million of PFCs to fund a portion of the Planned CIP Projects, including the 2017 Projects. See "CAPITAL IMPROVEMENT PROGRAM" in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of □Gross Revenues□. Consistent with the definition of □Debt Service Requirements□ in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See "SOURCES OF REPAYMENT FOR THE BONDS - Rate Covenant", "- Additional Revenue Bonds" and the definition of "Debt Service Requirements" in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Selected Definitions" in this document. As described in "CAPITAL IMPROVEMENT PROGRAM – Passenger Facility Charges" in this document, under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of April 2020. **The City plans to seek approval from the FAA to use PFCs to fund a portion of the 2017 Projects and to pay a portion of the debt service on the Bonds. No assurance can be given that the FAA will approve the amounts for the projects to be contained in such application.**

The amount of PFC revenue received by the City in future years will vary based upon the actual number of PFC-eligible passenger enplanements at ABIA. No assurance can be given that any level of enplanements will be realized. See "- Factors Affecting the Airline Industry" above in this document. See also "CAPITAL IMPROVEMENT PROGRAM - Passenger Facility Charges" and "- Ability to Meet Rate Covenant" above in this document. Additionally, the FAA may terminate the City's authority to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or regulations promulgated by the FAA under authority of the PFC Act ("PFC Regulations"), or (b) the City otherwise violates the PFC Act or the PFC Regulations. The City's authority to impose a PFC may also be terminated if the City violates certain provisions of the Airport Noise and Capacity Act of 1990 (the "ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the City's authority to impose a PFC would not be summarily terminated. No assurance can be given that the City's authority to impose a PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the City or that the City will not seek to decrease the amount of PFCs to be collected, provided such decrease does not violate the City's covenant in the Ordinances. A shortfall in PFC revenues may cause the City to increase rates and charges at ABIA to meet the debt service requirements on the Revenue Bonds (including the Bonds) that the City plans to pay from PFCs, and/or require the City to identify other sources of funding for its capital program (including the 2017 Projects), including issuing Additional Revenue Bonds and/or Subordinate Obligations, to finance the pay-as-you-go projects currently expected to be paid with PFC revenues.

Availability of Funding for the Capital Improvement Program

The City's plan of finance assumes that proceeds of Revenue Bonds, PFC revenues on a pay-as-you-go basis, federal grants, and other available revenues of the City (including certain amounts to be on deposit in the Repair and Replacement Fund and the Capital Fund), will be received by the City in certain amounts and at certain times to pay the costs of the planned projects described in "CAPITAL IMPROVEMENT PROGRAM" in this document (the "Planned CIP Projects"). No assurance can be given that these sources of funding will be available in the amounts or on the schedule assumed. See "-Availability of PFCs and PFC Approval" above in this document.

To the extent that any portion of the funding assumed in the plan of finance for the Planned CIP Projects is not available as anticipated, the City may be required to defer or remove certain of the Planned CIP Projects or issue additional Revenue Bonds and/or Subordinate Obligations to pay the costs of such Planned CIP Projects.

Federal Funding; Impact of Federal Sequestration

On February 6, 2012, Congress passed a four-year reauthorization bill for the FAA, the "FAA Modernization and Reform Act of 2012", which was signed into law on February 14, 2012. The final FAA reauthorization authorizes $3.35 billion per year for the Airport Improvement Program ("AIP") through Fiscal Year 2015. (UPDATE SECTION?) AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set- asides and the national priority ranking system). There can be no assurance that the FAA will receive spending authority. In addition, AIP could be affected by the automatic across-the-board spending cuts, known as sequestration, described in more detail below. The City is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the City for ABIA, such reduction could (i) increase by a corresponding amount the capital expenditures that the City would need to fund from other sources (including surplus revenues, additional Revenue Bonds or Subordinate Obligations), (ii) result in decreases to Planned CIP Projects or (iii) extend the timing for completion of certain projects. See "CAPITAL IMPROVEMENT PROGRAM" in this document.

Federal funding received by the City and the Department of Aviation could be adversely affected by the implementation of the Budget Control Act of 2011 (the "Budget Control Act"). As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration - a unique budgetary feature of the Budget Control Act -has been triggered. On January 2, 2013, President Obama signed into law H.R. 8, the American Taxpayer Relief Act of 2012, which delayed the initiation of the sequestration process from January 2, 2013 to March 1, 2013. On March 26, 2013, President Obama signed the Consolidated and Further Continuing Appropriations Act of 2013, providing funds for operation of the federal government through September 30, 2013, and off-setting some of the sequestration- mandated reductions for Fiscal Year 2013. The spending reductions for Fiscal Year 2013 were approximately $85.4 billion, with similar cuts for Fiscal Years 2014 through 2021.

The City receives numerous grants from the FAA and the TSA for various capital projects and the FAA employs and manages the air traffic control personnel at ABIA. These expenditures of the FAA are subject to sequestration. The FAA implemented furloughs in April 2013 that resulted in major air traffic control system delays. The furloughs were suspended after one week for the balance of federal Fiscal Year 2013 following Congress' authorization of alternate funding from reductions in the amounts of available AIP funds or any other programs or accounts in federal Fiscal Year 2013. On December 26, 2013, the Senate approved the Bipartisan Budget Act of 2013 (the "Budget Act"), which sets overall discretionary spending for the federal Fiscal Year 2014 at $1.013 trillion, and provides $63 billion in sequester relief over two years. The Budget Act restores the cuts made by budget sequestration to the FAA's operations and procurement accounts and provides full funding for the AIP at $3.35 billion for the federal Fiscal Year 2014.

Between 2009 and 2013, the City received, on average, approximately $6.7 million of grants per year from the FAA and TSA. The City is unable to predict future sequestration funding cuts or furloughs or the impact of such actions on ABIA's airline traffic, grant receipts and Gross Revenues. The City intends to take any commercially reasonable measures necessary to continue smooth operation of ABIA.

Forward-Looking Statements

This Official Statement, including the Appendices and the documents incorporated by reference in this document, contain "forward-looking statements," which generally can be identified with words or phrases such as "anticipates," believes," "could," "estimates," "expects," "foresees," "may," "plan," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement, including the Appendices in this document, that any person expects or anticipates will, should or may occur in the future, including but not limited to, the projections in the Airport Consultant's Report, are forward-looking statements. These statements are based on assumptions and analysis made by the City and the Airport Consultant, as applicable, in light of their experience and perception of historical trends, current conditions and expected future developments as well as other factors they believe are appropriate in the circumstances. However, whether actual results and developments will conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under the "CERTAIN INVESTMENT CONSIDERATIONS" caption in this document as well as additional factors beyond the City's control. The risk factors and assumptions described under such caption and elsewhere in this Official Statement could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement and any Appendices in this document are qualified by these cautionary statements. There can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Net Revenues or the operations of ABIA. All subsequent forward-looking statements attributable to the City or persons acting on its behalf are expressly qualified in their entirety by the factors and assumptions described above and in any documents containing those forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City does not assume any obligation to update any such forward-looking statements.

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

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The City's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The City's independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the City's independent auditors assume no responsibility for its content.

Assumptions in the Airport Consultant's Report

As noted in the Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may and are likely to occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" in this document.

Future and Proposed Legislation

The Texas Legislature will convene its Regular Session of the 85th Legislature in January 2017. The City makes no representations or predictions concerning the substance or effect of any legislation that may be proposed and ultimately passed in such Regular Session or any special session that may convene after the end of the Regular Session, or how any such legislation would affect the Net Revenues or the financial condition or operations of ABIA.

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

LITIGATION

It is the opinion of the City Attorney and ABIA management that, as of the date of this Official Statement, there is no pending litigation against the City that would have a material adverse financial impact upon ABIA or its operations.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the Holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. 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 (i) the portions of the financial statements of the City in APPENDIX B in this document and (ii) 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 (numbered 1 through 9). The City will update and provide this financial and operating data as of the end of each Fiscal Year within six months after the end of each Fiscal Year and the financial statements within 12 months after the and of each Fiscal Year. 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 SEC. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided at that time, the City shall provide notice that the audited financial statements are not available and provide unaudited financial information of the type described in the various tables (numbered 1 through 9) in this document and "unaudited financial statements" by the required time, and shall provide audited financial statements for the applicable Fiscal Year, when and if the audit report on the financial statements becomes available. The term "unaudited financial statements" means unaudited financial statements and tables customarily prepared and maintained by the City. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B in this document or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current Fiscal Year is October 1 to September 30. Accordingly, it must provide updated information by March 31 of 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 ten Business Days after the occurrence of the event, of any of the following events with respect to the Bonds: (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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, 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 Bonds nor the Ordinances make any provision for 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 official 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 Bonds, 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 Bonds 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 Bonds 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 Bonds in the offering described in this Official Statement in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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 Bonds in the primary offering of the Bonds. 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 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 year 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. With respect to the City's continuing disclosure reports regarding its outstanding Airport System Revenue Bonds, the City determined that (i) a table regarding detailed Airport revenues was inadvertently omitted from such reports that were filed in 2012 and 2013, however, the total of such Airport revenues was included in such annual filings and such table was included in subsequent annual continuing disclosure reports, and (ii) a table had transposed years in the presentation of data in such report that was filed in 2015, and the City filed corrected information for such table on May 8, 2015. The City has implemented procedures to ensure timely filing of all future financial information and event notices.

TAX MATTERS

Series 2017A Bonds

On the date of initial delivery of the Series 2017A Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), for federal income tax purposes (i) interest on the Series 2017A Bonds will be excludable from the "gross income" of the holders thereof, except for any holder who is treated pursuant to section 147(a) of the Internal Revenue Code of 1986 (the "Code") as a "substantial user" of the Project or, a "related person" to such user, and (ii) the Series 2017A Bonds are not treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2017A Bonds. See Appendix D -- Forms of Bond Counsel's Opinions.

Interest on the Series 2017A Bonds may be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Series 2017B Bonds

On the date of initial delivery of the Series 2017B Bonds, Bond Counsel will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Series 2017B Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except for any holder who is treated pursuant to section 147(a) of the Internal Revenue Code of 1986 (the "Code") as a "substantial user" of the Project or, a "related person" to such user. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the AMT Bonds. See Appendix D -- Forms of Bond Counsel's Opinions.
Interest on the Series 2017B Bonds is an item of tax preference, as defined in section 57(a)(5) of the Code, for purposes of determining the alternative minimum tax imposed on individuals and corporations.

General

In rendering its opinions, Bond Counsel (a) will rely upon information furnished by the City, and particularly written representations of officers and agents of the City with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Bonds, and the construction, use and management of the facilities financed or refinanced with the proceeds of each series of the Bonds and (b) will assume continuing compliance with covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purpose as of the date of issuance, the tax-exempt status of the Bonds of either series could be affected by future events. However, future events beyond the control of the City, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance. The opinions of Bond Counsel are conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

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

A ruling was not sought from the Internal Revenue Service (the "IRS") by the City with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bodns. No assurances can be given as to whether the IRS will commence an audit of the Bonds of either series, or as to whether the IRS would agree with the opinions of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any Holder who has purchased a Bond as an Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such holder in excess of the basis of such Original Issue Discount Bond in the hands of such Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

All holders of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered owner and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances and in respect to investors who are not United States persons, certification as to foreign status, and other matters may be required to be provided by partners and beneficiaries thereof.

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 SEC 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.

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 in the first paragraph 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, 2016, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	13%
U. S. Agencies	42%
Money Market Funds	3%
Local Government Investment Pools	42%

The dollar weighted average maturity for the combined City investment portfolios is 280 days. The City prices the portfolios weekly utilizing a market pricing service.

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.

Interim City Manager – 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.

Interim Chief Financial Officer Greg Canally

Mr. Greg Canally is currently the Interim Chief Financial Officer for the City of Austin. Prior to this appointment, Mr. Canally served as the Deputy Chief Financial Officer over the Treasury Office, Purchasing Office & Capital Contract Office, and worked as the Finance lead on economic development, transportation initiatives, facility master planning, and a variety of information technology issues for the City. Mr. Canally has been with the City of Austin for 17 years, entirely in the Finance Department. From 2004 thru 2008, he was the City's Budget Officer. He is past member of Government Finance Officers Association's Committee on Economic Development and Capital Planning. Prior to his work in municipal government, Mr. Canally worked as a project manager/economist for HDR Engineering, working with all levels of government to implement Water Planning solutions in Texas. Mr. Canally holds a Bachelor of Science in Economics from Villanova University and a Master of Science in Economics from the University of Texas at Austin.

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, the Water and Wastewater System, the 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.

Pension Plans

The City has three contributory defined benefit retirement plans for the Municipal, Fire, and Police employees. These plans are single employer funded plans each with a fiscal year end of December 31. The three retirement plans cover substantially all full-time employees. State law requires the City to make contributions to the plans in an amount at least equal to the contribution of the employee group.

The following describes the contributions in place as of October 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 18.2% of payroll, and the City contributes 22.05%. The Police Officers contribute 13.0% and the City contributes 21.313% of payroll.

During fiscal 2015, the City implemented Governmental Accounting Standards Board Statement ("GASB") No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27, as amended by GASB Statement No. 71 ("GASB 71"), Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68, which increased the net pension liability in the financial statements by $1.2 billion over the previously reported net pension obligation.

GASB 68, as amended, requires governments offering defined benefit pension plans to recognize as an expense and a liability today, future pension obligations for existing employees and retirees which are in excess of pension plan assets. In addition it allows deferral of certain pension expense items, expands financial statement note disclosures, and changes disclosure of required supplementary information.

The City's net pension liability was measured as of December 31, 2014 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the COAERS plan. For the Fire and Police systems, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 using the final 2014 assumptions and then was rolled forward to the plan's year ending December 31, 2014.

The COAERS, as of December 31, 2014, had a net pension liability of $884.3 million with a plan fiduciary net position as a percentage of the total pension liability of 71.4%. The Police Officers' Fund, as of December 31, 2014, had a net pension liability of $333.6 million with a plan fiduciary net position as a percentage of the total pension liability of 65.7%. The Firefighters' Fund, as of December 31, 2014 had a net pension liability of $72.0 million with a plan fiduciary net position as a percentage of the total pension liability of 91.6%.

The financial statements for each plan are accessible on their respective websites. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 7" in this document for additional information on the City's Pension Plans. Also, see Note 7 of the City's Comprehensive Annual Financial Report ("CAFR") for their web addresses.

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 years, for the Police Officers' Fund was 28.6 years and the Firefighters' Fund was 10.57 years.

As of December 31, 2014, the actuarial accrued liability for the COAERS was $3,094,055,712 and the funded ratio was 70.9%. The actuarial accrued liability for the Police Officers' Fund was $968,340,394 and the funded ratio was 67.5%. The actuarial accrued liability for the Firefighters' Fund was $868,146,375 and the funded ratio was 90.9%.

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.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 7" in this document for additional information on the City's Pension Plans.

On June 8, 2016, the COAERS Board of Trustees received an annual financial report of COAERS for the fiscal year ended December 31, 2015. The report stated that as of December 31, 2015, COAERS had a net pension liability of $1.247 billion with a plan fiduciary net position as a percentage of the total pension liability of 63.2%. Additionally, the actuarial accrued liability for the COAERS was $3,391,796,116 and the funded ratio was 68.0%.

On August 9, 2016, the Police Officers' Fund Board received an annual financial report of the Police Officers' Fund for the fiscal year ended December 31, 2015. The report stated that as of December 31, 2015, the Police Officers' Fund had a net pension liability of $384.7 million with a plan fiduciary net position as a percentage of the total pension liability of 62.6%. Additionally, the actuarial accrued liability for the Police Officers' Fund was $1,036,118,138 and the funded ratio was 66.6%. The report's numbers reflect changes to benefit provisions and actuarial assumptions that were adopted since the prior valuation for fiscal year ended December 31, 2014.

On August 10, 2016, the Firefighters' Fund Board received an annual financial report of the Firefighters' Fund for the fiscal year ended December 31, 2015. The report stated that as of December 31, 2015, the Firefighters' Fund had a net pension liability of $128.4 million with a plan fiduciary net position as a percentage of the total pension liability of 86.0%. Additionally, the actuarial accrued liability for the Firefighters' Fund was $921,875,579 and the funded ratio was 89.9%.

Other Post-Employment Benefits

In addition to the contributions made to the three pension systems, the City provides certain other post-employment benefits 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 $39.5 million for 4,431 retirees in 2015 and $33.3 million for 4,189 retirees in 2014. As of September 30, 2015, the net OPEB obligation is $777.7 million.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 8" in this document for additional information on 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 $9.3 million for claims and damages at the end of fiscal year 2015. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

OTHER RELEVANT INFORMATION

Ratings

The Bonds have received a rating of "___" by S&P Global Ratings, a Standard & Poor's division of S&P Global Inc. ("S&P"), and a rating of "___" by Moody's Investors Service, Inc. ("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 one or all of such rating companies, if in the judgment of one or more companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price and liquidity of the Bonds.

Registration and Qualification

The sale of the Bonds 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 Bonds 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 Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that such Bonds are valid and legally binding bonds of the City payable from sources and in the manner described in this Official Statement and in the Ordinances and the approving legal opinion of Bond Counsel. The form of Bond Counsel's opinions appears in this document as APPENDIX D. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

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 Official Statement except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this Official Statement under the captions "INTRODUCTION", "DESCRIPTION OF THE BONDS" (except for the information under the subcaptions "Remedies" and "Book-Entry-Only System"), "SOURCES OF REPAYMENT FOR THE BONDS", "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS", "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings"), "TAX MATTERS," 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 under "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES", 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 Bonds and the Ordinances. In addition, certain legal matters will be passed upon (i) for the Underwriters by Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriters, and (ii) for the City by Norton Rose Fulbright US LLP, as Disclosure Counsel for the City. The payment of legal fees to Bond Counsel, counsel to the Underwriters and Disclosure Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed in those opinions. In rendering a legal opinions, 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 Bonds. The payment of the fee for services rendered by PFM with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. 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 Bonds.

Financial Information and Independent Auditors

The financial data listed as fiscal year 2016 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 the forward-looking 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 Governmental Accounting Standards Board Statements No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68 during the year ended September 30, 2015.

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 publig, as shown on the inside front cover page of this Official Statement, less an underwriting discount of $__________. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased.

The Underwriters have provided the following paragraphs for inclusion in the Official Statement, and the City takes no responsibility for the accuracy thereof.

Authenticity of Financial Data and Other Information

The financial data and other information contained in this Official Statement 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 Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Certification of the Official Statement

This Official Statement, and the execution and delivery of this Official Statement was approved and authorized by an Authorized Officer of the City pursuant to the provision of the Ordinances adopted by the City Council on December 15, 2016.

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

APPENDIX B

AUDITED FINANCIAL STATEMENTS

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES

The following constitutes a summary of certain portions of the Ordinances. This summary should be qualified by reference to other provisions of the Ordinances referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Ordinances in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Ordinances, a copy of which may be obtained from the City.

Selected Definitions

"Additional Revenue Bonds" means the additional parity revenue bonds permitted to be issued by the City pursuant to the Ordinances.

"Administrative Expense Fund" means the fund so designated in the Ordinances.

"Administrative Expenses" means the fees, expenses, and indemnification liabilities payable to the Persons to whom fees and expenses are due and owing in connection with the Revenue Bonds and Credit Agreement Obligations incurred in connection with a related series of Revenue Bonds, including, but not limited to the fees and expenses of the Paying Agent/Registrars, the Credit Providers, the rebate analysts, the remarketing agents and the tender agents, and of which the City is given actual notice at least thirty (30) days prior to the date payment of these amounts is due.

"Airport" means the air carrier airport developed, constructed and operated by the City pursuant to the city-wide election held within the City on May 1, 1993, and designated as the Austin-Bergstrom International Airport (ABIA).

"Airport Consultant" means a nationally recognized independent firm, person or corporation having a widely known and favorable reputation for special skill, knowledge and experience in methods of developing, operating and financing of airports of approximately the same size as the properties constituting the Airport System.

"Airport System" means all airport, heliport and aviation facilities, now or from time to time owned, operated or controlled in whole or in part by the City, including the Airport, together with all properties, facilities and services of the Airport, and all additions, extensions, replacements and improvements to the Airport, and all services currently provided, or to be provided, by the City in connection with the Airport, but expressly excluding (i) any heliport or heliports operated by City Departments other than the Aviation Department, (ii) the Austin consolidated rental car facility, financed by the issuance of City of Austin, Texas Rental Car Special Facility Revenue Bonds, Taxable Series 2013, as Special Facilities, and (iii) the Mueller Airport Property.

"Aviation Director" means the Executive Director of the City's Department of Aviation, or any successor or person acting in that capacity.

"Bond Insurer" means Assured Guaranty Municipal Corp. (the successor to Financial Security Assurance, Inc., a New York stock insurance company), or any successor to or assigned of Assured Guaranty Municipal Corp.

"Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017A and the City of Austin, Texas, Airport System Revenue Bonds, Series 2017B (AMT), authorized by the Ordinances.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the City, or in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are generally authorized or obligated by law or executive order to close.

"Capital Fund" means the fund so designated in the Ordinances.

"Capitalized Interest Account" means the account so designated in the Ordinances.

"Code" means the Internal Revenue Code of 1986.

"Construction Fund" means the fund so designated in the Ordinances.

"Credit Agreement" means (i) any agreement of the City entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Revenue Bonds or (B) providing liquidity with respect to Revenue Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Revenue Bonds to which it relates, and (ii) a Swap Agreement.

"Credit Agreement Obligations" means any amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense.

"Currently Outstanding Revenue Bonds" means the Series 2005 Bonds, the Series 2013 Bonds and the Series 2013A Bonds.

"Debt Service" means (i) with respect to a series of Revenue Bonds, an amount equal to the Principal Installment, redemption premium, if any, and interest on such Revenue Bonds, (ii) with respect to a Credit Agreement other than a Swap Agreement, amounts payable as Credit Agreement Obligations, and (iii) with respect to a Swap Agreement, regularly scheduled amounts payable by the City under a Swap Agreement, so long as the counterparty is not in default (specifically excluding Termination Payments, which shall constitute Subordinate Obligations).

"Debt Service Fund" means the fund so designated in the Ordinances.

"Debt Service Requirements" means for any particular period of time, an amount equal to the sum of the following for such period with respect to all or any portion of Revenue Bonds or Credit Agreement Obligations, as applicable, then Outstanding:

A. That portion of interest which would accrue with respect to Revenue Bonds during such period if interest were deemed to accrue only during the 6 month period prior to its payment (12 month period in the case of capital appreciation or compound interest bonds), <u>plus</u>

B. That portion of the principal amount of Revenue Bonds which would accrue during such period if principal was deemed to accrue only during the 12 month period prior to its scheduled payment date (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory Revenue Bond redemptions),

less and except any such interest or principal for the payment of which provision has been made by: (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest or principal either from proceeds of bonds, from interest earned or to be earned thereon, from Airport System funds other than Net Revenues, or from any combination of such sources; and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a dedicated fund or account (including, without limitation, the Capitalized Interest Account), the proceeds of which are required to be transferred as needed into the Debt Service Fund or directly to the Paying Agent/Registrar for the Revenue Bonds.

"Debt Service Reserve Fund" means the fund so designated in the Ordinances.

"Debt Service Reserve Fund Requirement" means the amount required to be maintained in the Debt Service Reserve Fund. This amount shall be computed and recomputed annually as a part of the City's budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with section 1.148-6 of the regulations promulgated under the Code, exceed the least of: (a) 10% of the stated principal amount of each issue of which such Revenue Bonds or Additional Revenue Bonds are a part; (b) the maximum annual principal and interest requirements of the issue; or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that such additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code and the related regulations promulgated from time to time.

"Debt Service Reserve Fund Surety Bond" means any surety bond or insurance policy having a rating in the highest respective rating categories by Moody's and Standard & Poor's issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in the Ordinances.

"Defeasance Obligations" means: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States; (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date council adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

"Federal Payments" means those funds received by the Airport System from the federal government or any agency of the federal government as payments for the use of any facilities or services of the Airport System.

"Fiscal Year" means the City's fiscal year as from time to time designated by the City, which is currently October 1 to September 30.

"General Obligation Airport Bonds" means those bonds or other obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes.

"Gross Revenues" means all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to all or any part of the Airport System, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Airport System, or otherwise, and includes, except to the extent expressly excluded below, all revenues received by the City from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation of the Airport System, interest and other income realized from the investment or deposit of amounts required to be transferred or credited to the Revenue Fund. Gross Revenues **expressly excludes**:

(a) proceeds of any Revenue Bonds and Subordinate Obligations;

(b) interest or other investment income derived from Revenue Bonds and Subordinate Obligation proceeds deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund;

(c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies shall be received as payments for the use of the Airport System facilities;

(d) any revenues derived from any Special Facilities (e.g. customer facility charges) which are pledged to the payment of Special Facilities Bonds;

(e) insurance proceeds other than loss of use or business interruption insurance proceeds;

(f) the proceeds of the passenger facility charge (PFC) currently imposed by the City and any other per-passenger charge as may be lawfully authorized;

(g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities;

(h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes;

(i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges shall be considered Gross Revenues; and

(j) Other Available Funds transferred to the Revenue Fund as provided in the Ordinances.

"Interest Payment Date" means each May 15 and November 15, commencing May 15, 2017, until maturity or prior redemption of the Bonds.

"Minimum Capital Reserve" means an amount, designated by the Aviation Director not less frequently than annually at the end of each Fiscal Year, but in any event not more than $100,000 each Fiscal Year, necessary to accumulate or to reaccumulate in the Capital Fund a reserve in an amount not less than $1,000,000.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns, and if this corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall refer to any other nationally recognized securities rating agency designated by the City.

"Mueller Airport Property" means the property and facilities that comprised the former Robert Mueller Municipal Airport, located within the City. The Mueller Airport Property is not part of the Airport System.

"Net Revenues" means that portion of the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System, including, without limitation, those reasonably allocated City overhead expenses relating to the administration, operation and maintenance of the Airport System; insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund; any general and excise taxes or other governmental charges imposed by entities other than the City; any required rebate of any portion of interest income to the federal government which is payable from Gross Revenues or the Revenue Fund; costs of contractual and professional services, labor, materials and supplies for current operations, including the costs of direct City services rendered to the Airport System as are requested from the City by the Airport System and as are reasonably necessary for the operation of the Airport System; costs of issuance of Revenue Bonds and Subordinate Obligations for the Airport System (except to the extent paid from the proceeds); fiduciary costs; costs of collecting and refunding Gross Revenues; utility costs; any lawful refunds of any Gross Revenues; and all other administrative, general and commercial expenses, but **excluding**:

(a) any allowance for depreciation;

(b) costs of capital improvements;

(c) reserves for major capital improvements, Airport System operations, maintenance or repair;

(d) any allowance for redemption of, or payment of interest or premium on, Revenue Bonds and Subordinate Obligations;

(e) any liabilities incurred in acquiring or improving properties of the Airport System;

(f) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities to the extent they are required to be paid by such lessees pursuant to the terms of the Special Facilities Leases;

(g) any charges or obligations incurred in connection with any lawful Airport System purpose, including the lease, acquisition, operation or maintenance of any facility or property benefiting the Airport System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of the Capital Fund;

(h) liabilities based upon the City's negligence or other ground not based on contract; and

(i) so long as Federal Payments are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period.

"Operation and Maintenance Reserve Fund" means the fund so designated and created within the Revenue Fund in the Ordinances.

"Other Available Funds" means any amount of unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund, but in no event may this amount exceed twenty-five percent (25%) of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year for purposes of Sections 5.03 (Rate Covenant) and 6.01 (Additional Revenue Bonds) of the Ordinances.

"Outstanding" when used with reference to any Revenue Bonds or Subordinate Obligations means, as of a particular date, all those obligations Revenue Bonds or Subordinate Obligations delivered except: (a) any obligation paid, discharged or cancelled by or on behalf of the City at or before that date; (b) any obligation defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any obligation in lieu of or in substitution for which another obligation was delivered pursuant to the ordinance authorizing the issuance of the obligation.

"Owner" or "Registered Owner"," when used with respect to any Revenue Bond means the person or entity in whose name the Revenue Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners means the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Revenue Bonds then Outstanding under the Ordinances.

"Paying Agent/Registrar" means, for the Bonds, Wilmington Trust, National Association, Dallas, Texas, and its successors in that capacity.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of the government.

"Qualified Put" means any agreement, however denominated, provided by a qualifying financial institution (as described in the next sentence) which contractually commits to purchase, upon no more than seven days' notice, for not less than a stated price any class or amount of investment securities or other authorized investments of the City at any time that such investment securities or investments must be liquidated in order to make cash transfers from the fund or account that holds such investments. A Qualified Put may be entered into only with a qualifying financial institution which is (a) a domestic bank the long-term debt of which is rated at least "AA" by Standard & Poor's and "Aa" by Moody's , or (b) a foreign bank the long-term debt of which is rated "AAA" by Standard & Poor's and at least "Aa" by Moody's , or at least "AA" by Standard & Poor's and "Aaa" by Moody's , or (c) a financial institution the long-term debt of which is rated at least "A" by both Standard & Poor's and Moody's and agrees to collateralize its obligations under such agreement by lodging with a third party trustee, escrow agent, custodian or other financial third party direct obligations of the United States of America or its agencies with a market value equal to 102% of the difference between the face amount of its purchase obligation under the agreement and the market value of the investment securities to which the agreement relates (based upon periodic market valuations at least monthly). A Qualified Put may be integrated into any investment authorized under Texas law, such as a repurchase agreement.

"Renewal and Replacement Fund" means the fund so designated in the Ordinances.

"Renewal and Replacement Fund Requirement" means the amount required to be maintained in the Renewal and Replacement Fund pursuant to the Ordinances, or any greater amount required by any ordinance authorizing any series of Additional Revenue Bonds.

"Revenue Bond Ordinances" means the ordinances authorizing the issuance of the Series 2005 Bonds, the Series 2013 Bonds, the Series 2013A Bonds, this Ordinances and any ordinances pursuant to which Additional Revenue Bonds are issued.

"Revenue Bonds" means the Currently Outstanding Revenue Bonds, the Bonds and each series of bonds, notes or other obligations, other than Credit Agreement Obligations, which the City has reserved the right to issue or incur from time to time pursuant to the Ordinances, payable from and secured by a first lien on and pledge of Net Revenues.

"Revenue Fund" means the fund so designated in the Ordinances.

"Series 2005 Bonds" means the City of Austin, Texas, Airport System Refunding Revenue Bonds, Series 2005 (AMT), outstanding, as of November 1, 2016, in the aggregate principal amount of $198,175,000.

"Series 2013 Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2013, outstanding, as of November 1, 2016, in the aggregate principal amount of $60,000,000.

"Series 2013A Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2013A, outstanding, as of November 1, 2016, in the aggregate principal amount of $35,014,000.

"Special Facilities" means structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, inflight kitchens, training facilities and any and all other facilities and appurtenances being a part of or related to the Airport System, the cost of the construction or other acquisition of which is financed with the proceeds of Special Facilities Bonds.

"Special Facilities Bonds" means those bonds from time to time hereafter issued by the City pursuant to the appropriate provisions of the Ordinances.

"Special Facilities Lease" means any lease or agreement pursuant to which a Special Facility is leased by the City to the lessee in consideration for which the lessee agrees to pay (i) all debt service on the Special Facilities Bonds issued to finance the Special Facility (which payments are pledged to secure the Special Facilities Bonds) and (ii) the operation and maintenance expenses of the Special Facility.

"Standard & Poor's" or "S&P" means S&P Global Ratings, a division of S&P Global Inc., its successors and assigns, and if such entity shall for any reason no longer perform the functions of a securities rating agency, "Standard & Poor's" and "S&P" shall refer to any other nationally recognized securities rating agency designated by the City.

"Subordinate Obligations" means each series of bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, which the City has reserved the right to issue or incur from time to time pursuant to the Ordinances as Subordinate Obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds.

"Swap Agreement" means a Credit Agreement, approved (if required) in writing by the Bond Insurer, with respect to a series of Revenue Bonds pursuant to which the City has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City's fixed or variable interest rate liability on all or a portion of the Revenue Bonds to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody's, and by Standard & Poor's, and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Revenue Bonds without reference to any Credit Agreement.

"Termination Payment" means an amount owed by the City to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of the Swap Agreement and which, on the date of execution of the Swap Agreement, is not an amount representing a regularly scheduled payment under the Swap Agreement. "Termination Payment" shall not include any amount representing an Administrative Expense.

Funds and Flow of Funds

Funds. The Ordinances creates the Revenue Fund, including the Operation and Maintenance Reserve Fund therein, the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, the Renewal and Replacement Fund, the Capital Fund, including a Capital Improvement Account therein, and the Construction Fund, including the Capitalized Interest Account and the Series 2014 Project Account therein. The City may create additional accounts and subaccounts in any of the funds, including accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, so long as they are not inconsistent with the Ordinances.

The Revenue Fund, including the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Fund and the Construction Fund (other than any Capitalized Interest Account in the Construction Fund) shall be maintained as separate funds or accounts on the books of the City and all amounts credited to the Funds and Accounts shall be maintained in an official depository bank of the City. The Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund shall be maintained at an official depository bank of the City or in a trustee bank designated by the City separate and apart from all other funds and accounts of the City. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the owners of the Revenue Bonds and the proceeds of which shall be pledged, as herein provided, to the payment of the Revenue Bonds. The Administrative Expense Fund shall constitute trust funds which shall be held in trust for the payment of Administrative Expenses to Persons entitled to those Administrative Expenses.

Flow of Funds. Gross Revenues shall be deposited as received by the City into the Revenue Fund. In addition, the City may deposit into the Revenue Fund any Federal Payments not restricted for capital purposes, provided that, so long as the Federal Payments are excluded from the definition of Gross Revenues, the Federal Payments shall be applied solely to the payment of Operation and Maintenance Expenses or capital expenditures and never constitute Net Revenues. Other Available Funds may also be deposited into the Revenue Fund. Moneys from time to time credited to the Revenue Fund shall be applied as follows in the following order of priority:

(a) First, to provide for all payments of Operation and Maintenance Expenses required by the Revenue Bond Ordinances.

(b) Second, to transfer all amounts to the Debt Service Fund required by the Revenue Bond Ordinances and any related Credit Agreement Obligations.

(c) Third, to transfer all amounts to the Administrative Expense Fund required to pay Administrative Expenses to the Persons entitled to payment when due.

(d) Fourth, to transfer all amounts to the Debt Service Reserve Fund required by the Revenue Bond Ordinances.

(e) Fifth, to transfer all amounts necessary to provide for the payment of Subordinate Obligations, or to provide reserves for payment, as may be required by any ordinance authorizing Subordinate Obligations and related credit agreement obligations.

(f) Sixth, to transfer all amounts necessary to provide for the payment of principal of and interest on General Obligation Airport Bonds.

(g) Seventh, to transfer all amounts to the Operation and Maintenance Reserve Fund required by the Revenue Bond Ordinances.

(h) Eighth, to transfer all amounts to the Renewal and Replacement Fund required by the Revenue Bond Ordinances.

(i) Ninth, the balance shall be transferred to the Capital Fund.

Debt Service Fund. On the date of initial delivery of the Bonds, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund the amount necessary to pay interest coming due on the Bonds on their first Interest Payment Date. Thereafter, to the extent moneys remain on deposit in the Capitalized Interest Account, on the Business Day immediately following an Interest Payment Date, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund amounts available to pay the interest coming due on the Bonds on the next succeeding Interest Payment Date.

On or before the last Business Day of each month so long as any Revenue Bonds remain Outstanding, after making all required payments of Operation and Maintenance Expenses, there shall be transferred into the Debt Service Fund from the Revenue Fund the amount to cause the balance in the Debt Service Fund to equal the Debt Service on all Revenue Bonds and Credit Agreement Obligations accrued, but unpaid, through the end of the current month on all Revenue Bonds and Credit Obligations reasonably expected to accrue and be payable on or before the last Business Day of the next succeeding month.

Debt Service Reserve Fund. The City shall establish and maintain a balance in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement. Each increase in the Debt Service Reserve Fund Requirement resulting from the issuance of Additional Revenue Bonds shall be funded at the time of issuance and delivery of the series of Additional Revenue Bonds by depositing to the credit of the Debt Service Reserve Fund either: (A) proceeds of the Additional Revenue Bonds and/or other lawfully appropriated funds in not less than the amount which will be sufficient to fund fully the Debt Service Reserve Fund Requirement; or (B) a Debt Service Reserve Fund Surety Bond sufficient to provide that portion of the Debt Service Reserve Fund Requirement. The City further expressly reserves the right to substitute at any time a Debt Service Reserve Fund Surety Bond for any funded amounts in the Debt Service Reserve Fund and to apply the funds thereby released, to the greatest extent permitted by law, to any of the purposes for which the related Revenue Bonds. The City shall not employ any Debt Service Reserve Fund Surety Bond unless: (i) the City officially finds that the purchase of the Debt Service Reserve Fund Surety Bond is cost effective; (ii) the Debt Service Reserve Fund Surety Bond does not impose upon the City a repayment obligation (in the event the Debt Service Reserve Fund Surety Bond is drawn upon) greater than can be funded in 18 monthly installments as provided below, payable out of Net Revenues on a parity with the monthly deposits that are otherwise required to be made to the Debt Service Reserve Fund; and (iii) that any interest due in connection with the repayment obligations does not exceed the highest lawful rate of interest which may be paid by the City at the time of delivery of the Debt Service Reserve Fund Surety Bond.

In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement for the Revenue Bonds or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of such month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement for the Revenue Bonds and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in such Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below such amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in such amounts as shall be required to restore the Debt Service Reserve Fund to this amount and to pay this reimbursement obligations within an 18 month period.

The City shall use the Debt Service Reserve Fund to pay the principal of and interest on the Revenue Bonds and the Credit Agreement Obligations at any time the amount available in the Debt Service Fund is insufficient for this purpose, and to make any payments required to satisfy repayment obligations to issuers of Debt Service Reserve Fund Surety Bonds. The City may use the Debt Service Reserve Fund to make the final payments for the retirement or defeasance of Revenue Bonds, related Credit Agreement Obligations and Administrative Expenses.

Funds and Accounts for Subordinate Obligations. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, the City shall transfer into the funds and accounts as the City may establish pursuant to an ordinance authorizing the issuance or incurrence of Subordinate Obligations, the amounts required pursuant to the ordinance authorizing the issuance or incurrence of Subordinate Obligations to provide for the payment, or to provide reserves for the payment, of the Subordinate Obligations.

Administrative Expense Fund. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the City shall transfer to the Administrative Expense Fund an amount equal to the Administrative Expenses expected to be paid to the Persons entitled to payment in the next succeeding month. Amounts on deposit in the Administrative Expense Fund shall be applied solely to the payment of Administrative Expenses.

General Obligation Airport Bonds. On or before the last Business Day of each month, so long as any General Obligation Airport Bond remains outstanding, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund and any other fund and account established by ordinances authorizing the issuance of Revenue Bonds and Subordinate Obligations, the City shall transfer from the Revenue Fund, to the extent amounts are available, the amounts necessary to provide for the payment, when due, of principal of and interest on General Obligation Airport Bonds.

Operation and Maintenance Reserve Fund. The City shall fund and maintain a balance of money and investments in the Operation and Maintenance Reserve Fund at least equal to two months current Operation and Maintenance Expenses, which amount shall annually be re-determined by the Aviation Director at the time the recommended budget for the Airport System is submitted to Council, based upon either the Aviation Director's recommended budget for Operation and Maintenance Expenses or the Aviation Director's estimate of actual Operation and Maintenance Expenses for the then current Fiscal Year. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as provided in the Ordinances, there shall be transferred from the Revenue Fund, to the extent amounts are available, to the Operation and Maintenance Reserve Fund an amount equal to 1/12th of the deficiency, if any, in the Operation and Maintenance Reserve Fund as of the last day of the previous Fiscal Year until the required balance in the Operation and Maintenance Reserve Fund is established or reestablished. Amounts from time to time credited to the Operation and Maintenance Reserve Fund may be used at any time: first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Revenue Fund; second, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency in any of these funds.

Renewal and Replacement Fund. The City has established the Renewal and Replacement Fund Requirement to be $5,000,000. On or before the last Business Day of each month, if the Renewal and Replacement Fund contains less than the Renewal and Replacement Fund Requirement, then after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as hereinabove provided, and to the Operation and Maintenance Reserve Fund, the City shall transfer from the Revenue Fund, to the extent funds are available, to the Renewal and Replacement Fund an amount equal to 1/12th of the deficiency (being the amount by which the Renewal and Replacement Fund Requirement exceeded the unappropriated balance therein) as of the last day of the previous Fiscal Year and, at the discretion of the City, to pay directly from the Revenue Fund any other costs that could be paid from amounts on deposit in the Renewal and Replacement Fund. The City is required to make these transfers into the Renewal and Replacement Fund until such time as the Renewal and Replacement Fund Requirement has again been accumulated in the Renewal and Replacement Fund. Amounts from time to time credited to the Renewal and Replacement Fund may be used at any time: first, to pay for any costs of replacing depreciable property and equipment of the Airport System and making repairs, replacements or renovations of the Airport System; second, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Revenue Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency.

Capital Fund. After the City makes all payments and transfers required by the Ordinances, at least annually it shall also transfer all amounts remaining in the Revenue Fund to the Capital Fund; provided, however, that no transfers shall be made to the Capital Fund unless the Debt Service Reserve Fund contains the Debt Service Reserve Fund Requirement and all Administrative Expenses have been paid. Amounts credited to the Capital Improvement Account may be used only for lawful purposes relating to the Airport System, including without limitation, to pay for any capital expenditures or to pay costs of replacing any depreciable property or equipment of the Airport System, to make any major or extraordinary repairs, replacements or renewals of the Airport System, to acquire land or any interest in such land, to pay costs necessary or incident to the closing or disposition of any facility of the Airport System and, at the City's discretion, to be designated as Other Available Funds to be transferred to the Revenue Fund.

Construction Fund. From the proceeds of each series of Revenue Bonds (other than any refunding bonds) there shall be deposited into the Capitalized Interest Account (if any) established in the Construction Fund for that series the amount of capitalized interest required by the ordinance authorizing issuance of the series of Revenue Bonds. The amounts may be applied to pay interest on the series of Revenue Bonds as provided in the authorizing ordinance.

From the proceeds of each series of Revenue Bonds (other than any refunding bonds) there shall be deposited into the applicable Project Account established in the Construction Fund the amounts as shall be provided in the ordinance authorizing the series of Revenue Bonds. The amounts may be applied to pay costs of establishing, improving, enlarging, extending, and repairing the Airport System or any project to become part of the Airport System, to reimburse advances made by the City for such costs, to pay costs of issuance of Revenue Bonds and to pay any other capital costs of the Airport System as provided in the ordinance authorizing the series of Revenue Bonds.

The Ordinances establish within the Construction Fund two accounts, the Series 2014 Project Account and the Capitalized Interest Account. Moneys in the Series 2014 Project Account shall be used to pay costs of constructing the improvements at the Airport consistent with the purpose for which the Bonds are issued. Moneys in the Capitalized Interest Account shall be held for the purpose of paying interest on the Bonds during the construction of the improvements and for one year after the improvements have been constructed, and shall be transferred from time to time to the Debt Service Fund in the manner provided in the Ordinances.

Mueller Airport Disposition Fund. The Robert Mueller Municipal Airport was closed for aviation purposes and the Mueller Airport Property was transferred out of the Airport System and is no longer part of the Airport System. In connection with the transfer of the Mueller Airport Property, the City deposited certain funds into the Mueller Disposition Fund. These funds, together with any other amounts deposited into the Mueller Disposition Fund, may be used for the payment or reimbursement of all costs and expenses incurred by the City necessary or incident to the closing of Robert Mueller Municipal Airport to aviation purposes and the disposition of the Mueller Airport Property. Any amounts remaining will be transferred to the City's aviation department.

Investment of Funds; Transfer of Investment Income. Money in all Funds and Accounts shall, at the option of the City, be invested in the manner provided by Texas law; provided, that all such deposits and investments shall be made in a manner that the money required to be expended from any Fund will be available at the proper time or times. Moneys in the Funds and Accounts may be subjected to further investment restrictions imposed from time to time by ordinances authorizing the issuance of Revenue Bonds and Subordinate Obligations. All such investments shall be valued no less frequently than once per Fiscal Year at market value, except that: (i) any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount, and (ii) any investments which are subject to a Qualified Put may continuously be valued at the amount at which they can be put or sold under the terms of such Qualified Put. For purposes of maximizing investment returns, money in the Funds may be invested, together with money in other Funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of the money or Funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which the money is invested and the share thereof purchased with such money or owned by such Fund are held by or on behalf of each such Fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

All interest and income derived from deposits and investments credited to any of the following funds and accounts shall be applied as follows, except as provided in the following paragraph.

Source of Interest or Income	Fund or Account to which such Interest or Income should be Credited
Revenue Fund	Remains in Revenue Fund
Administrative Fund	Revenue Fund
Debt Service Reserve Fund	Remains in fund until the Debt Service Reserve Fund Requirement is satisfied; thereafter to the Revenue Fund
Operation and Maintenance Reserve Fund	Remains in fund until fully funded; thereafter, to the Revenue Fund
Renewal and Replacement Fund	Remains in fund until Renewal and Replacement Fund Requirement is met; thereafter, to the Revenue Fund
Capital Fund - Capital Improvement Account	Remains in the fund or in the appropriate fund or account therein

Any interest and income derived from deposits and investments of any amounts credited to any Fund or Account may be: (i) transferred into any rebate account or subaccount; and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained in the Ordinances or required in order to prevent interest on any bonds payable from Net Revenues from being includable within the gross income of the Owners thereof for federal income tax purposes.

So long as any Revenue Bond remains Outstanding, all uninvested moneys on deposit in, or credited to, the Funds and Accounts established or confirmed in the Ordinances shall be secured by the pledge of security, as provided by Texas law.

Additional Bonds

Additional Revenue Bonds. The City reserves the right to issue, for any lawful Airport System purpose, one or more installments of Additional Revenue Bonds payable from and secured on a parity with the Outstanding Revenue Bonds; provided, however, that no series of Additional Revenue Bonds shall be issued unless:

(a) No Default. The City Manager and the Aviation Director certify that, upon the issuance of such Additional Revenue Bonds, the City will not be in default under any term or provision of any Revenue Bonds then Outstanding or any ordinance pursuant to which any Revenue Bonds were issued unless the default will be cured by the issuance of the Additional Revenue Bonds.

(b) Proper Fund Balances. The City's Chief Financial Officer or trustee, if one has been appointed, shall certify that, upon the issuance of Additional Revenue Bonds, the Debt Service Fund will have the required amounts on deposit and that the Debt Service Reserve Fund will contain the applicable Debt Service Reserve Fund Requirement or the amount as is required to be funded at that time.

(c) Projected Coverage for Additional Revenue Bonds. An Airport Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues, together with the estimated Other Available Funds, of the Airport System for each of three consecutive Fiscal Years beginning in the earlier of

(i) the first Fiscal Year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Additional Revenue Bonds, based upon a certified written estimated completion date by the consulting engineer for the facility or facilities, or

(ii) the first Fiscal Year in which the City will have scheduled payments of interest on or principal of the Additional Revenue Bonds to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of the Additional Revenue Bonds, investment income on such Additional Revenue Bonds or from other appropriated sources (other than Net Revenues),

are equal to at least 125% of the Debt Service Requirements on all Outstanding Revenue Bonds scheduled to occur during each such respective Fiscal Year after taking into consideration the additional Debt Service Requirements for the Additional Revenue Bonds to be issued.

(d) Alternate Coverage for Additional Revenue Bonds. In lieu of the certification described in (c) above, the City's Chief Financial Officer may provide a certificate showing that, for either the City's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, the Net Revenues, together with Other Available Funds, of the Airport System were equal to at least 125% of the maximum Debt Service Requirements on all Revenue Bonds scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Revenue Bonds proposed to be issued.

(e) Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the maximum annual Debt Service Requirements in any Fiscal Year after the issuance of the Additional Revenue Bonds will not exceed the maximum annual Debt Service Requirements in any Fiscal Year prior to the issuance of the Additional Revenue Bonds.

(f) Bond Ordinance Requirements. Provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds including, in the event that interest on the additional series of Revenue Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the Debt Service Fund of amounts fully sufficient to pay interest on such Additional Revenue Bonds during the period specified in the Revenue Bond Ordinance and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by the Ordinances or any other Revenue Bond Ordinance authorizing Additional Revenue Bonds.

(g) Special Provisions for Completion Bonds. The provisions of paragraphs (c) and (d) above shall not apply to the issuance of Completion Bonds in accordance with the provisions of the Ordinances.

Completion Bonds. The City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Project for which Revenue Bonds have previously been issued.

Prior to the issuance of any series of Completion Bonds the City must provide, in addition to all of the applicable certificates required above for the issuance of Additional Revenue Bonds, the following documents:

(a) a certificate of the consulting engineer engaged by the City to design the Project for which the Completion Bonds are to be issued stating that the Airport Project has not materially changed in scope since the issuance of the most recent series of Revenue Bonds for such purpose (except as permitted in the applicable ordinance authorizing the Revenue Bonds) and setting forth the aggregate cost of the Airport Project which, in the opinion of such consulting engineer, has been or will be incurred; and

(b) a certificate of the Aviation Director (i) stating that all amounts allocated to pay costs of the Airport Project from the proceeds of the most recent series of Revenue Bonds issued in connection with the Airport Project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of the Airport Project; (ii) containing a calculation of the amount by which the aggregate cost of that Airport Project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Airport Project paid to such date plus the moneys available at such date within any construction fund or other like account applicable to the Airport Project plus any other moneys which the Aviation Director, in his discretion, has determined are available to pay such costs in any other fund; and (iii) certifying that, in the opinion of the Aviation Director, the issuance of the Completion Bonds is necessary to provide funds for the completion of the Airport Project.

For purposes of this Section, the term "Airport Project" means the Airport or any other Airport System facility or project which shall be defined as an Airport Project in any ordinance authorizing the issuance of Additional Revenue Bonds for the purpose of financing the Airport Project. Any such ordinance may contain such further provisions as the City shall deem appropriate with regard to the use, completion, modification or abandonment of the Project.

Subordinate Obligations. The City reserves the right to issue or incur, for any lawful Airport System purpose, Subordinate Obligations and credit agreement obligations related to the Subordinate Obligations, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of the Revenue Bonds.

Special Facilities Bonds. The City reserves the right in the Ordinances to issue from time to time, in one or more series, Special Facilities Bonds to finance and refinance the cost of any Special Facilities, including all required reserves , all related costs of issuance and other reasonably related amounts , provided that such Special Facilities Bonds shall be payable solely from payments by lessees under Special Facilities Leases and/or other security not provided by the City. In no event shall Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. Unless expressly provided to the contrary in the Ordinances, no default with respect to a Special Facilities Bond shall constitute a default under the Ordinance.

Credit Agreements. To the fullest extent permitted by applicable law, the City expressly reserves the right to purchase and/or enter into Credit Agreements in connection with any series of Revenue Bonds and to pledge to and secure the payment of related Credit Agreement Obligations from Net Revenues and the various funds and accounts established or referred to in the Ordinances to the extent permitted by the Ordinances, and any of the City's other ordinances authorizing the issuance of Additional Revenue Bonds and to enter into credit agreements in connection with any series of Subordinate Obligations.

Particular Covenants

Annual Budget. So long as any Revenue Bond or Credit Agreement Obligation remains Outstanding, the Aviation Director shall, prior to the commencement of each Fiscal Year, prepare and delivery to the chief budget officer of the City, for submission to Council, a recommended annual budget for the Airport System for that Fiscal Year. The City shall adopt annual budgets for the Airport System for each Fiscal Year, containing an estimate of Gross Revenues and only those budgeted expenditures as will produce Net Revenues in an amount not less than the Debt Service and Administrative Expenses when due and make the required deposits to the Debt Service Reserve Fund. After the adoption of the annual Airport System budget by the City, the total expenditures for Operation and Maintenance Expenses will not exceed the total expenditures authorized for the purposes described in the budget, as the budget may from time to time be amended.

Rate Covenant. The City covenants that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the Net Revenues will be at least sufficient to equal the larger of either:

(i) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or

(ii) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for Revenue Bonds for such Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

If the Net Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for the Fiscal Year, must request an Airport Consultant to make any recommendations to revise the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the foregoing requirements. Copies of the request and the recommendations of the Airport Consultant shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the covenant set forth above, so long Debt Service is paid when due.

Sale or Encumbrance of Airport System. Except for the use of the Airport System or services pertaining to the Airport System in the normal course of business, the City covenants that neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Revenue Bonds, Credit Agreement Obligations and Administrative Expenses have been paid in full, or unless provision for payment has been made, and the City shall not dispose of its title to the Airport System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the Airport System, except for the execution of leases, licenses, easements, or other agreements in connection with the operation of the Airport System by the City, or in connection with any Special Facilities, except for any pledges of and liens on revenues derived from the operation and use of all or part of the Airport System, or any Special Facilities, for the payment of Revenue Bonds, Credit Agreement Obligations, Administrative Expenses, Special Facilities Bonds and any other obligations pertaining to the Airport System, and except as otherwise provided in the next two paragraphs.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any property constituting a part of the Airport System which the Aviation Director certifies: (i) to be no longer useful in the construction or operation of the Airport System; (ii) to be no longer necessary for the efficient operation of the Airport System; or (iii) to have been replaced by other property of at least equal value. The net proceeds of the sale or disposition of any Airport System property (or the fair market value of any property so excluded) pursuant to this paragraph shall be used for the purpose of replacing properties at the Airport System, shall be paid into the Capital Fund - Capital Improvement Account or shall be applied to retire or pay principal of or interest on Revenue Bonds.

Nothing in the Ordinances prevents any transfer of all or a substantial part of the Airport System to another body corporate and politic (including, but not necessarily limited to, a joint action agency or an airport authority) which assumes the City's obligations under the Ordinances and in any ordinance authorizing the issuance of Revenue Bonds, in whole or in part, if: (i) in the written opinion of the Airport Consultant, the ability to meet the rate covenant and other covenants under the Ordinances and in any ordinance authorizing the issuance of Revenue Bonds, are not materially and adversely affected; and (ii) in the written opinion of nationally recognized bond counsel, the transfer and assumption will not cause the interest on any Revenue Bonds that were issued as "tax-exempt bonds" within the meaning of the regulations promulgated under the Code to be includable in gross income of the Owners of the Revenue Bonds for federal income tax purposes. Following the transfer and assumption, all references to the City, City officials, City ordinances, City budgetary procedures and any other officials, actions, powers or characteristics of the City shall be deemed references to the transferee entity and comparable officials, actions, powers or characteristics of the entity. In the event of any transfer and assumption, nothing in the Ordinances shall prevent the retention by the City of any facility of the Airport System if, in the written opinion of the Airport Consultant, the retention will not materially and adversely affect nor unreasonably restrict the transferee entity's ability to comply with the requirements of the rate covenant and the other covenants of the Ordinances and in any Revenue Bond Ordinance.

Insurance. The City covenants and agrees that it will keep the Airport System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that the insurance is available; provided, however, that if any insurance is not commercially available or not available on more favorable economic terms, the City may elect to be self-insured in whole or in part against the risk or loss that would otherwise be covered by insurance, in which case the City will establish reserves for such risk or loss in amounts the City determines to be appropriate. All net proceeds of property or casualty insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the Airport System or to redeem Revenue Bonds. Proceeds of business interruption insurance may be credited to the Revenue Fund.

Accounts, Records, and Audits. The City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Gross Revenues and the operation of the Airport System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Airport System. After the close of each Fiscal Year, the City shall cause an audit report of the records and accounts described in the preceding sentence to be prepared by an independent certified public accountant or independent firm of certified public accountants, which may be part of an overall audit report of the City and/or other of its enterprise funds. All expenses of obtaining such reports shall constitute Operation and Maintenance Expenses of the Airport System.

Bondholders' Remedies. The Ordinances are a contract between the City and the Owners of the Revenue Bonds and the holders of related Credit Agreement Obligations from time to time outstanding and the Ordinances shall be and remain irrepealable until the Revenue Bonds, the related Credit Agreement Obligations and Administrative Expenses shall be fully paid or discharged or provision for their payment shall have been made as provided in the Ordinances. In the event of a default in the payment of Debt Service on any of the Revenue Bonds or Credit Agreement Obligations or a default in the performance of any duty or covenant provided by law or in the Ordinances, the Owner or Owners of any of the Revenue Bonds, and the holders of any Credit Agreement Obligations and the Persons to whom Administrative Expenses are owed may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Revenue Bonds or holder of Credit Agreement Obligations or Person to whom Administrative Expenses are owed, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Ordinances, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds herein provided, and the application of such Gross Revenues in the manner required in the Ordinances.

Notwithstanding the provisions of the foregoing paragraph: (i) acceleration as a remedy is expressly denied; (ii) no grace period for a default in the performance of any duty or covenant shall exceed 30 days, nor shall any grace period be extended for more than 60 days without the written consent of the Bond Insurer (to the extent consent is required); and (iii) no grace period is permitted with respect to a default in the payment of Debt Service or the payment of Administrative Expenses when due. For purposes of exercising the rights of Owners upon the occurrence of an event of default described in the immediately preceding paragraph, the Bond Insurer shall be deemed to be the sole holder of the Series 2005 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant to the Ordinances.

Legal Holidays. If any date on which a payment of Debt Service is due is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of scheduled payment of Debt Service.

Discharge By Deposit

The City may discharge its obligation to the Owners of any or all of the Bonds to pay Debt Service, or any portion by depositing with the Paying Agent/Registrar cash in an amount equal to the Debt Service of the Bonds to the date of maturity or redemption, or any portion of the Bonds to be discharged, or by depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of $100,000,000, pursuant to an escrow or trust agreement, cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, the Bonds, or any portion thereof, shall no longer be regarded to be Outstanding or unpaid. In case any Bonds are to be redeemed on any date prior to their maturity, the City shall give to the Paying Agent/Registrar irrevocable instructions to give notice of redemption of Bonds to be so redeemed in the manner required in the Ordinances. Any determination not to redeem Bonds that is made in conjunction with the payment arrangements described above shall not be irrevocable, provided that: (1) in the proceedings providing for the payment arrangements, the City expressly reserves the right to call the Bonds for redemption; (2) the City gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the payment arrangements; and (3) the City directs that notice of the reservation be included in any redemption notices that it authorizes.

Prior to the defeasance of the Bonds: (i) a report of an independent firm of nationally recognized certified public accountants (Accountant) verifying the sufficiency of the escrow established to pay the Bonds in full on the respective maturity or redemption date (Verification) will be obtained by the City; (ii) an escrow agreement will be executed and delivered by the City; and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under this Ordinances will be obtained by the City. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City.

Amendments

Alteration of Rights and Duties. The rights, duties, and obligations of the City and the Owners of the Bonds and the holders of Credit Agreement Obligations related to the Bonds, and Persons to whom Administrative Expenses are owed, are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

Amendment of the Ordinances Without Consent. The City may, without the consent of or notice to any of the Owners of the Bonds, amend the Ordinances for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in the Ordinances or in the ordinances authorizing the issuance of Revenue Bonds; or to comply with any applicable provision of law or regulation of Federal agencies, or to obtain the approving opinion of the Attorney General of Texas as required by law; provided, however, that such action shall not adversely affect the interests of the Owners of the Revenue Bonds;

(b) to change the terms or provisions of the Ordinances to the extent necessary to prevent the interest on the Revenue Bonds from being includable within the gross income of the Owners thereof for federal income tax purposes;

(c) to grant to or confer upon the Owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Revenue Bonds;

(d) to add to the covenants and agreements of the City contained in the Ordinances other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in the Ordinances;

(e) to amend any provisions of the Ordinances relating to the issuance of Revenue Bonds and Subordinate Obligations, or the incurrence of and security for reimbursement obligations in connection therewith, so long as to do so does not cause any reduction in any rating assigned to the Outstanding Revenue Bonds by any major municipal securities evaluation service then rating any Series of the Revenue Bonds;

(f) to subject to the lien and pledge of the Ordinances additional Net Revenues which may include revenues, properties or other collateral; and

(g) to amend the undertaking relating to continuing disclosure of information in Article Twelve of the Ordinances to the extent permitted in Article Twelve.

Amendments of the Ordinances Requiring Consent. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of the Ordinances but, if the amendment is not of the character described above, only with the consent of the Owner or Owners given in accordance with the Ordinances of not less than 66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that nothing in this paragraph shall permit (a) an extension of the maturity of the principal of or interest on any Revenue Bond issued hereunder, or (b) a reduction in the principal amount of any Revenue Bond or the rate of interest on any Revenue Bond, or (c) a privilege or priority of any Revenue Bond or Revenue Bonds over any other Revenue Bond or Revenue Bonds, or (d) a reduction in the percentage of aggregate principal amount of the Revenue Bonds required for consent to such amendment. See "- Consent to Certain Amendments Given Through Ownership of Bonds", below.

Consent of Owners. Any consent required by the preceding paragraph hereof by any Owner shall be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by the Owner or its duly authorized attorney. Proof of the execution of any consent or of the writing appointing any such attorney and of the ownership of Revenue Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Ordinances, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under such instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged its execution before him or her, or by affidavit of any witness to the execution.

(b) The fact of the ownership by any person of any Revenue Bond and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that on that date the Revenue Bond was registered in the name of that party in the Register.

In lieu of the foregoing the City may accept such other proofs of the foregoing as it shall deem appropriate.

Consents required pursuant to the subsection titled "Amendments of the Ordinances Requiring Consent" shall be valid only if given following the giving of notice by or on behalf of the City requesting the consent and setting forth the substance of the amendment of the Ordinances in respect of which such consent is sought and stating that copies thereof are available at the office of the City Clerk for inspection. Such notice shall be given by certified mail to each Registered Owner of the Revenue Bonds affected at the address shown on the Register.

Revocation of Consent. Any consent by any Owner of a Revenue Bond shall be irrevocable for a period of 18 months from the date of mailing of the notice provided for in the Ordinances, and shall be conclusive and binding upon all future Owners of the same Revenue Bond and any Revenue Bond delivered on transfer thereof or in exchange for or replacement of the Revenue Bond during this period. The consent may be revoked at any time after 18 months from the date of the first mailing of the notice by the Owner who gave the consent or by a successor in title, by filing notice with the Paying Agent/Registrar, but the revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Revenue Bonds Outstanding as in the Ordinances defined have, prior to the attempted revocation, consented to and approved the amendment.

Consent to Certain Amendments Given Through Ownership of Bonds. By acceptance of the Bonds, each Owner of a Bond: (i) irrevocably and specifically consents to and approves the amendments described in (1) and (2) below; (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact for the limited purpose of executing the written instrument required by Section 9.04 of the Ordinance to evidence the Owner's specific consent to and approval of the amendments described in (1) and (2) below; and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner, it being specifically provided that the Aviation Director need not consult with, or provide notice to, an Owner in connection with the actions taken by the Aviation Director under this Section. The power of attorney granted to the Aviation Director shall be limited to effecting the below amendments and is irrevocable for so long as any Bond remains Outstanding.

The amendments are:

(1) Amend Section 6.01(e) of this Ordinancse and the Revenue Bond Ordinances to read:

"Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Prior Lien Bonds or Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the aggregate Debt Service Requirements after the issuance of the Additional Revenue Bonds do not exceed the aggregate Debt Service Requirements prior to the issuance of the Additional Revenue Bonds; provided, that the annual debt service on the refunding bonds in any Fiscal Year will not be more than 10% higher than it is in any other Fiscal Year."

(2) Amend Section 9.03 of this Ordinances and the Revenue Bond Ordinances by changing the phrase "66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding" to "a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding".

The amendment described in clause (1) will become effective once the City determines that the consent of 66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received, and the amendment described in clause (2) will become effective once the City determines that the consent of 100% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received. Since the Series 2005 Bonds are insured, the consent of the Insurer will be required to be obtained. Since there are no Prior Lien Bonds (as defined in the Series 2005 Bond Ordinance) now Outstanding, the reference to Prior Lien Bonds in clause (1) above is of no force and effect.

Use of Passenger Facility Charges

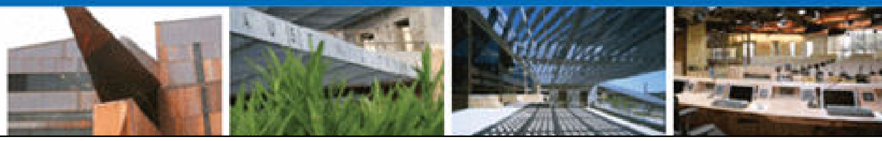
Consistent with the definitions of Debt Service Requirements and Gross Revenues, the City acknowledges and agrees that debt service with respect to the Revenue Bonds paid or to be paid from passenger facility charges is not included in the calculation of Debt Service Requirements. The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) $4.50 derived from each passenger facility charge ("PFC") so imposed and collected by the City for the payment of PFC-eligible debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the passenger facility charges will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%.

APPENDIX D

FORM OF BOND COUNSEL'S OPINIONS

AUSTIN CITY COUNCIL

AGENDA



Recommendation for Council Action

Austin City Council	**Item ID**	65710	**Agenda Number**	18.

Meeting Date:	12/15/2016	**Department:**	Treasury

Subject

Approve an ordinance authorizing the issuance and sale by June 15, 2017, of City of Austin Airport System Revenue Bonds, Series 2017A (Non-AMT), in an amount not to exceed $230,000,000 in accordance with the parameters set out in the ordinance, authorizing related documents, and approving related fees.

Amount and Source of Funding

$2,906,021 in anticipated first year debt service requirements and an estimated annual administration fee of $500 for the paying agent/registrar for the proposed bond sale was included in the 2016-17 Approved Operating Budget of the Airport Revenue Bond Redemption Fund.

Fiscal Note

Information pertaining to the fiscal impact of this item is found under the "Amount and Source of Funding" and "Additional Backup Information" sections.

Purchasing Language:	
Prior Council Action:	
For More Information:	Art Alfaro, Treasurer, 512-974-7882
Council Committee, Boards and Commission Action:	12/13/16 Austin Airport Advisory Commission
MBE / WBE:	
Related Items:	

Additional Backup Information

The Bonds are being issued to provide funding related to infrastructure improvements at the airport, specifically, the construction work for a new, approximately 6,000-space, six-level parking garage at the Lot A site north of the existing parking garage and west of the new rental car facility. The Parking Garage Construction scope of work has been expanded from the 2014 financing plan to include an additional 1,000 spaces and improvements at the roadways and entry plazas for the newly-constructed garage.

The debt service cost for the currently-proposed $230,000,000 City of Austin Airport System Revenue Bonds, Series 2017A (Non-AMT) is estimated as follows:

	2016-2017	**Average Per Year**
Principal	$ 0	$ 6,642,333
Interest	2,906,021	7,157,000
Total Debt Service	$2,906,021	$13,799,333

The Airport financing plan on today's agenda includes "AMT" (Alternative Minimum Tax) bonds and "Non-AMT" bond issuances for ABIA. The entire issuance is supported by Airport System revenue.

This item for the 2017A series are Non-AMT bonds planned to finance the construction of the parking garage at the Airport. The related item for the 2017 B series bonds are AMT bonds planned to finance the terminal and apron expansion and improvements.

The bonds funding the airport terminal and apron expansion are considered private activity bonds. The interest earned on private activity bonds is subject to the AMT provisions of the Internal Revenue Code. The bonds financing the parking garage are considered governmental bonds for federal income tax purposes and the interest earned on governmental bonds), is not subject to the AMT provisions.

The effect of AMT versus Non-AMT to the City of Austin is that Non-AMT bonds generally bear interest at a lower rate than AMT bonds.

In order to provide the City with the flexibility to respond quickly to changing market conditions, the proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the "Pricing Officer") to complete the sale of the Bonds in accordance with the parameters in the ordinance. Additionally, the authority of the Pricing Officer to exercise the authority delegated by Council under this ordinance expires on June 15, 2017.

This transaction will be sold through RBC Capital Markets, as Senior Manager, and Goldman Sachs, Piper Jaffray & Co., Jeffries, and Siebert Brandford Shank & Co., as Co-Managers. McCall, Parkhurst & Horton L.L.P. will serve as bond counsel, Norton Rose Fulbright will serve as disclosure counsel, and serving as underwriter's counsel will be Orrick, Herrington & Sutcliffe LLP. Public Financial Management is the City's financial advisor.

ORDINANCE NO.

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REVENUE BONDS, SERIES 2017A, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $230,000,000

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

ARTICLE ONE

FINDINGS

Section 1.01 **BOND AUTHORIZATION**. Capitalized terms used in this Article One and not otherwise defined shall have the meaning assigned in Article Two. Council finds that:

(a) The City has previously issued, and there are currently outstanding, the Series 2005 Bonds, pursuant to the Series 2005 Bond Ordinance, the Series 2013 Bonds, pursuant to the Series 2013 Bond Ordinance, the Series 2013A Bonds, pursuant to the Series 2013A Bond Ordinance, and the Series 2014 Bonds, pursuant to the Series 2014 Bond Ordinance, issued as Revenue Bonds in compliance with the terms of each Series' respective ordinance.

(b) The Currently Outstanding Revenue Bonds, and all bonds issued on parity with the Currently Outstanding Revenue Bonds are, and will be, secured by a first lien on and pledge of the Net Revenues.

(c) The Revenue Bond Ordinances each (i) provide for the issuance of additional series of obligations, secured by a lien on and pledge of Net Revenues on parity with the Currently Outstanding Revenue Bonds, and (ii) reserve the right to issue subordinated revenue obligations.

(d) The issuance and delivery of the bonds authorized by this Ordinance is in the public interest and the use of the proceeds in the manner specified in this Ordinance constitutes a valid public purpose.

(e) The bonds authorized by this Ordinance are issued as Revenue Bonds in compliance with the Revenue Bond Ordinances and shall be equally and ratably secured on parity with the Currently Outstanding Revenue Bonds.

(f) This Ordinance is substantially in the forms of the Revenue Bond Ordinances, with changes to reflect the terms and conditions of sale of the bonds authorized by this Ordinance.

(g) Council by separate ordinance will authorize the issuance of a separate series of Revenue Bonds on parity with the Currently Outstanding Revenue Bonds and the bonds authorized by this Ordinance.

(h) Council finds that sufficient written notice of the date, hour, place, and subject of the council meeting at which this Ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this Ordinance has been discussed, considered, and formally acted upon. Council further ratifies, approves and confirms the written notice and the contents and posting of the meeting notice.

(i) The table of contents, titles, and headings of the articles and sections of this Ordinance have been provided for convenience of reference only and are not considered to be a part of this Ordinance and shall never be considered or given any effect in interpreting this Ordinance or in determining intent, if any question of intent arises.

ARTICLE TWO

DEFINITIONS

Section 2.01. **DEFINITIONS**. Unless otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section for all purposes of this Ordinance, and any ordinance amending or supplementing this Ordinance, shall have the meanings stated below:

"Additional Revenue Bonds" means the additional parity Revenue Bonds permitted to be issued by the City pursuant to Section 6.01 of this Ordinance.

"Administrative Expense Fund" means the fund by that name established in Section 5.04(d) of this Ordinance.

"Administrative Expenses" means the fees, expenses, and indemnification liabilities payable to the Persons to whom fees and expenses are due and owing in connection with the Revenue Bonds, and Credit Agreement Obligations incurred in connection with a related series of Revenue Bonds, including but not limited to the fees and expenses of the Paying Agent/Registrars, the Credit Providers, the rebate analysts, the remarketing agents and the tender agents, and of which the City is given actual notice at least 30 days prior to the date payment of these amounts is due.

"Airport" means the air carrier airport developed, constructed and operated by the City pursuant to the city-wide election held within the City on May 1, 1993, and designated as the Austin-Bergstrom International Airport (ABIA).

"Airport Consultant" means a nationally recognized independent firm, person or corporation having a widely known and favorable reputation for special skill, knowledge, and experience in methods of developing, operating and financing airports of approximately the same size as the properties constituting the Airport System.

"Airport System" means all or any interest in airport, heliport and aviation facilities, now or from time to time owned, operated or controlled in whole or in part by the City, including the Airport, together with all properties, facilities, and services of the Airport, and all additions, extensions, replacements and improvements to the Airport, and all services currently provided, or to be provided, by the City in connection with the Airport, but expressly excluding (i) any heliport or heliports operated by City departments other than the Aviation Department, (ii) the Austin consolidated rental car facility, financed by the issuance of City of Austin, Texas Rental Car Special Facility Revenue Bonds, Taxable Series 2013, as Special Facilities, and (iii) the Mueller Airport Property.

"Authorized Denominations" means $5,000 and integral multiples of $5,000.

"Authorized Officer" means the City Manager of the City and the Chief Financial Officer of the City, the City Treasurer, or any Assistant City Manager authorized by the City Manager to sign documents on his or her behalf.

"Aviation Director" means the Executive Director of the City's Department of Aviation, or any successor or person acting in that capacity.

"Bond Insurer" or "Insurer" means Assured Guaranty Municipal Corp. (the successor to Financial Security Assurance Inc., a New York stock insurance company), or any successor to or assignee of Assured Guaranty Municipal Corp.

"Bond Purchase Agreement" means the bond purchase agreement between the City and the Underwriters, relating to the sale and delivery of the Bonds, in substantially the form approved by Council in the sale of obligations to underwriters in a negotiated sale.

"Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017A, authorized by this Ordinance.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the City, or in the City where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located, are generally authorized or obligated by law or executive order to close.

"Capital Fund" means the fund designated in Section 5.04 of this Ordinance.

"Capitalized Interest Account" means the account designated in Section 5.15(c) of this Ordinance.

"Chapter 9" means Chapter 9, Texas Business & Commerce Code.

"Chapter 22" means Chapter 22, Texas Transportation Code.

"Chapter 1208" means Chapter 1208, Texas Government Code.

"Chapter 1371" means Chapter 1371, Texas Government Code.

"City" means the City of Austin, Texas, and, where appropriate, council, or any successor as owner and operator of the Airport System.

"Code" means the Internal Revenue Code of 1986.

"Concurrent Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017B (AMT), authorized by the Concurrent Ordinance.

"Concurrent Ordinance" means the ordinance adopted concurrently with this Ordinance, and all amendments and supplements to the ordinance, authorizing the issuance of the Concurrent Bonds.

"Construction Fund" means the fund designated in Section 5.04(g) of this Ordinance.

"Credit Agreement" means (i) any agreement of the City entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Revenue Bonds or (B) providing liquidity with respect to Revenue Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Revenue Bonds to which it relates, and (ii) a Swap Agreement. A determination by the City that an agreement constitutes a Credit Agreement under this definition shall be conclusive as against all Owners.

"Credit Agreement Obligations" means any amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense.

"Credit Provider" means the issuer or provider of a Credit Agreement.

"Currently Outstanding Revenue Bonds" means the Series 2005 Bonds, the Series 2013 Bonds, the Series 2013A Bonds and the Series 2014 Bonds.

"Debt Service" means (i) with respect to a series of Revenue Bonds, an amount equal to the Principal Installment, redemption premium, if any, and interest on such Revenue Bonds, (ii) with respect to a Credit Agreement other than a Swap Agreement, amounts payable as Credit Agreement Obligations, and (iii) with respect to a Swap Agreement, regularly scheduled amounts payable by the City under a Swap Agreement, so long as the counterparty is not in default (specifically excluding Termination Payments, which shall constitute Subordinate Obligations).

"Debt Service Fund" means the fund designated in Section 5.04(b) of this Ordinance established with respect to the Revenue Bonds.

"Debt Service Requirements" means for any particular period of time, an amount equal to the sum of the following for such period with respect to all or any portion of Revenue Bonds or Credit Agreement Obligations, as applicable, then Outstanding:

(a) That portion of interest which would accrue with respect to Revenue Bonds during such period if interest were deemed to accrue only during the six month period prior to its payment (12 month period in the case of capital appreciation or compound interest bonds), plus

(b) That portion of the principal amount of Revenue Bonds which would accrue during such period if principal were deemed to accrue only during the 12 month period prior to its scheduled payment date (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory Revenue Bond redemptions),

less and except any such interest or principal for the payment of which provision has been made by: (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest or principal either from proceeds of bonds, from interest earned or to be earned thereon, from Airport System funds other than Net Revenues, or from any combination of such sources; and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a dedicated fund or account (including, without limitation, the Capitalized Interest Account), the proceeds of which are required to be transferred as needed into the Debt Service Fund, or directly to the Paying Agent/Registrar for the Revenue Bonds.

For purposes of calculating Debt Service Requirements, in making estimates as to interest accrued or to accrue on Variable Rate Bonds, the actual interest rate shall be used to the extent known or ascertainable and to the extent unknown and not ascertainable, the Maximum Interest Rate shall be used; provided, however, that to the extent Variable Rate Bonds are subject to a Swap Agreement, the fixed rate that is effective with respect to such Variable Rate Bonds pursuant to such Swap Agreement shall be used.

"Debt Service Reserve Fund" means the fund designated and established in Section 5.04(c) of this Ordinance with respect to the Revenue Bonds.

"Debt Service Reserve Fund Requirement" means the amount required to be maintained in the Debt Service Reserve Fund. This amount shall be computed and recomputed annually as a part of the City's budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with section 1.148-6 of the regulations promulgated under the Code, exceed the least of: (a) 10% of the stated principal amount of each issue of which the Revenue Bonds or Additional Revenue Bonds are a part; (b) the maximum annual principal and interest requirements of the issue; or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that the additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code and the related regulations promulgated from time to time.

"Debt Service Reserve Fund Surety Bond" means any surety bond or insurance policy having a rating in the highest respective rating categories by Moody's and Standard & Poor's issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance.

"Defeasance Obligations" means: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States; (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date council adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named in Section 8.01 of this Ordinance, its corporate trust office in Plano, Texas, and (ii) with respect to any successor Paying Agent/Registrar, the office of the successor designated and located as may be agreed upon by the City and the successor.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participant" means the securities brokers, dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Federal Payments" means those funds received by the Airport System from the federal government or any agency of the federal government as payments for the use of any facilities or services of the Airport System.

"Fiscal Year" means the City's fiscal year as from time to time designated by the City, which is currently October 1 to September 30.

"General Obligation Airport Bonds" means those bonds or other obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes.

"Gross Revenues" means all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to all or any part of the Airport System, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Airport System, or otherwise, and includes, except to the extent expressly excluded below, all revenues received by the

City from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation of the Airport System, interest and other income realized from the investment or deposit of amounts required to be transferred or credited to the Revenue Fund. Gross Revenues expressly excludes:

(a) proceeds of any Revenue Bonds and Subordinate Obligations;

(b) interest or other investment income derived from proceeds of Revenue Bonds and Subordinate Obligations deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund;

(c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies shall be received as payments for the use of the Airport System facilities;

(d) any revenues derived from any Special Facilities (e.g., customer facility charges) which are pledged to the payment of Special Facilities Bonds;

(e) insurance proceeds other than loss of use or business interruption insurance proceeds;

(f) the proceeds of the passenger facility charge (PFC) currently imposed by the City and any other per-passenger charge as may be lawfully authorized;

(g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities;

(h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that the payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners of the Bonds for federal income tax purposes;

(i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges shall be considered Gross Revenues; and

(j) Other Available Funds transferred to the Revenue Fund as provided in this Ordinance.

"Initial Bonds" means the Initial Bonds authorized by Section 3.06 of this Ordinance.

"Interest Payment Date" means each May 15 and November 15, commencing May 15, 2017, until maturity or prior redemption of the Bonds.

"Minimum Capital Reserve" means an amount, designated by the Aviation Director not less frequently than annually at the end of each Fiscal Year, but in any event not more than $100,000 each Fiscal Year, necessary to accumulate or to re-accumulate in the Capital Fund a reserve in an amount not less than $1,000,000.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns, and if this corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall refer to any other nationally recognized securities rating agency designated by the City.

"MSRB" means the Municipal Securities Rulemaking Board.

"Mueller Airport Property" means the property and facilities that comprised the former Robert Mueller Municipal Airport, located within the City. The Mueller Airport Property is not part of the Airport System.

"Net Revenues" means that portion of the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System, including, without limitation, those reasonably allocated City overhead expenses relating to the administration, operation and maintenance of the Airport System; insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund; any general and excise taxes or other governmental charges imposed by entities other than the City; any required rebate of any portion of interest income to the federal government which is payable from Gross Revenues or the Revenue Fund; costs of contractual and professional services, labor, materials and supplies for current operations, including the costs of direct City services rendered to the Airport System as are requested from the City by the Airport System and as are reasonably necessary for the operation of the Airport System; costs of issuance of Revenue Bonds and Subordinate Obligations for the Airport System (except to the extent paid from the proceeds); fiduciary costs; costs of collecting and refunding Gross Revenues; utility costs; any lawful refunds of any Gross Revenues; and all other administrative, general and commercial expenses, but excluding:

(a) any allowance for depreciation;

(b) costs of capital improvements;

(c) reserves for major capital improvements, Airport System operations, maintenance or repair;

(d) any allowance for redemption of, or payment of interest or premium on, Revenue Bonds and Subordinate Obligations;

(e) any liabilities incurred in acquiring or improving properties of the Airport System;

(f) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities to the extent they are required to be paid by such lessees pursuant to the terms of the Special Facilities Leases;

(g) any charges or obligations incurred in connection with any lawful Airport System purpose, including the lease, acquisition, operation or maintenance of any facility or property benefiting the Airport System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of the Capital Fund;

(h) liabilities based upon the City's negligence or other ground not based on contract; and

(i) so long as Federal Payments are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period.

"Operation and Maintenance Reserve Fund" means the fund designated and established in Section 5.04(a) of this Ordinance.

"Ordinance" means this ordinance and all amendments and supplements to this ordinance.

"Other Available Funds" means any amount of unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund; but in no event may this amount exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year for purposes of Sections 5.03 and 6.01 of this Ordinance.

"Outstanding" when used with reference to any Revenue Bonds or Subordinate Obligations, means, as of a particular date, all those Revenue Bonds or Subordinate Obligations delivered except: (a) any obligation paid, discharged, or cancelled by or on behalf of the City at or before that date; (b) any obligation defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any obligation in lieu of or in substitution for which another obligation was delivered pursuant to the ordinance authorizing the issuance of the obligation.

"Owner" or "Registered Owner," when used with respect to any Revenue Bond means the person or entity in whose name the Revenue Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners means the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Revenue Bonds then Outstanding under this Ordinance.

"Paying Agent/Registrar" initially means, for the Bonds, the entity named in Section 8.01 and its successors in that capacity.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of the government.

"Principal Installment" means, with respect to Revenue Bonds or a series of Revenue Bonds, any amounts, including any mandatory sinking fund installments, which are stated to be due or required to be made on or with respect to a Revenue Bond or series of Revenue Bonds, which, when made, would reduce the amount of the Revenue Bond or series of Revenue Bonds that remain Outstanding or would retire and pay the same in full.

"Qualified Put" means any agreement, however denominated, provided by a qualifying financial institution (as described in the next sentence) which contractually commits to purchase, upon no more than seven days' notice, for not less than a stated price any class or amount of investment securities or other authorized investments of the City at any time that such investment securities or investments must be liquidated in order to make cash transfers from the fund or account that holds such investments. A Qualified Put may be entered into only with a qualifying financial institution which is (a) a domestic bank the long-term debt of which is rated at least "AA" by Standard & Poor's and "Aa" by Moody's, or (b) a foreign bank the long-term debt of which is rated "AAA" by Standard & Poor's and at least "Aa" by Moody's , or at least "AA" by Standard & Poor's and "Aaa" by Moody's , or (c) a financial institution the long-term debt of which is rated at least "A" by both Standard & Poor's and Moody's and agrees to collateralize its obligations under such agreement by lodging with a third party trustee, escrow agent, custodian or other financial third party direct obligations of the United States of America or its agencies with a market value equal to 102% of the difference between the face amount of its purchase obligation under the agreement and the market value of the investment securities to which the agreement relates (based upon periodic market valuations at least monthly). A Qualified Put may be integrated into any investment authorized under Texas law, such as a repurchase agreement.

"Record Date" shall have the meaning assigned in the FORM OF BONDS (Exhibit A to this Ordinance).

"Refunding Revenue Bonds" mean one or more series of bonds or other evidences of indebtedness issued by the City for the purpose of: (i) refunding Outstanding Revenue Bonds or Credit Agreement Obligations; or (ii) to provide for the payment of a Termination Payment.

"Register" means the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

"Related Document" means any transaction document relating to this Ordinance or the Bonds, including any related underlying security agreement.

"Renewal and Replacement Fund" means the fund designated in Section 5.04(e) of this Ordinance.

"Renewal and Replacement Fund Requirement" means the amount required to be maintained in the Renewal and Replacement Fund pursuant to Article Five, or any greater amount required by any ordinance authorizing any series of Additional Revenue Bonds.

"Representative of the Underwriters" means RBC Capital Markets, LLC, designated by the Underwriters in the Bond Purchase Agreement to act as their representative.

"Revenue Bond Ordinances" means the Series 2005 Bond Ordinance, the Series 2013 Bond Ordinance, the Series 2013A Bond Ordinance, the Series 2014 Bond Ordinance, this Ordinance, the Concurrent Ordinance and any ordinances pursuant to which Additional Revenue Bonds are issued.

"Revenue Bonds" means the Currently Outstanding Revenue Bonds, the Bonds, the Concurrent Bonds, and each series of bonds, notes or other obligations, other than Credit Agreement Obligations, which the City has reserved the right to issue or incur from time to time pursuant to Section 6.01, payable from and secured by a first lien on and pledge of Net Revenues.

"Revenue Fund" means the fund designated in Section 5.04(a).

"Rule" means SEC Rule 15c2-12.

"SEC" means the United States Securities and Exchange Commission.

"Series 2005 Bond Ordinance" means the ordinance of the City adopted by council on August 4, 2005, authorizing the issuance of the Series 2005 Bonds, and all amendments to the ordinance adopted by council after August 4, 2005.

"Series 2005 Bonds" means the City of Austin, Texas, Airport System Refunding Revenue Bonds, Series 2005 (AMT), outstanding, as of November 1, 2016, in the aggregate principal amount of $198,750,000.

"Series 2013 Bond Ordinance" means the ordinance of the City adopted by council on May 9, 2013, authorizing the issuance of the Series 2013 Bonds, and all amendments to the ordinance adopted by council after May 9, 2013.

"Series 2013 Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2013, outstanding, as of November 1, 2016, in the aggregate principal amount of $60,000,000.

"Series 2013A Bond Ordinance" means the ordinance of the City adopted by Council on September 26, 2013, authorizing the issuance of the Series 2013A Bonds, and all amendments to the ordinance adopted by Council after September 26, 2013.

"Series 2013A Bonds" means the City of Austin, Texas, Airport System Revenue Refunding Bonds, Series 2013A, outstanding, as of November 1, 2016, in the aggregate principal amount of $35,014,000.

"Series 2014 Bond Ordinance" means the ordinance of the City adopted by council on November 20, 2014, authorizing the issuance of the Series 2014 Bonds, and all amendments to the ordinance adopted by council after November 20, 2014.

"Series 2014 Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2014 (AMT), outstanding, as of November 1, 2016, in the aggregate principal amount of $244,495,000.

"Special Facilities" means structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, inflight kitchens, training facilities and any and all other facilities and appurtenances being a part of, or related to, the Airport System, the cost of the construction or other acquisition of which is financed with the proceeds of Special Facilities Bonds.

"Special Facilities Bonds" means those bonds previously issued or from time to time issued by the City after the date of this Ordinance pursuant to Section 6.04 of this Ordinance.

"Special Facilities Lease" means any lease or agreement pursuant to which a Special Facility is leased by the City to the lessee in consideration for which the lessee agrees to pay (i) all debt service on the Special Facilities Bonds issued to finance the Special Facility (which payments are pledged to secure the Special Facilities Bonds) and (ii) the operation and maintenance expenses of the Special Facility.

"Standard & Poor's" or "S&P" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, its successors and assigns, and if this entity shall for any reason no longer perform the functions of a securities rating agency, "Standard & Poor's" and "S&P" shall refer to any other nationally recognized securities rating agency designated by the City.

"Subordinate Obligations" means each series of bonds, notes, or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, which the City has reserved the right to issue or incur from time to time pursuant to Section 6.03 as Subordinate Obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds.

"Swap Agreement" means a Credit Agreement, approved (if required) in writing by the Bond Insurer, with respect to a series of Revenue Bonds pursuant to which the City has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City's fixed or variable interest rate liability on all or a portion of the Revenue Bonds to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody's, and by Standard & Poor's, and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Revenue Bonds without reference to any Credit Agreement.

The "Series 2005 Swap Agreement" previously executed and delivered by the City with respect to the Series 2005 Bonds constitutes a Swap Agreement.

"Termination Payment" means an amount owed by the City to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of the Swap Agreement and which, on the date of execution of the Swap Agreement, is not an amount representing a regularly scheduled payment under the Swap Agreement. "Termination Payment" shall not include any amount representing an Administrative Expense.

"Treasury Regulations" means all applicable temporary, proposed and final regulations and procedures promulgated under the Code or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

"Underwriters" means, with respect to the Bonds, the entities designated in the Bond Purchase Agreement as the underwriters of the Bonds.

"Variable Rate" means an interest rate borne by the Revenue Bonds that is reset from time to time.

"Variable Rate Bonds" means Revenue Bonds which bear a Variable Rate.

Section 2.02 **INTERPRETATIONS**. All terms defined and all pronouns used in this Ordinance shall apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part of this Ordinance and shall not in any way modify or restrict any of the terms or provisions of this Ordinance. References to any article or section shall refer to the article or section contained in this Ordinance. References to FORM OF BONDS refer to the form of the Bonds set forth in Exhibit A to this Ordinance. References to any constitutional, statutory or regulatory provision shall include the provision as it exists on the date this Ordinance is adopted and any future amendments to or successor provisions of the provision. References to a City official means the Person acting in that capacity, whether on either an interim or a permanent basis. This Ordinance and all of its terms and provisions shall be liberally construed to effectuate the purposes set forth in this Ordinance and to sustain the validity of the Revenue Bonds, the Credit Agreement Obligations and the Administrative Expenses and the validity of the lien on and pledge of the Net Revenues to secure their payment. A finding or determination made by an Authorized Officer acting under the authority delegated by this Ordinance with respect to all matters relating to the issuance and sale of the Bonds shall have the same force and effect as a finding or determination made by council. If the Concurrent Bonds are not issued, references to Concurrent Bonds and Concurrent Ordinance in this Ordinance have no effect.

ARTICLE THREE

TERMS OF THE BONDS

Section 3.01 **AUTHORIZATION**. The Bonds shall be known and designated as CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REVENUE BONDS, SERIES 2017A. The Bonds are authorized to be issued and delivered pursuant to the authority of Chapter 22 and Chapter 1371 and all other applicable law. The Bonds shall be issued in an aggregate principal amount not to exceed $230,000,000 for the purpose of (i) planning, acquiring, establishing, constructing, improving or equipping the Airport, in accordance with Chapter 22, (ii) depositing funds to the credit of the Capitalized Interest Account and the Debt Service Reserve Fund as provided in this Ordinance, and (iii) paying the costs of issuance of the Bonds.

Section 3.02 **INTEREST AND MATURITIES**. The Bonds shall be dated the date set forth in the Bond Purchase Agreement. The Bonds shall be issued in fully registered form, without coupons, in Authorized Denominations, and shall be numbered separately from R-1 upward. Subject to the conditions set forth in Section 10.01 of this Ordinance, the Bonds shall mature on the dates, and shall bear interest at the rates of interest until maturity or prior redemption, as set forth in the Bond Purchase Agreement. Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the date of initial delivery to the Underwriters or the most recent Interest Payment Date to which interest has been paid or provided for. Interest shall be paid on each Interest Payment Date, or the Business Day immediately following an Interest Payment Date if the scheduled Interest Payment Date is not a Business Day. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 3.03 **REDEMPTION PRIOR TO MATURITY**. The Bonds are subject to redemption prior to maturity in the manner provided in the Bond Purchase Agreement. The terms of redemption shall be set forth in, and subject to the conditions reserved in, the FORM OF BONDS. Notice of redemption of Bonds subject to redemption shall be given in the manner provided in the FORM OF BONDS.

Section 3.04 **MANNER OF EXECUTION AND AUTHENTICATION**. The Paying Agent/Registrar is appointed as the paying agent for the Bonds. The Bonds shall be payable, shall have the characteristics, shall be executed and sealed, and shall be authenticated, all as provided and in the manner indicated in the FORM OF BONDS. If any officer of the City whose manual or facsimile signature shall appear on the Bonds, as provided in the FORM OF BONDS, shall cease to be the officer before the authentication of the Bonds or before the delivery of the Bonds, the signature shall nevertheless be valid and sufficient for all purposes as if the officer had remained in office.

Section 3.05 **OWNERSHIP**. The City, the Paying Agent/Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of the Bond for the purpose of making and receiving payment of the principal of and premium, if any, and the interest on, the Bond and for all other purposes, whether the Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the Owner of any Bond in accordance with this section shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon the Bond to the extent of the sums paid.

Section 3.06 **TRANSFER AND EXCHANGE**. On the date of initial delivery and payment for the Bonds, one or more Initial Bonds, representing the entire principal amount of all Bonds, payable to the Underwriters, executed by the Mayor and City Clerk of the City, approved by the Attorney General of the State of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the Representative of the Underwriters. Upon payment for the Initial Bonds, the Paying Agent/Registrar shall cancel the Initial Bonds and deliver to DTC on behalf of the Underwriters one or more registered Bonds for each year of maturity of the Bonds in the aggregate principal amount of the Bonds, registered in the name of Cede & Co., as nominee of DTC.

So long as any Bond remains Outstanding, the Paying Agent/Registrar shall maintain the Register in which the Paying Agent/Registrar shall provide for the registration and transfer of the Bonds in accordance with the terms of this Ordinance, subject to reasonable regulations prescribed by the Paying Agent/Registrar.

Each Bond shall be transferable only upon its presentation and surrender at the Designated Payment Transfer Office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or the authorized representative of the Registered Owner in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond for transfer, the Paying Agent/Registrar shall authenticate and deliver, within 72 hours after such presentation, a new Bond or Bonds in exchange for the Bond presented for transfer, registered in the name of the transferee or transferees, in Authorized Denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the presented Bond or Bonds.

A Bond shall be exchangeable upon its presentation and surrender at the Designated Payment Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar shall be and is authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section. Each Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which a Bond is delivered.

The Paying Agent/Registrar shall require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of the Bond and any fee or charge in connection with the transfer or exchange other than the Paying Agent/Registrar fees, which shall be paid by the City.

The Paying Agent/Registrar shall not be required to transfer or exchange any Bond during the 45-day period prior to the date fixed for redemption; provided, however, that this restriction shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of a Bond called for redemption in part.

Section 3.07 **CANCELLATION**. All Bonds paid or redeemed, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered, in accordance with this Ordinance, shall be cancelled and shall be disposed of in accordance with the rules and regulations promulgated under the Securities Exchange Act of 1934.

Section 3.08 **REPLACEMENT BONDS**. Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding, in exchange for the presented Bond. The Paying Agent/Registrar shall require the Owner of the Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed, and any other expenses, including the fees and expenses of the Paying Agent/Registrar, to effect this exchange.

If any Bond is lost, apparently destroyed, or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that the Bond has been acquired by a bona fide purchaser, shall execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner shall have:

(a) furnished to the City and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of the Bond;

(b) furnished security and indemnity as may be required by the Paying Agent/Registrar and the City to save them harmless;

(c) paid all expenses and charges, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that may be imposed, as a result of the loss, destruction or wrongful taking of the Bond; and

(d) met or complied with any other reasonable requirements of the City and the Paying Agent/Registrar.

If, after the delivery of a replacement Bond, a bona fide purchaser of the original Bond in lieu of which the replacement Bond was issued presents for payment the original Bond, the City and the Paying Agent/Registrar shall be entitled to recover the replacement Bond from the Person to whom it was delivered or any Person taking from the person, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar.

If any mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay that Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which a replacement Bond is delivered.

Section 3.09 **BOOK-ENTRY SYSTEM**. This section describes the book-entry system of DTC. As provided in the Bond Purchase Agreement, the definitive Bonds shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, and held in the custody of DTC.

Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Bonds. Beneficial owners of Bonds will not receive physical delivery of Bond certificates except as provided below. For so long as DTC may serve as securities depository for the Bonds, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, neither the City nor the Paying Agent/Registrar shall have any responsibility or obligation to any DTC Participant or to any Person on whose behalf a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the City nor the Paying Agent/Registrar shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner of the Bonds, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, and (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of the Bonds, as shown in the Register, of any amount with respect to principal of and premium, if any, or interest on the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds other than DTC, or its nominee, but only in the event that (i) DTC determines not to continue to act as securities depository for the Bonds (which determination shall become effective after reasonable written notice to such effect to the City and the Paying Agent/Registrar), or (ii) the City has advised DTC of its determination (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that DTC is incapable of discharging its duties as securities depository for the Bonds, or (iii) the City has determined (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon concurrence of any event described in (i) or (ii) above, the City shall use its best efforts to attempt to locate another qualified securities depository. If the City fails to locate another qualified securities depository to replace DTC, the City shall cause to be executed, authenticated and delivered replacement Bonds, in certificated form, to the DTC Participants having an interest in the Bonds as shown on the records of DTC provided by DTC to the City. In the event that the City makes the determination noted in (iii) above and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Bonds in certificated form to the DTC Participants having an interest in the Bonds as shown on the records of DTC provided by DTC to the City. The City undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in (ii) or (iii) above.

Whenever, during the term of the Bonds, beneficial ownership is determined by a book entry at DTC (or any successor securities depository), the requirements in this Ordinance of holding, registering, delivering, exchanging or transferring Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC (or such successor securities depository) as to holding, registering, delivering, exchanging or transferring the book entry to produce the same effect.

The Blanket Letter of Representations, dated June 1, 1995, between the City and DTC shall apply to the Bonds.

If at any time DTC ceases to hold the Bonds, all references to DTC shall be of no further force or effect.

Section 3.10 **FUNDING OF CAPITALIZED INTEREST ACCOUNT**. On the date of the initial delivery of the Bonds, the City will deposit to the credit of the Capitalized Interest Account, from proceeds of the Bonds, an amount determined by an Authorized Officer to be no greater than the amount of interest payable on the Bonds during the construction of the improvements, and for one year after construction of the improvements, financed with the proceeds of the Bonds is completed.

Section 3.11 **FUNDING OF DEBT SERVICE RESERVE FUND**. On the date of the initial delivery of the Bonds, the City will deposit to the credit of the Debt Service Reserve Fund, from proceeds of the Bonds, the amount determined by an Authorized Officer to enable the Debt Service Reserve Fund Requirement to be fully funded after giving effect to the issuance of the Bonds.

ARTICLE FOUR

FORM OF BONDS

Section 4.01 **FORM GENERALLY**. (a) The Bonds, including the forms of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment to appear on each Bond, (i) shall be substantially in the form set forth in Exhibit A to this Ordinance, with appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance or the Bond Purchase Agreement, and (ii) may have distinguishing letters, numbers, or other marks of identification and legends and endorsements (including any reproduction of an opinion of counsel) as may be determined by the City or by the officers executing the Bonds, as evidenced by their execution of the Bonds.

(b) The Bonds shall be typed, photocopied, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing the Bonds, as evidenced by their execution.

Section 4.02 **CUSIP REGISTRATION**. The City may secure identification numbers through CUSIP Global Services, and may authorize the printing of CUSIP numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving the Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 4.03 **LEGAL OPINION**. The approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, may be printed on or attached to the back of each Bond, but errors or omissions in the printing of the opinion shall have no effect on the validity of the Bonds.

ARTICLE FIVE

SECURITY AND SOURCE OF PAYMENT

Section 5.01 **PLEDGE AND SOURCE OF PAYMENT**. The City covenants and agrees that Gross Revenues shall be deposited and paid into the special funds established and confirmed in this Ordinance, and shall be applied in the manner set forth in this Ordinance, in order to provide for the payment of all Operation and Maintenance Expenses of the Airport System and to provide for the payment of Debt

Service on the Revenue Bonds and Credit Agreement Obligations and for the payment when due of Administrative Expenses. Except as otherwise specifically provided in this Ordinance, the Revenue Bonds and the Credit Agreement Obligations shall constitute special obligations of the City that shall be payable from, and shall be equally and ratably secured by a first lien on the Net Revenues. The Administrative Expenses shall constitute special obligations of the City that shall be payable from and secured by a lien on the Net Revenues subordinate only to the payment of Debt Service on the Revenue Bonds. Net Revenues shall, in the manner provided in this Ordinance, be set aside for and pledged to the payment of the Revenue Bonds in the Debt Service Fund and the Debt Service Reserve Fund as provided in this Ordinance. The City grants a lien on the Net Revenues and the Debt Service Fund and the Debt Service Reserve Fund to secure the payment of Debt Service on the Revenue Bonds and related Credit Agreement Obligations in accordance with their terms, and to pay Administrative Expenses to the Persons entitled to payment. All Revenue Bonds and related Credit Agreement Obligations shall be in all respects on a parity with and of equal dignity with one another; provided, however, that a Termination Payment shall be a Subordinate Obligation. Neither the Owners nor the Credit Providers shall ever have the right to demand payment of Debt Service out of any funds raised or to be raised by taxation.

Chapter 1208 applies to the authorization and issuance of the Revenue Bonds and to the pledge of and lien on the Net Revenues granted by the City under this Ordinance, and the pledge of and lien on the Net Revenues are valid and effective in accordance with the terms of this Ordinance and are perfected from the date of adoption of this Ordinance without the filing of any document or other act. To the extent Texas law is amended at any time while the Revenue Bonds are Outstanding and unpaid such that the pledge of and lien on the Net Revenues granted by the City under this Ordinance are to be subject to the filing requirements of Chapter 9, the City agrees to take all actions and make, or cause to be made, all filings as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9.

Section 5.02 **ANNUAL BUDGET**. So long as any Revenue Bond or Credit Agreement Obligation remains Outstanding, the Aviation Director shall, prior to the commencement of each Fiscal Year, prepare and deliver to the chief budget officer of the City, for submission to council, a recommended annual budget for the Airport System for that Fiscal Year. The City shall adopt annual budgets for the Airport System for each Fiscal Year, containing an estimate of Gross Revenues and only those budgeted expenditures as will produce Net Revenues in an amount that is not less than the amount necessary to pay the Debt Service and Administrative Expenses when due and make the required deposits to the Debt Service Reserve Fund. After the adoption of the annual Airport System budget by the City, the total expenditures for Operation and Maintenance Expenses will not exceed the total expenditures authorized for the purposes described in the budget, as the budget may from time to time be amended.

Section 5.03 **RATE COVENANT**. The City covenants that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the Net Revenues will be at least sufficient to equal the larger of either:

(a) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or

(b) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for Revenue Bonds for the Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

If the Net Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for the Fiscal Year, must request an Airport Consultant to make any recommendations to revise the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the requirements of this Section. Copies of the request and the recommendations of the Airport Consultant shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not have defaulted in the performance of its duties under this Ordinance even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the rate covenant, so long as Debt Service is paid when due.

Section 5.04 **SPECIAL FUNDS**. The following special funds and accounts previously have been established and are confirmed, and shall be maintained and accounted for so long as any Revenue Bond and related Credit Agreement Obligation remains Outstanding and Administrative Expenses remain unpaid. The funds and accounts may also include any additional accounts or subaccounts as may from time to time be designated by the City, including specifically rebate accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, so long as they are not inconsistent with this Ordinance:

(a) Airport System Revenue Fund ("Revenue Fund"), including an Operation and Maintenance Reserve Fund ("Operation and Maintenance Reserve Fund");

(b) Airport System Revenue Bond Debt Service Fund ("Debt Service Fund");

(c) Airport System Revenue Bond Debt Service Reserve Fund ("Debt Service Reserve Fund");

(d) Airport System Revenue Bond Administrative Expense Fund (the "Administrative Expense Fund");

(e) Airport System Renewal and Replacement Fund ("Renewal and Replacement Fund");

(f) Airport System Capital Fund ("Capital Fund"), including a Capital Improvement Account; and

(g) Airport System Construction Fund ("Construction Fund"), including the Capitalized Interest Account and a Series 2017A Project Account.

The Revenue Fund, including the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Fund and the Construction Fund (other than any Capitalized Interest Account in the Construction Fund) shall be maintained as separate funds or accounts on the books of the City and all amounts credited to the Funds and Accounts shall be maintained in an official depository bank of the City. The Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund shall be maintained at an official depository bank of the City or in a trustee bank designated by the City separate and apart from all other funds and accounts of the City. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the owners of the Revenue Bonds and the proceeds of which shall be pledged, as herein provided, to the payment of the Revenue Bonds. The Administrative Expense Fund shall constitute trust funds which shall be held in trust for the payment of Administrative Expenses to the Persons entitled to those Administrative Expenses.

Section 5.05 **FLOW OF FUNDS**. Gross Revenues shall be deposited as received by the City into the Revenue Fund. In addition, the City may deposit into the Revenue Fund any Federal Payments not restricted for capital purposes, provided that, so long as the Federal Payments are excluded from the definition of Gross Revenues, the Federal Payments shall be applied solely to the payment of Operation and Maintenance Expenses or capital expenditures and never constitute Net Revenues.

Other Available Funds may also be deposited into the Revenue Fund. Moneys from time to time credited to the Revenue Fund shall be applied as follows in the following order of priority:

(a) First, to provide for all payments of Operation and Maintenance Expenses required by the Revenue Bond Ordinances.

(b) Second, to transfer all amounts to the Debt Service Fund required by the Revenue Bond Ordinances necessary to pay Debt Service on the Revenue Bonds and any related Credit Agreement Obligations.

(c) Third, to transfer all amounts to the Administrative Expense Fund required to pay Administrative Expenses to the Persons entitled to payment when due.

(d) Fourth, to transfer all amounts to the Debt Service Reserve Fund required by the Revenue Bond Ordinances.

(e) Fifth, to transfer all amounts necessary to provide for the payment of Subordinate Obligations, or to provide reserves for payment, as may be required by any ordinance authorizing Subordinate Obligations and related credit agreement obligations.

(f) Sixth, to transfer all amounts necessary to provide for the payment of principal of and interest on General Obligation Airport Bonds.

(g) Seventh, to transfer all amounts to the Operation and Maintenance Reserve Fund required by the Revenue Bond Ordinances.

(h) Eighth, to transfer all amounts to the Renewal and Replacement Fund required by the Revenue Bond Ordinances.

(i) Ninth, the balance shall be transferred to the Capital Fund.

Section 5.06 **DEBT SERVICE FUND**. (a) On the date of initial delivery of the Bonds, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund the amount necessary to pay interest coming due on the Bonds on their first Interest Payment Date. Thereafter, to the extent moneys remain on deposit in the Capitalized Interest Account, on the Business Day immediately following an Interest Payment Date, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund amounts available to pay the interest coming due on the Bonds on the next succeeding Interest Payment Date.

(b) On or before the last Business Day of each month so long as any Revenue Bonds remain Outstanding, after making all required payments of Operation and Maintenance Expenses, there shall be transferred from the Revenue Fund to the Debt Service Fund the amount necessary to cause the balance in the Debt Service Fund to equal the Debt Service on all Revenue Bonds and Credit Agreement Obligations accrued, but unpaid, through the end of the current month and the Debt Service on all Revenue Bonds and Credit Agreement Obligations reasonably expected to accrue and be payable on or before the last Business Day of the next succeeding month.

(c) Moneys credited to the Debt Service Fund shall be used solely for the purpose of paying Debt Service on Revenue Bonds and Credit Agreement Obligations.

Section 5.07 **DEBT SERVICE RESERVE FUND**. (a) The City shall establish and maintain a balance in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement. Each increase in the Debt Service Reserve Fund Requirement resulting from the issuance of Additional Revenue Bonds shall be funded at the time of issuance and delivery of the series of Additional Revenue Bonds by depositing to the credit of the Debt Service Reserve Fund either: (A) proceeds of the Additional Revenue Bonds and/or other lawfully appropriated funds in not less than the amount which will be sufficient to fund fully the Debt Service Reserve Fund Requirement; or (B) a Debt Service Reserve Fund Surety Bond sufficient to provide that portion of the Debt Service Reserve Fund Requirement. The City further expressly reserves the right to substitute at any time a Debt Service Reserve Fund Surety Bond for any funded amounts in the Debt Service Reserve Fund and to apply the funds released, to the greatest extent permitted by law, to any of the purposes for which the related Revenue Bonds were issued or to pay debt service on the related Revenue Bonds. The City shall not employ any Debt Service Reserve Fund Surety Bond unless: (i) the City officially finds that the purchase of the Debt Service Reserve Fund Surety Bond is cost effective; (ii) the Debt Service Reserve Fund Surety Bond does not impose upon the City a repayment obligation (in the event the Debt Service Reserve Fund Surety Bond is drawn upon) greater than can be funded in 18 monthly installments as provided in subsection (b) below, payable out of Net Revenues on a parity with the monthly deposits that are otherwise required to be made to the Debt Service Reserve Fund; and (iii) that any interest due in connection with the repayment obligations does not exceed the highest lawful rate of interest which may be paid by the City at the time of delivery of the Debt Service Reserve Fund Surety Bond.

(b) In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such

Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of that month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in the Debt Service Reserve Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below this amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in amounts required to restore the Debt Service Reserve Fund to this amount and to pay reimbursement obligations within an 18 month period.

(c) The City shall use the Debt Service Reserve Fund to pay Debt Service on the Revenue Bonds and the Credit Agreement Obligations at any time the amount available in the Debt Service Fund is insufficient for this purpose, and to make any payments required to satisfy repayment obligations to issuers of Debt Service Reserve Fund Surety Bonds. The City may use the Debt Service Reserve Fund to make the final payments for the retirement or defeasance of Revenue Bonds, related Credit Agreement Obligations, and Administrative Expenses.

Section 5.08 **FUNDS AND ACCOUNTS FOR SUBORDINATE OBLIGATIONS**. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund the City shall transfer into the funds and accounts as the City may establish pursuant to an ordinance authorizing the issuance or incurrence of Subordinate Obligations, the amounts required pursuant to the ordinance authorizing the issuance or incurrence of Subordinate Obligations to provide for the payment, or to provide reserves for the payment, of the Subordinate Obligations.

Section 5.09 **ADMINISTRATIVE EXPENSE FUND**. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the City shall transfer to the Administrative Expense Fund an amount equal to the Administrative Expenses expected to be paid to the Persons entitled to payment in the next succeeding month. Amounts on deposit in the Administrative Expense Fund shall be applied solely to the payment of Administrative Expenses.

Section 5.10 **GENERAL OBLIGATION AIRPORT BONDS**. On or before the last Business Day of each month, so long as any General Obligation Airport Bond remains outstanding, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund and any other fund and account established by ordinance authorizing the issuance of Revenue Bonds and Subordinate Obligations, the City shall transfer from the Revenue Fund, to the extent there are funds available, the amounts necessary to provide for the payment, when due, of principal of and interest on General Obligation Airport Bonds.

Section 5.11 **OPERATION AND MAINTENANCE RESERVE FUND**. The City shall fund and maintain a balance of money and investments in the Operation and Maintenance Reserve Fund at least equal to two months current Operation and Maintenance Expenses, which amount shall annually be re-determined by the Aviation Director at the time the recommended budget for the Airport System is submitted pursuant to Section 5.02 of this Ordinance, based upon either the Aviation Director's recommended budget for Operation and Maintenance Expenses or the Aviation Director's estimate of actual Operation and Maintenance Expenses for the then current Fiscal Year. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as provided in this Ordinance, there shall be transferred from the Revenue Fund, to the extent there are funds available, to the Operation and Maintenance Reserve Fund an amount equal to 1/12th of the deficiency, if any, in the Operation and Maintenance Reserve Fund as of the last day of the previous Fiscal Year until the required balance in the Operation and Maintenance Reserve Fund is established or reestablished. Amounts from time to time credited to the Operation and Maintenance Reserve Fund may be used at any time: first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Revenue Fund; second, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency in any of these funds.

Section 5.12 **RENEWAL AND REPLACEMENT FUND**. The City has established the Renewal and Replacement Fund Requirement to be $5,000,000. On or before the last Business Day of each month, if the Renewal and Replacement Fund contains less than the Renewal and Replacement Fund Requirement, then after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as provided in this Ordinance, and to the Operation and Maintenance Reserve Fund, the City shall transfer from the Revenue Fund, to the extent there are funds available, to the Renewal and Replacement Fund an amount equal to 1/12th of the deficiency (being the amount by which the Renewal and Replacement Fund Requirement exceeded the unappropriated balance in the Renewal and Replacement Fund) as of the last day of the previous Fiscal Year and, at the discretion of the City, to pay directly from the Revenue Fund any other costs that could be paid from amounts on deposit in the Renewal and Replacement Fund. The City is required to make these transfers into the Renewal and Replacement Fund until such time as the Renewal and Replacement Fund Requirement has again been accumulated in the Renewal and Replacement Fund. Amounts from time to time credited to the Renewal and Replacement Fund may be used at any time: first, to pay for any costs of replacing depreciable property and equipment of the Airport System and making repairs, replacements or renovations of the Airport System; second, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Revenue Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency.

Section 5.13 **CAPITAL FUND**. After the City makes all payments and transfers required by this Ordinance, at least annually it shall also transfer all amounts remaining in the Revenue Fund to the Capital Fund; provided, however, that no transfers shall be made to the Capital Fund unless the Debt Service Reserve Fund contains the Debt Service Reserve Requirement and all Administrative Expenses have been paid. Amounts credited to the Capital Improvement Account may be used only for lawful purposes relating to the Airport System, including without limitation, to pay for any capital expenditures or to pay costs of replacing any depreciable property or equipment of the Airport System, to make any major or extraordinary repairs, replacements or renewals of the Airport System, to acquire land or any interest in such land, to pay costs necessary or incident to the closing or disposition of any facility of the Airport System and, at the City's discretion, to be designated as Other Available Funds to be transferred to the Revenue Fund.

Section 5.14 **DEFICIENCIES IN FUNDS OR ACCOUNTS**. If in any month the City does not transfer into any Fund or Account maintained pursuant to Sections 5.06 through 5.12, inclusive, the full amounts required by this Ordinance, the City shall set apart amounts equivalent to the deficiency and shall transfer those amounts to the deficient Fund or Account from the first available and unallocated moneys in the Revenue Fund, and this transfer shall be in addition to the amounts otherwise required to be transferred to the Fund or Account during any succeeding month or months.

Section 5.15 **CONSTRUCTION FUND**. (a) From the proceeds of each series of Revenue Bonds (other than the proceeds of Refunding Revenue Bonds) there shall be deposited into the Capitalized Interest Account (if any) established in the Construction Fund for that series the amount of capitalized interest required by the ordinance authorizing issuance of the series of Revenue Bonds. The amounts may be applied to pay interest on the series of Revenue Bonds as provided in the authorizing ordinance.

(b) From the proceeds of each series of Revenue Bonds (other than the proceeds of Refunding Revenue Bonds) there shall be deposited into the applicable Project Account established in the Construction Fund the amounts as shall be provided in the ordinance authorizing the series of Revenue Bonds. The amounts may be applied to pay costs of establishing, improving, enlarging, extending, and repairing the Airport System or any project to become part of the Airport System, to reimburse advances made by the City for these costs, to pay costs of issuance of Revenue Bonds and to pay any other capital costs of the Airport System as provided in the ordinance authorizing the series of Revenue Bonds.

(c) There shall be established within the Construction Fund two accounts, the Series 2017A Project Account and the Capitalized Interest Account. Moneys in the Series 2017A Project Account shall be used to pay costs of constructing the improvements to the Airport consistent with the purpose for which the Bonds are issued. Moneys in the Capitalized Interest Account shall be held for the purpose of paying interest on the Bonds during the construction of the improvements and for one year after the improvements have been constructed, and shall be transferred from time to time to the Debt Service Fund in the manner provided in Section 5.06(a) of this Ordinance.

Section 5.16 **MUELLER AIRPORT DISPOSITION FUND**. The Robert Mueller Municipal Airport was closed for aviation purposes and the Mueller Airport Property was transferred out of the Airport System and is no longer part of the Airport System. In connection with the transfer of the Mueller Airport Property, the City deposited certain funds into the Mueller Disposition Fund. These funds, together with any other amounts deposited into the Mueller Disposition Fund, may be used for the payment or reimbursement of all costs and expenses incurred by the City necessary or incident to the closing of Robert Mueller Municipal Airport to aviation purposes and the disposition of the Mueller Airport Property. Any amounts remaining will be transferred to the City's aviation department.

Section 5.17 **INVESTMENT; TRANSFER OF INVESTMENT INCOME**. (a) Money in all Funds and Accounts shall, at the option of the City, be invested in the manner provided by Texas law; provided, that all deposits and investments shall be made in a manner that the money required to be expended from any Fund will be available at the proper time or times. Moneys in the Funds and Accounts may be subjected to further investment restrictions imposed from time to time by ordinance authorizing the issuance of Revenue Bonds and Subordinate Obligations. All such investments shall be valued no less frequently than once per Fiscal Year at market value, except that: (i) any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount; and (ii) any investments which are subject to a Qualified Put may continuously be valued at the amount at which they can be put or sold under the terms of such Qualified Put. For purposes of maximizing investment returns, money in the Funds may be invested, together with money in other Funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of the money or Funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which the money is invested and the share purchased with such money or owned by the Fund are held by or on behalf of each Fund. If and to the extent necessary, the investments or participations shall be promptly sold to prevent any default.

(b) All interest and income derived from deposits and investments credited to any of the following Funds and Accounts shall be applied as follows, except as provided in subsection (c) below:

Source of Interest or Income	**Fund or Account to which such Interest or Income should be Credited**
Revenue Fund	Remains in Revenue Fund
Debt Service Reserve Fund	Remains in the fund until the applicable Debt Service Reserve Fund Requirement is satisfied (unless otherwise required to be transferred to the Rebate Fund by Section 11.01); thereafter to the Revenue Fund
Administrative Expense Fund	Revenue Fund
Operation and Maintenance Reserve Fund	Remains in the fund until fully funded; thereafter to the Revenue Fund
Renewal and Replacement Fund	Remains in the fund until Renewal and Replacement Fund Requirement is met; thereafter to the Revenue Fund
Capital Fund - Capital Improvement Account	Remains in the fund (unless otherwise required to be transferred to the Rebate Fund by Section 11.01) or in the appropriate fund or account therein

(c) Notwithstanding anything to the contrary, any interest and income derived from deposits and investments of any amounts credited to any Fund or Account may be: (i) transferred into any rebate account or subaccount; and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel the payment is required to comply with any covenant or required in order to prevent interest on any bonds payable from Net Revenues from being includable within the gross income of Owners for federal income tax purposes.

Section 5.18 **SECURITY FOR UNINVESTED FUNDS**. So long as any Revenue Bond remains Outstanding, all uninvested moneys on deposit in, or credited to, the Funds and Accounts established or confirmed as stated in this Ordinance shall be secured by the pledge of security, as provided by Texas law.

ARTICLE SIX

ADDITIONAL BONDS

Section 6.01 **ADDITIONAL REVENUE BONDS**. The City reserves the right to issue, for any lawful Airport System purpose, one or more installments of Additional Revenue Bonds payable from and secured by Net Revenues on a parity with the Outstanding Revenue Bonds; provided, however, that no series of Additional Revenue Bonds shall be issued unless:

(a) No Default. The City Manager and the Aviation Director certify that, upon the issuance of Additional Revenue Bonds, the City will not be in default under any term or provision of any Revenue Bonds then Outstanding or any ordinance pursuant to which any Revenue Bonds were issued unless the default will be cured by the issuance of the Additional Revenue Bonds.

(b) Proper Fund Balances. The City's Chief Financial Officer or trustee, if one has been appointed, shall certify that, upon the issuance of Additional Revenue Bonds, the Debt Service Fund will have the required amounts on deposit and that the Debt Service Reserve Fund will contain the Debt Service Reserve Fund Requirement or the amount as is required to be funded at that time.

(c) Projected Coverage for Additional Revenue Bonds. An Airport Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues, together with the estimated Other Available Funds, of the Airport System for each of three consecutive Fiscal Years beginning in the earlier of:

(i) the first Fiscal Year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Additional Revenue Bonds, based upon a certified written estimated completion date by the consulting engineer for the facility or facilities; or

(ii) the first Fiscal Year in which the City will have scheduled payments of interest on or principal of the Additional Revenue Bonds to be issued for the payment of which provision has not been made as indicated in the report of the Airport Consultant from proceeds of the Additional Revenue Bonds, investment income on the proceeds of such Additional Revenue Bonds or from other appropriated sources (other than Net Revenues),

are equal to at least 125% of the Debt Service Requirements on all Outstanding Revenue Bonds scheduled to occur during each respective Fiscal Year after taking into consideration the additional Debt Service Requirements for the Additional Revenue Bonds to be issued.

(d) Alternate Coverage for Additional Revenue Bonds. In lieu of the certification described in (c) above, the City's Chief Financial Officer may provide a certificate showing that, for either the City's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, the Net Revenues, together with Other Available Funds, of the Airport System were equal to at least 125% of the maximum Debt Service Requirements on all Revenue Bonds scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Revenue Bonds proposed to be issued.

(e) Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the maximum annual Debt Service Requirements in any Fiscal Year after the issuance of the Additional Revenue Bonds will not exceed the maximum annual Debt Service Requirements in any Fiscal Year prior to the issuance of the Additional Revenue Bonds.

(f) Bond Ordinance Requirements. Provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for: (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds including, in the event that interest on the additional series of Revenue Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the Debt Service Fund of amounts fully sufficient to pay interest on such Additional Revenue Bonds during the period specified in the Revenue Bond Ordinances; and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by this Ordinance or any other Revenue Bond Ordinance authorizing Additional Revenue Bonds.

(g) Special Provisions for Completion Bonds. The provisions of paragraphs (c) and (d) above shall not apply to the issuance of Completion Bonds in accordance with Section 6.02.

Section 6.02 **COMPLETION BONDS**. The City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Project for which Revenue Bonds have previously been issued.

Prior to the issuance of any series of Completion Bonds the City must provide, in addition to all of the applicable certificates required by Section 6.01, the following documents:

(a) a certificate of the consulting engineer engaged by the City to design the Airport Project for which the Completion Bonds are to be issued stating that the Airport Project has not materially changed in scope since the issuance of the most recent series of Revenue Bonds for the intended purpose (except as permitted in the applicable ordinance authorizing the Revenue Bonds) and setting forth the aggregate cost of the Airport Project which, in the opinion of the consulting engineer, has been or will be incurred; and

(b) a certificate of the Aviation Director: (i) stating that all amounts allocated to pay costs of the Airport Project from the proceeds of the most recent series of Revenue Bonds issued in connection with the Airport Project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of the Airport Project; (ii) containing a calculation of the amount by which the aggregate cost of that Airport Project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Airport Project paid to such date plus the moneys available at such date within any construction fund or other like account applicable to the Airport Project plus any other moneys which the Aviation Director, in his discretion, has determined are available to pay such costs in any other fund; and (iii) certifying that, in the opinion of the Aviation Director, the issuance of the Completion Bonds is necessary to provide funds for the completion of the Airport Project.

For purposes of this Section, the term "Airport Project" means the Airport or any other Airport System facility or project which shall be defined as an Airport Project in any ordinance authorizing the issuance of Additional Revenue Bonds, for the purpose of financing the Airport Project. Any such ordinance may contain further provisions as the City shall deem appropriate with regard to the use, completion, modification or abandonment of the Project.

Section 6.03 **SUBORDINATE OBLIGATIONS**. The City reserves the right to issue or incur, for any lawful Airport System purpose, Subordinate Obligations and credit agreement obligations related to the Subordinate Obligations, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds. Although referred to in this Ordinance as "Subordinate Obligations," the Subordinate Obligations may bear any name or designation provided by ordinance authorizing their issuance or incurrence.

The Subordinate Obligations may be further secured by any other source of payment lawfully available. Unless expressly provided to the contrary in this Ordinance, no default with respect to a Subordinate Obligation shall constitute a default under this Ordinance.

Section 6.04 **SPECIAL FACILITIES BONDS**. The City reserves the right to issue from time to time, in one or more series, Special Facilities Bonds as provided in this Ordinance to finance and refinance the cost of any Special Facilities, including all required reserves, all related costs of issuance and other reasonably related amounts, provided that Special Facilities Bonds shall be payable solely from payments by lessees under Special Facilities Leases or other security not provided by the City. In no event shall Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Revenue Bonds or for the construction, operation, maintenance, or repair of the Airport System be pledged to the payment of Special Facilities Bonds. Unless expressly provided to the contrary in this Ordinance, no default with respect to a Special Facilities Bond shall constitute a default under this Ordinance.

Section 6.05 **CREDIT AGREEMENTS**. To the fullest extent permitted by applicable law, the City expressly reserves the right to enter into Credit Agreements in connection with any series of Revenue Bonds and to pledge to and secure the payment of related Credit Agreement Obligations from Net Revenues and the various funds and accounts established or referred to in this Ordinance to the extent permitted by this Ordinance, and any of the City's other ordinances authorizing the issuance of Additional Revenue Bonds and to enter into credit agreements in connection with any series of Subordinate Obligations.

ARTICLE SEVEN

COVENANTS AND PROVISIONS RELATING TO ALL REVENUE BONDS

Section 7.01 **PUNCTUAL PAYMENT OF BONDS**. The City covenants that it will punctually pay, or cause to be paid, the Debt Service on all Revenue Bonds and Credit Agreement Obligations, according to their terms, and to pay all Administrative Expenses to the Persons entitled to payment when due, and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Ordinance and in any other ordinance authorizing the issuance of Revenue Bonds.

Section 7.02 **MAINTENANCE OF AIRPORT SYSTEM**. Except as provided in Section 7.04, the City covenants that it will at all times maintain and operate the

Airport System, or within the limits of its authority cause the Airport System to be maintained and operated, in good and serviceable condition.

Section 7.03 **LIMITATION ON CITY CHARGES FOR OPERATION AND MAINTENANCE EXPENSES**. The City covenants that it will not charge the Airport System any amounts for overhead expenses relating to the administration, operation, and maintenance of the Airport System except to the extent that the amounts charged are reasonably allocable to the Airport System based upon a stated policy of allocation, reasonably applied to the Airport System. All charges imposed by the City upon the Airport System shall be consistent with all applicable federal laws, regulations, and other requirements applicable to the Airport System or imposed upon the Airport System in connection with the acceptance by the Airport System of any federal grants or aid.

Section 7.04 **SALE OR ENCUMBRANCE OF AIRPORT SYSTEM**. Except for the use of the Airport System or services pertaining to the Airport System in the normal course of business, the City covenants that neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Revenue Bonds, Credit Agreement Obligations and Administrative Expenses have been paid in full, or unless provision for payment has been made, and the City shall not dispose of its title to the Airport System or to any useful part of the Airport System, including, without limitation, any property necessary to the operation and use of the Airport System, except for the execution of leases, licenses, easements, or other agreements in connection with the operation of the Airport System by the City, or in connection with any Special Facilities, except for any pledges of and liens on revenues derived from the operation and use of all or any part of the Airport System, or any Special Facilities, for the payment of Revenue Bonds, Credit Agreement Obligations, Administrative Expenses, Special Facilities Bonds, and any other obligations pertaining to the Airport System, and except as otherwise provided in the next two paragraphs.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any property constituting a part of the Airport System which the Aviation Director certifies: (i) to be no longer useful in the construction or operation of the Airport System; (ii) to be no longer necessary for the efficient operation of the Airport System; or (iii) to have been replaced by other property of at least equal value. The net proceeds of the sale or disposition of any Airport System property (or the fair market value of any property so excluded) pursuant to this paragraph shall be used for the purpose of replacing properties at the Airport System, shall be paid into the Capital

Fund - Capital Improvement Account or shall be applied to retire or pay principal of or interest on Revenue Bonds.

Nothing in this Ordinance prevents any transfer of all or a substantial part of the Airport System to another body corporate and politic (including, but not necessarily limited to, a joint action agency or an airport authority) which assumes the City's obligations under this Ordinance and in any ordinance authorizing the issuance of Revenue Bonds, in whole or in part, if: (i) in the written opinion of the Airport Consultant, the ability to meet the rate covenant and other covenants under this Ordinance and in any ordinance authorizing the issuance of Revenue Bonds, are not materially and adversely affected; and (ii) in the written opinion of nationally recognized bond counsel, the transfer and assumption will not cause the interest on any Revenue Bonds that were issued as "tax-exempt bonds" within the meaning of the regulations promulgated under the Code to be includable in gross income of the Owners of the Revenue Bonds for federal income tax purposes. Following the transfer and assumption, all references to the City, City officials, City ordinances, City budgetary procedures and any other officials, actions, powers or characteristics of the City will be references to the transferee entity and comparable officials, actions, powers or characteristics of the entity. In the event of any transfer and assumption, nothing in this Ordinance shall prevent the retention by the City of any facility of the Airport System if, in the written opinion of the Airport Consultant, the retention will not materially and adversely affect nor unreasonably restrict the transferee entity's ability to comply with the requirements of the rate covenant and the other covenants of this Ordinance and any other Revenue Bond Ordinance.

Section 7.05 **INSURANCE**. The City covenants and agrees that it will keep the Airport System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that the insurance is available; provided, however, that if any insurance is not commercially available or not available on more favorable economic terms, the City may elect to be self-insured in whole or in part against the risk or loss that would otherwise be covered by insurance, in which case the City will establish reserves for the risk or loss in amounts the City determines to be appropriate. All net proceeds of property or casualty insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the Airport System or to redeem Revenue Bonds. Proceeds of business interruption insurance may be credited to the Revenue Fund.

Section 7.06 **ACCOUNTS, RECORDS, AND AUDITS**. The City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Gross Revenues and the operation of the Airport System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Airport System. After the close of each Fiscal Year, the City shall cause an audit report of the records and accounts described in the preceding sentence to be prepared by an independent certified public accountant or independent firm of certified public accountants, which may be part of an overall audit report of the City and/or other of its enterprise funds. All expenses of obtaining these reports shall constitute Operation and Maintenance Expenses of the Airport System.

Section 7.07 **PLEDGE AND ENCUMBRANCE OF REVENUES**. The City covenants and represents that it has the lawful power to create a lien on and to pledge the Net Revenues to secure the payment of the Revenue Bonds, the Credit Agreement Obligations and Administrative Expenses, and has lawfully exercised this power under the Constitution and laws of the State of Texas, including specifically the Act. The City further covenants and represents that, other than to the payment of Operation and Maintenance Expenses, the Revenue Bonds, the Credit Agreement Obligations and Administrative Expenses, the Gross Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City, unless the lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Revenue Bonds, the Credit Agreement Obligations and Administrative Expenses.

Section 7.08 **BONDHOLDERS REMEDIES**. This Ordinance is a contract between the City and the Owners of the Revenue Bonds and the holders of related Credit Agreement Obligations from time to time outstanding and this Ordinance shall be and remain irrepealable until the Revenue Bonds, the related Credit Agreement Obligations and Administrative Expenses shall be fully paid or discharged or provision for their payment shall have been made as provided in this Ordinance. In the event of a default in the payment of the Debt Service on any of the Revenue Bonds or Credit Agreement Obligations or a default in the performance of any duty or covenant provided by law or in this Ordinance, the Owner or Owners of any of the Revenue Bonds, and the holders of any Credit Agreement Obligations and the Persons to whom Administrative Expenses are owed may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Revenue Bonds or holder of Credit Agreement Obligations or Person to whom Administrative Expenses are owed, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds provided in this Ordinance, and the application of such Gross Revenues in the manner required in this Ordinance.

Notwithstanding the provisions of the foregoing paragraph: (i) acceleration as a remedy is expressly denied; (ii) no grace period for a default in the performance of any duty or covenant shall exceed 30 days, nor shall any grace period be extended for more than 60 days without the written consent of the Bond Insurer (to the extent consent is required); and (iii) no grace period is permitted with respect to a default in the payment of Debt Service or the payment of Administrative Expenses when due. For purposes of exercising the rights of Owners upon the occurrence of an event of default described in the immediately preceding paragraph, the Bond Insurer shall be deemed to be the sole holder of the Series 2005 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant to this Ordinance.

Section 7.09 **DISCHARGE BY DEPOSIT**. (a) The City may discharge its obligation to the Owners of any or all of the Bonds to pay Debt Service, or any portion of the Debt Service, by depositing with the Paying Agent/Registrar cash in an amount equal to the Debt Service of the Bonds to the date of maturity or redemption, or any portion of the Bonds to be discharged, or by depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of $100,000,000, pursuant to an escrow or trust agreement, cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, the Bonds, or any portion thereof, shall no longer be regarded to be Outstanding or unpaid. In case any Bonds are to be redeemed on any date prior to their maturity, the City shall give to the Paying Agent/Registrar irrevocable instructions to give notice of redemption of Bonds to be so redeemed in the manner required in this Ordinance. Any determination not to redeem Bonds that is made in conjunction with the payment arrangements described above shall not be irrevocable, provided that: (1) in the proceedings providing for the payment arrangements, the City expressly reserves the right to call the Bonds for redemption; (2) the City gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the payment arrangements; and (3) the City directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Prior to the defeasance of the Bonds: (i) a report of an independent firm of nationally recognized certified public accountants (Accountant) verifying the sufficiency of the escrow established to pay the Bonds in full on the respective maturity or redemption date (Verification) will be obtained by the City; (ii) an escrow agreement will be executed and delivered by the City; and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer Outstanding under this Ordinance will be obtained by the City. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City.

Section 7.10 **LEGAL HOLIDAYS**. If any date on which a payment of Debt Service is due is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of scheduled payment of Debt Service.

ARTICLE EIGHT

CONCERNING THE PAYING AGENT/REGISTRAR

Section 8.01 **APPOINTMENT OF INITIAL PAYING AGENT/REGISTRAR**. Amegy Bank, a division of ZB, National Association, is appointed to serve as the initial Paying Agent/Registrar for the Bonds.

Section 8.02 **QUALIFICATIONS**. Each Paying Agent/Registrar shall be a commercial bank or a trust company organized under the laws of the State of Texas or the United States of America, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 8.03 **MAINTAINING PAYING AGENT/REGISTRAR**. (a) At all times while any Bond is Outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 8.02. An Authorized Officer is authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar in the substantially final form presented with this Ordinance.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve in this capacity, the City will promptly appoint a replacement.

Section 8.04 **TERMINATION**. The City may terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice, at least 60 days before termination, of such termination.

Section 8.05 **NOTICE OF CHANGE TO OWNERS**. Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 8.06 **AGREEMENT TO PERFORM DUTIES AND FUNCTIONS**. By accepting the appointment as Paying Agent/Registrar and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the prescribed duties and functions of Paying Agent/Registrar. The Paying Agent/Registrar Agreement presented with this Ordinance is approved and the Authorized Officers are directed to execute and deliver the Paying Agent/Registrar Agreement with any changes as may be approved by the Authorized Officer.

Section 8.07 **DELIVERY OF RECORDS TO SUCCESSOR**. If a Paying Agent/Registrar is replaced, the Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

Section 8.08 **TRUST FUNDS**. All money transferred to the Paying Agent/Registrar under this Ordinance (except sums representing Paying Agent/Registrar's fees) shall be held in trust for the benefit of the City, shall be the property of the City, and shall be disbursed in accordance with this Ordinance.

Section 8.09 **BONDS PRESENTED**. Subject to the provisions of Section 8.10, all matured Bonds presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the City. The Bonds shall be cancelled as provided in this Ordinance.

Section 8.10 **UNCLAIMED FUNDS HELD BY THE PAYING AGENT/REGISTRAR**. Funds held by the Paying Agent/Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date the funds have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code.

The Paying Agent/Registrar shall have no liability to the Owners of the Bonds by virtue of actions taken in compliance with this Section.

ARTICLE NINE

ALTERATION OF RIGHTS AND AMENDMENT OF ORDINANCE

Section 9.01 **ALTERATION OF RIGHTS AND DUTIES**. The rights, duties, and obligations of the City and the Owners of the Bonds and the holders of Credit Agreement Obligations related to the Bonds, and Persons to whom Administrative Expenses are owed, are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or as may be amended in the future.

Section 9.02 **AMENDMENT OF ORDINANCE WITHOUT CONSENT**. The City may, without the consent of or notice to any of the Owners of the Bonds, amend this Ordinance for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in the Revenue Bond Ordinances or in the Revenue Bonds; or to comply with any applicable provision of law or regulation of Federal agencies; to obtain a rating on the Revenue Bonds from any Rating Agency; or to obtain the approving opinion of the Attorney General of Texas as required by law; provided, however, that such action shall not adversely affect the interests of the Owners of the Revenue Bonds;

(b) to change the terms or provisions of this Ordinance to the extent necessary to prevent the interest on the Revenue Bonds from being includable within the gross income of the Owners for federal income tax purposes;

(c) to grant to or confer upon the Owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Revenue Bonds;

(d) to add to the covenants and agreements of the City contained in the Revenue Bond Ordinances other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in this Ordinance;

(e) to amend any provisions of this Ordinance relating to the issuance of Revenue Bonds and Subordinate Obligations, or the incurrence of and security for reimbursement obligations in connection with the issuance of Revenue Bonds and Subordinate Obligations, so long as to do so does not cause any reduction in any rating assigned to the Outstanding Revenue

Bonds by any nationally recognized rating agency then rating any series of Revenue Bonds;

(f) to subject to the lien and pledge of the Revenue Bond Ordinances additional Net Revenues which may include revenues, properties or other collateral; and

(g) to amend the provisions of Article Twelve to the extent permitted in Article Twelve.

Section 9.03 **AMENDMENTS OF ORDINANCE REQUIRING CONSENT**. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of this Ordinance but, if the amendment is not of the character described in Section 9.02, only with the consent given in accordance with Section 9.04 of the Owner or Owners of not less than 66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding and affected by the amendment, modification, addition, or elimination and with the consent of the Bond Insurer (to the extent the consent is required); provided, however, that nothing in this Section shall permit (a) an extension of the maturity of the principal of or interest on any Revenue Bond issued under this Ordinance, or (b) a reduction in the principal amount of any Revenue Bond or the rate of interest on any Revenue Bond, or (c) a privilege or priority of any Revenue Bond or Revenue Bonds over any other Revenue Bond or Revenue Bonds, or (d) a reduction in the percentage of aggregate principal amount of the Revenue Bonds required for consent to the amendment.

Section 9.04 **CONSENT OF OWNERS**. Any consent required by Section 9.03 by any Owner must be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by the Owner or its duly authorized attorney. Proof of the execution of any consent or of the writing appointing any attorney and of the ownership of Revenue Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Revenue Bond Ordinances, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under the instrument, namely:

(a) The fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged its execution before him or her, or by affidavit of any witness to the execution;

(b) The fact of the ownership by any person of any Revenue Bond and the date of the ownership may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that on that date the Revenue Bond was registered in the name of that party in the Register.

In lieu of the foregoing the City may accept any other proof as it finds appropriate.

Consents required pursuant to Section 9.03 shall be valid only if given following the giving of notice by or on behalf of the City requesting the consent and setting forth the substance of the amendment of this Ordinance in respect of which such consent is sought and stating that copies thereof are available at the office of the City Clerk for inspection. Such notice shall be given by certified mail to each Registered Owner of the Revenue Bonds affected at the address shown on the Register.

Copies of all amendments and supplements to this Ordinance or to any Related Document shall be sent to Standard & Poor's and Moody's at least 10 days before its effective date.

Section 9.05 **REVOCATION OF CONSENT**. Any consent by any Owner of a Revenue Bond pursuant to the provisions of this Article shall be irrevocable for a period of 18 months from the date of mailing of the notice provided for in this Article, and shall be conclusive and binding upon all future Owners of the same Revenue Bond and any Revenue Bond delivered on transfer thereof or in exchange for or replacement of the Revenue Bond during this period. The consent may be revoked at any time after 18 months from the date of the first mailing of the notice by the Owner who gave the consent or by a successor in title, by filing notice with the Paying Agent/Registrar, but the revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Revenue Bonds Outstanding as in this Ordinance defined have, prior to the attempted revocation, consented to and approved the amendment.

Section 9.06 **CONSENT TO CERTAIN AMENDMENTS GIVEN THROUGH OWNERSHIP OF BONDS**. By acceptance of the Bonds, each Owner of a Bond: (i) irrevocably and specifically consents to and approves the amendments described in (1) and (2) below; (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact for the limited purpose of executing the written instrument required by Section 9.04 of this Ordinance to evidence the Owner's specific consent to and approval of the amendments described in (1) and (2) below; and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner, it being specifically provided that the Aviation Director need not consult with, or provide notice to, an Owner in connection with the actions taken by the Aviation Director under this Section. The power of attorney granted to the Aviation Director shall be limited to effecting the below amendments and is irrevocable for so long as any Bond remains Outstanding.

The amendments are:

(1) Amend Section 6.01(e) of this Ordinance and the Revenue Bond Ordinances to read:

"Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Prior Lien Bonds or Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the aggregate Debt Service Requirements after the issuance of the Additional Revenue Bonds do not exceed the aggregate Debt Service Requirements prior to the issuance of the Additional Revenue Bonds; provided, that the annual debt service on the refunding bonds in any Fiscal Year will not be more than 10% higher than it is in any other Fiscal Year."

(2) Amend Section 9.03 of this Ordinance and the Revenue Bond Ordinances by changing the phrase "66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding" to "a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding".

The amendment described in clause (1) will become effective once the City determines that the consent of 66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received, and the amendment described in clause (2) will become effective once the City determines that the consent of 100% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received. Since the Series 2005 Bonds are insured, the consent of the Insurer will be required to be obtained. Since there are no Prior Lien Bonds (as defined in the Series 2005 Bond Ordinance) now Outstanding, the reference to Prior Lien Bonds in clause (1) above is of no force and effect.

ARTICLE TEN

SALE OF THE BONDS; APPROVAL OF BOND PURCHASE AGREEMENT; APPLICATION OF PROCEEDS OF THE BONDS

Section 10.01 **SALE OF THE BONDS; BOND PURCHASE AGREEMENT**. The Bonds shall be sold to the Underwriters in accordance with the terms of this Ordinance and the Bond Purchase Agreement. In the Bond Purchase Agreement, there shall be a finding made that the sale of the Bonds to the Underwriters is on terms that are most advantageous to the City reasonably obtained and, upon the advice of the City's financial advisor, is in the best interests of the City.

Each Authorized Officer is authorized come to an agreement with the Underwriters on the following, among other matters:

(1) The details of the purchase and sale of the Bonds, including series designation;
(2) The details of the public offering of the Bonds by the Underwriters;
(3) The details of an Official Statement (and, if appropriate, any Preliminary Official Statement) relating to the Bonds and the City's compliance with the Rule;
(4) A security deposit for the Bonds;
(5) The representations and warranties of the City to the Underwriters;
(6) The details of the delivery of, and payment for, the Bonds;
(7) The Underwriters' obligations under the Bond Purchase Agreement;
(8) The conditions to the obligations of the City and the Underwriters under the Bond Purchase Agreement;
(9) Termination of the Bond Purchase Agreement;
(10) Particular covenants of the City;
(11) The survival of representations made in the Bond Purchase Agreement;
(12) The payment of any expenses relating to the Bond Purchase Agreement;
(13) Notices; and
(14) Any and all such other details that are found by the Authorized Officer to be necessary and advisable for the purchase and sale of the Bonds.

The Authorized Officer and other appropriate officers, employees, and agents of the City shall carry out and comply with the terms and provisions of the Bond Purchase Agreement. Bonds sold under the Bond Purchase Agreement may not be sold: (1) in an aggregate principal amount in excess of $230,000,000; (2) bearing interest in any maturity in excess of 8.00% per annum; (3) having a final maturity after November 15, 2047; and (4) unless the Bonds have a credit rating that would cause the Bonds to be "obligations", as defined in Chapter 1371. The authority of an Authorized Officer to execute a Bond Purchase Agreement expires at 5:00 p.m., Friday, September 29, 2017.

The Mayor and City Clerk of the City may manually or electronically execute and deliver for and on behalf of the City copies of a Preliminary Official Statement and Official Statement, prepared in connection with the offering of the Bonds by the Underwriters, in final form as may be required by the Underwriters, and the final Official Statement in the form and content as approved by an Authorized Officer or as manually or electronically executed by the City officials shall be deemed to be approved by council and constitute the Official Statement authorized for distribution and use by the Underwriters.

Section 10.02 **APPROVAL, REGISTRATION, AND INITIAL DELIVERY**. The Authorized Officer shall have control and custody of the Bonds and all necessary records and proceedings pertaining to the Bonds pending their delivery, and the Authorized Officer and other officers and employees of the City are instructed to make certifications and to execute instruments as may be necessary to accomplish the initial delivery of the Initial Bonds and to assure the investigation, examination, and approval of the Bonds by the Attorney General of the State of Texas and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds, the Comptroller of Public Accounts of the State of Texas (or a deputy designated in writing to act for her) shall be requested to sign manually the Comptroller's Registration Certificate set forth in the FORM OF BONDS and the seal of the Comptroller of Public Accounts of the State of Texas shall be impressed or printed or lithographed on the Initial Bonds. The Bonds will be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement.

Section 10.03 **APPLICATION OF PROCEEDS OF THE BONDS**. On the closing date for the Bonds, proceeds from the sale of the Bonds shall be applied as set forth in the letter of instructions executed by the City, as follows:

(a) A portion of the proceeds from the sale of the Bonds shall be deposited to the credit of the Series 2017A Project Account within the Construction Fund and used to pay costs of financing the improvements to the Airport; and

(b) A portion of the proceeds from the sale of the Bonds shall be deposited to the credit of the Capitalized Interest Account in an amount determined in accordance with Section 3.10 of this Ordinance; and

(c) A portion of the proceeds from the sale of the Bonds shall be deposited to the credit of the Debt Service Reserve Fund in an amount determined in accordance with Section 3.11 of this Ordinance; and

(d) The balance of the proceeds of the Bonds shall be applied to pay all costs of issuance of the Bonds, and, to the extent not so used, shall be deposited into the Debt Service Fund.

Section 10.04 **USE OF PASSENGER FACILITY CHARGES**. Consistent with the definitions of Debt Service Requirements and Gross Revenues, the City acknowledges and agrees that debt service with respect to the Revenue Bonds paid from passenger facility charges is not included in the calculation of Debt Service Requirements. The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) $4.50 derived from each passenger facility charge so imposed and collected by the City for the payment of debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the passenger facility charges will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%.

ARTICLE ELEVEN

FEDERAL INCOME TAX COVENANTS

Section 11.01 **GENERAL TAX COVENANTS**. The City covenants to take any action to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. The City covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of $5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with:

(1) proceeds of the Bonds invested for a reasonable temporary period until the proceeds are needed for the purpose for which the Bonds are issued;

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations; and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(g) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(h) to create and maintain a Rebate Fund, as required below, to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings", within the meaning of section 148(f) of the Code, and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

(i) to maintain records that will enable the City to fulfill its responsibilities under this Section and section 148 of the Code and to retain the records for at least six years following the final payment of principal and interest on the Bonds.

The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of the issuance of the Bonds. It is the understanding of the City that the covenants contained in this Ordinance are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant to the Code. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of the foregoing, the Mayor, the City Manager, any Assistant City Manager, the Chief Financial Officer of the City, any Deputy Chief Financial Officer of the City and the City Treasurer may execute any documents, certificates or other reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

In order to facilitate compliance with clause (h) above, a "Rebate Fund" is established and held by the City for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the Registered Owners of the Bonds. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

Section 11.02 **DISPOSITON OF PROJECT**. The City covenants that the property financed or refinanced with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless any action taken in connection with the disposition will not adversely affect the tax-exempt status of the Bonds. For this purpose, the City may rely on an opinion of nationally-recognized bond counsel substantially to the effect that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. The portion of the property comprising personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation. The City shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 11.03 **ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT**. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 3.01 of this Ordinance (the "Project") on its books and records in accordance with the requirements of the Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 11.04 **CONTINUING OBLIGATION**. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Article Eleven shall survive the defeasance and discharge of the Bonds.

ARTICLE TWELVE

CONTINUING DISCLOSURE

Section 12.01 **ANNUAL REPORTS**. The City shall provide annually to the MSRB, within six months after the end of each Fiscal Year ending in or after 2017, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by Section 10.01 of this Ordinance, being the information described in Section 12.04. Any financial statements provided shall be prepared in accordance with the accounting principles described in Section 12.04, or other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and audited, if the City commissions an audit of the statements and the audit is completed within twelve months after the end of each fiscal year ending in or after 2017. If audited financial statements of the City are not available by the end of the 12 month period, the City will provide notice that the audited financial statements are not available, and will provide unaudited financial statements by the end of the 12 month period and audited financial statements for the applicable fiscal year when and if the audited financial statements become available.

If the City changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) before the next date the City would be required to provide financial information and operating data pursuant to this Article. The financial information and operating data to be provided pursuant to this Article may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document), if it is available to the public on the MSRB's internet website or filed with the SEC. Filings shall be made electronically, in the format and accompanied by identifying information as prescribed by the MSRB.

Section 12.02 **DISCLOSURE EVENT NOTICES**. The City shall provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

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 Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, 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.

The City shall provide to the MSRB, in an electronic format as prescribed by the MSRB, notice in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 12.01 of this Ordinance by the time required by Section 12.01 of this Ordinance. 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 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. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

Section 12.03 **LIMITATIONS, DISCLAIMERS, AND AMENDMENTS**. The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give the notice required by Section 12.02 of any Bond calls and any defeasance that cause the City to be no longer an "obligated person."

The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or to update any information provided in accordance with this Article or otherwise, except as expressly provided in this Ordinance. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BONDS OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Article shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

Should the Rule be amended to obligate the City to make filings with or provide notices to entities other than the MSRB, the City agrees to undertake the obligation in accordance with the Rule, as amended.

The provisions of this Article may be amended by the City 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, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the

Bonds 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 (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the City amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.01 an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The City may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that the provisions of the Rule are invalid, but only and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 12.04 **DESCRIPTION OF ANNUAL FINANCIAL INFORMATION.**

(a) Annual Financial Information and Operating Data. The financial information and operating data with respect to the City to be provided annually pursuant to Section 12.01 of this Ordinance are (i) the portions of the financial statements of the City appended to the final Official Statement authorized by Section 10.01 of this Ordinance as Appendix B, but for the most recently concluded Fiscal Year, and (ii) all quantitative financial information and operating data with respect to the City of the general type included in the main text of the final Official Statement authorized by Section 10.01 of this Ordinance within the numbered Tables 1 through 9 only. As used in this Article, the term "unaudited financial statements" means the financial statements and tables that are referenced in the section entitled "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports" in the final Official Statement authorized by Section 10.01 of this Ordinance.

(b) Accounting Principles. The accounting principles referred to in Section 12.01 are the accounting principles described in the notes to the financial statements referred to clause (a)(i) above, as the principles may be changed from time to time to comply with State law or regulation.

ARTICLE THIRTEEN

MISCELLANEOUS

Section 13.01 **FURTHER PROCEDURES**. The Mayor, the City Manager, the Aviation Director, the Chief Financial Officer, the City Treasurer and the City Clerk, and other appropriate officials of the City, are authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance. Council authorizes the City Clerk to designate a person or persons to carry out her duties under this Ordinance should the City Clerk be absent and unable to fulfill all or part of her duties under this Ordinance.

Section 13.02 **COMPLIANCE WITH SECTION 2252.908, GOVERNMENT CODE**. The Chief Financial Officer shall confirm that, to the extent required by Section 2252.908, Texas Government Code, each contracting party in connection with the issuance of Bonds has made disclosure filings to the Texas Ethics Commission in accordance with Section 2252.908, Texas Government Code. Within 30 days of receipt of the disclosure filings from the contracting party, the City will submit a copy of the disclosure filings with the Texas Ethics Commission.

Section 13.03 **SEVERABILITY**. If any article, section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of the article, section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 13.04 **EFFECTIVE IMMEDIATELY**. Notwithstanding the provisions of the City Charter, this Ordinance is effective immediately upon its adoption at this meeting pursuant to Section 1201.028, Texas Government Code.

Section 13.05 **REPEALER**. All orders, resolutions and ordinances, or parts inconsistent with this Ordinance are repealed to the extent of such inconsistency.

PASSED AND APPROVED this 15th day of December, 2016.

____
Steve Adler, Mayor

ATTEST:

________________________________ (SEAL)

Jannette S. Goodall, City Clerk

APPROVED:

____
Anne Morgan, City Attorney

EXHIBIT A
FORM OF BONDS

REGISTERED REGISTERED

No. ___________ $ ___________

United States of America
State of Texas
CITY OF AUSTIN, TEXAS
AIRPORT SYSTEM REVENUE BOND
SERIES 2017A

MATURITY DATE	INTEREST RATE	DELIVERY DATE	CUSIP
November 15, ____	____%		

THE CITY OF AUSTIN, TEXAS (the "City"), in Travis, Williamson and Hays Counties, Texas, for value received, hereby promises to pay to ________ or registered assigns, on the Maturity Date, as specified above, the sum of

____________________ DOLLARS

and to pay interest thereon, to the maturity date specified above, or the date of its redemption prior to scheduled maturity, at the rate of interest per annum specified above, with said interest being payable on May 15, 2017, and semiannually on each November 15 and May 15 thereafter; except that if the Paying Agent/Registrar's Authentication Certificate appearing on the face of this Bond is dated later than May 15, 2017, such interest is payable semiannually on each November 15 and May 15 following such date. Interest on the Bonds shall accrue from the Delivery Date specified above. Interest on the Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Capitalized terms appearing herein that are defined terms in the Ordinance defined below, have the meanings assigned to them in the Ordinance. Reference is made to the Ordinance for such definitions and for all other purposes.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Plano, Texas (the "Designated Payment Transfer Office"), of Amegy Bank, a division of ZB, National Association, as Paying Agent/Registrar, or, with respect to a successor Paying Agent/Registrar, at the Designated Payment Transfer Office of such successor. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof as shown by the Registration Books kept by the Paying Agent/Registrar at the close of business on the last Business Day of the month next preceding such Interest Payment Date (a "Record Date") by check, dated as of such Interest Payment Date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first class postage prepaid, on each such Interest Payment Date, to the registered owner hereof at its address as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. Any accrued interest due at maturity or upon redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the Designated Payment/Transfer Office of the Paying Agent/Registrar. The City covenants with the registered owner of this Bond that no later than each principal payment and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar from the Debt Service Fund the amounts required to provide for the payment, in immediately available funds, of all principal of, premium, if any, and interest on the Bonds, when due.

In the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City or in the city in which the Designated Payment Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a series of fully registered bonds specified in the title hereof, dated ____________, issued in the aggregate principal amount of $________ pursuant to the Ordinance. This Bond is one of the Revenue Bonds authorized by the Ordinance and is subject to the terms and provisions thereof. The Ordinance and its terms and provisions are incorporated herein for all purposes.

The Bonds are issued by the City for the purposes of obtaining funds to construct improvements to the City's Austin-Bergstrom Municipal Airport, to fund a reserve fund and capitalized interest for the Bonds, and to pay the City's costs incurred in connection with the issuance of the Bonds.

This Bond and all of the Bonds are special obligations of the City that are equally and ratably payable from and secured by a first lien on and pledge of the "Net Revenues" and by amounts on deposit in certain special funds of the "Airport System" of the City of Austin, Texas. Net Revenues are required to be set aside for and pledged to the payment of the Bonds and certain other outstanding obligations equally and ratably secured on a parity with the Bonds (collectively, the "Revenue Bonds") and "Credit Agreement Obligations" heretofore or hereafter issued or incurred in connection therewith, in the debt service fund and the debt service reserve fund required to be maintained for the payment of all such Revenue Bonds, all as more fully described and provided for in the Ordinance. This Bond and the series of which it is a part, together with the interest thereon, are payable solely from such Net Revenues and special funds and do not constitute an indebtedness or general obligation of the City.

The City has reserved the right to issue additional obligations on a parity with the outstanding Revenue Bonds and the Bonds and subordinate or inferior obligations, subject to the restrictions contained in the Ordinance, which may be secured by a lien on a parity with, subordinate or inferior to, the lien on the aforesaid Net Revenues securing this Bond and the series of which it is a part.

The Ordinance contains provisions permitting the City to defease the Ordinance and to amend the Ordinance under certain circumstances. Any amendment to the Ordinance shall be binding upon the Owner of this Bond without endorsement hereon or any reference to such amendment, provided that no amendment shall permit (a) an extension of the maturity of the principal of or the interest on this Bond, or (b) a reduction of the principal amount of this Bond or the rate of interest thereon.

The Bonds maturing on and after November 15, 2027 may be redeemed prior to their stated maturities, at the option of the City, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and if within a stated maturity by lot by the Paying Agent/Registrar), on November 15, 2026 or on any date thereafter, at the redemption price of par plus accrued interest thereon to the redemption date.

The Bonds maturing on November 15 in each of the years 20__ and 20__ are subject to mandatory sinking fund redemption in part (at random in such manner as the Paying Agent/Registrar in its discretion deems proper) on the dates and in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the Redemption Date, from sinking fund installments which are required to be made in amounts sufficient to redeem on the dates set forth below the principal amount of such respective Bonds specified below:

Sinking Fund Installments

Date	Principal Amount ($)

*Final Maturity

The principal amount of the Term Bonds of a stated maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the Issuer, by the principal amount of Term Bonds of like maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Not less than thirty 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 to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms and provisions relating thereto contained in the Ordinance. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of such redemption given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, 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.

In the event a portion of the principal amount of a Bond is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Ordinances for the then unredeemed balance of the principal sum of such Bond or Bonds will be issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within forty-five days of the redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

As provided in the Ordinance, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar, and, thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the City nor the Paying Agent/Registrar shall be affected by notice to the contrary.

It is hereby certified, recited and represented that the issuance of the Bonds is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the principal of and interest on the Revenue Bonds by granting a first lien on and pledge of the Net Revenues and special funds as provided in the Ordinance; and that the issuance of the Bonds does not exceed any constitutional or statutory limitation.

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Bond either (i) is registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) is authenticated by the Paying Agent/Registrar by due execution of the authentication certificate manually endorsed hereon. A duly executed certificate of authentication shall be conclusive evidence that this Bond was delivered by the Paying Agent/Registrar under the provisions of the Ordinance.

The owner of this Bond shall never have the right to demand payment of this Bond or the interest thereon out of any funds raised or to be raised by taxation.

IN WITNESS WHEREOF, the City has caused the official seal of the City to be impressed or placed in facsimile hereon and this Bond to be signed by the Mayor and attested by the City Clerk by their manual, lithographed, or printed facsimile signatures.

Jannette S. Goodall	Steve Adler
City Clerk, City of Austin, Texas	Mayor, City of Austin, Texas

[SEAL]

Form of Certificate of Paying Agent/Registrar

CERTIFICATE OF PAYING AGENT/REGISTRAR

It is hereby certified that this Bond has been issued under the Ordinance as described in the text of this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or portions of a bond or bonds of an issued which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

____

Amegy Bank, a division of ZB, National Association, as Agent/Registrar

Dated:

Form of Comptroller's Registration Certificate

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bonds in lieu of the Certificate of the Paying Agent/Registrar:

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	REGISTER NO.________
THE STATE OF TEXAS	§	

I HEREBY CERTIFY THAT this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and registered by the Comptroller of Public Accounts of the State of Texas

WITNESS MY SIGNATURE AND SEAL OF OFFICE this ____________________.

[SEAL]

____
Comptroller of Public Accounts
of the State of Texas

Form of Assignment

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

____

____

____

(Social Security or other identifying number: ________________) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _________________ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Signature Guaranteed By:

____

Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner satisfactory to the Paying Agent/Registrar.

EXHIBIT B

TABLE OF CONTENTS

ABIA POS
Draft 3
6-Dec 2016

PRELIMINARY OFFICIAL STATEMENT

DATED __________, 2016

New Issue: Book-Entry-Only System

Rating: Standard & Poor's: "__"
Moody's: "__"
(See "OTHER RELEVANT INFORMATION – Ratings")

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "TAX MATTERS" herein. Interest on the Bonds will be an item of tax preference for purpose of determining the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion and certain collateral federal tax consequences.

CITY OF AUSTIN, TEXAS

(Travis, Williamson and Hays Counties)

$____________*
Airport System Revenue Bonds, Series 2017A

$____________*
Airport System Revenue Bonds, Series 2017B (AMT)

Dated: __________, 20__; Interest to accrue from Date of Initial Delivery Due: As shown on the inside cover page

The $_________* City of Austin, Texas Airport System Revenue Bonds, Series 2017A and the $_________* City of Austin, Texas Airport System Revenue Bonds, Series 2017B (AMT) (collectively referred to as the "Bonds"), are limited special obligations of the City of Austin, Texas (the "City"), issued pursuant to the ordinances adopted by the City on December 15, 2016 (the "Ordinances"). In the Ordinances, the City Council has delegated the authority to sell the Bonds to an Authorized Officer (as defined in the Ordinances), subject to the parameters set forth in the Ordinances.

Proceeds from the Bonds, together with other legally available funds, will be used for the purpose of (i) designing and constructing improvements to Austin-Bergstrom International Airport ("ABIA" or the "Airport"), as more fully described in "DESCRIPTION OF THE 2017 PROJECTS" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs of issuance incurred in connection with the issuance of the Bonds. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Selected Definitions" and "SOURCES AND USES OF FUNDS" in this document.

Interest on the Bonds is calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from their date of initial delivery, and is payable on May 15, 2017 and semiannually thereafter on November 15 and May 15 of each year until maturity or prior redemption. The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on the 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. See "DESCRIPTION OF THE BONDS – Book–Entry–Only System" in this document.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as more fully described in this document. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

The Bonds, together with the Currently Outstanding Revenue Bonds (defined hereafter) and any Additional Revenue Bonds (defined hereafter), when and if issued, are limited special obligations of the City payable from, and are equally and ratably secured by, a first lien on the Net Revenues (defined hereafter) of the Airport System (defined hereafter) and certain funds established by the Ordinances. No mortgage of any of the physical properties forming a part of the Airport System or any lien thereon or security interest therein has been given. **The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State of Texas is pledged as security for the Bonds. See "SECURITY FOR THE BONDS" in this document.**

The Bonds are offered for delivery when, as and if issued, subject to the opinion of the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Bond Counsel for the City. See "APPENDIX E – Form of Bond Counsel's Opinions" in this document. Certain legal matters will be passed on for the underwriters listed below (the "Underwriters") by their counsel, Orrick, Herrington & Sutcliffe LLP. It is expected that the Bonds will be available for initial delivery to the Underwriters through DTC on or about _________, 20__.

RBC Capital Markets

Goldman, Sachs & Co.
Jefferies

Piper Jaffray
Siebert Brandford Shank & Co.

*Preliminary; subject to change.

$______________[1]

CITY OF AUSTIN, TEXAS

Airport System Revenue Bonds, Series 2017A

MATURITY SCHEDULE

Base CUSIP No. ______ [2]

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield [3]	CUSIP Suffix [2]
	$	%	%	

$_______ ____% Term Bonds maturing November 15, ____, priced to yield ____%, CUSIP Suffix _____ [2][3]

$_______ ____% Term Bonds maturing November 15, ____, priced to yield ____%, CUSIP Suffix _____ [2][3]

(Interest to accrue from the Date of Initial Delivery)

---

(1) Preliminary; subject to change

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed by S&P Global Market Intelligence 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. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of CUSIP numbers set forth in this document.

(3) Yield priced to ____________, 20__, the first optional call date. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

$______________[1]

CITY OF AUSTIN, TEXAS

Airport System Revenue Bonds, Series 2017B (AMT)

MATURITY SCHEDULE

Base CUSIP No. ______ [2]

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield [3]	CUSIP Suffix [2]
	$	%	%	

$_______ ____% Term Bonds maturing November 15, ____, priced to yield ____%, CUSIP Suffix _____ [2][3]

$_______ ____% Term Bonds maturing November 15, ____, priced to yield ____%, CUSIP Suffix _____ [2][3]

(Interest to accrue from the Date of Initial Delivery)

---

(1) Preliminary; subject to change.

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed by S&P Global Market Intelligence 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. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of CUSIP numbers set forth in this document.

(3) Yield priced to ____________, 20__, the first optional call date. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Bonds defined in this Official Statement 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.

No dealer, broker, salesman or other person has been authorized by the City or by the Underwriters in the initial offering of all or any of the Bonds to give any information or to make any representations, other than as contained in this Official Statement, 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 Bonds, 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 Official Statement 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 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE ORDINANCES BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS.

The information set forth 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 Official Statement are subject to change without notice and neither the delivery of this Official Statement 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 in this Official Statement. CUSIP numbers have been assigned to the Bonds by CUSIP Global Services for the convenience of the owners of the Bonds.

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 Official Statement 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BONDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL, OR STATE SECURITIES AUTHORITY OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

TABLE OF CONTENTS

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CITY OF AUSTIN, TEXAS

Elected Officials (1)

		Term Expires Jan. 5
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

Elaine Hart, CPA	Interim City Manager (1)
Robert Goode	Assistant City Manager
Sue Edwards	Assistant City Manager
Bert Lumbreras	Assistant City Manager
Rey Arellano	Assistant City Manager
Mark Washington	Assistant City Manager
Greg Canally	Interim Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Anne Morgan	City Attorney
Jannette Goodall	City Clerk

(1) On September 1, 2016, the Austin City Council appointed Ms. Elaine Hart as interim City Manager effective October 1, 2016.

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Dallas and Austin, Texas

DISCLOSURE COUNSEL FOR THE CITY
Norton Rose Fulbright US LLP
Dallas and Austin, Texas

FINANCIAL ADVISOR
Public Financial Management, Inc.
Austin, Texas

INDEPENDENT AUDITORS
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Austin, Texas

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OFFICIAL STATEMENT

relating to

CITY OF AUSTIN, TEXAS

(Travis, Williamson and Hays Counties)

$____________*	$____________*
Airport System Revenue Bonds, Series 2017A	**Airport System Revenue Bonds, Series 2017B (AMT)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to set forth information concerning the City of Austin, Texas (the "City"), the Airport System (see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions" in this document for the complete definition of the Airport System), and the City's Airport System Revenue Bonds, Series 2017A and the Airport System Revenue Bonds, Series 2017B (AMT) (collectively referred to as the "Bonds"). The Bonds are limited special obligations of the City issued pursuant to the ordinances adopted by the City on December 15, 2016 (the "Ordinances"). Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinances. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Selected Definitions" in this document.

The Bonds are being issued pursuant to Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Chapter 22, Texas Transportation Code, as amended, and the Ordinances. In the Ordinances, the City Council has delegated the authority to sell the Bonds to an Authorized Officer, subject to the parameters set forth in the Ordinances.

Proceeds from the Bonds, together with other legally available funds, will be used for the purpose of (i) planning, acquiring, establishing, constructing, improving, or equiping Austin-Bergstrom International Airport ("ABIA" or the "Airport"), the major component of the Airport System, as more fully described in "DESCRIPTION OF THE 2017 PROJECTS" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs of issuance incurred in connection with the issuance of the Bonds. See "SOURCES AND USES OF FUNDS" in this document.

The Bonds, together with the Currently Outstanding Revenue Bonds, are secured by and payable from a first lien on the Net Revenues (as hereinafter defined) of the Airport System. Under certain circumstances, the Ordinances permits the issuance of Additional Revenue Bonds which rank on a parity with the Currently Outstanding Revenue Bonds, and the Bonds are being issued as Additional Revenue Bonds. See "SECURITY FOR THE BONDS – Additional Revenue Bonds" in this document. The Ordinances define the "Currently Outstanding Revenue Bonds" as including the Series 2005 Bonds, the Series 2013 Bonds, the Series 2013A Bonds, and the Series 2014 Bonds. As of November 15, 2016, the outstanding principal balance of the Series 2005 Bonds is $179,075,000, the outstanding principal balance of the Series 2013 Bonds is $56,410,000, the outstanding principal balance of the Series 2013A Bonds is $17,988,000, and the outstanding principal balance of the Series 2014 Bonds is $244,495,000.

By acceptance of the Bonds, each Owner of a Bond (i) irrevocably and specifically consents to and approves amendments to the Ordinances and the ordinances governing the issuance of Revenue Bonds as described below, (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact to evidence an Owner's specific consent to and approval of the amendments described below, and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner. The amendments described below were so approved by the Owners of the Series 2013 Bonds and the Series 2013A Bonds, but have not been approved by the Owners of the Series 2005 Bonds. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

The amendments are as follows:

Amend Section 6.01(e) of the Ordinance and the Revenue Bond Ordinances to read:

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*Preliminary; subject to change.

"Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Prior Lien Bonds or Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the aggregate Debt Service Requirements after the issuance of the Additional Revenue Bonds do not exceed the aggregate Debt Service Requirements prior to the issuance of the Additional Revenue Bonds; provided, that the annual debt service on the refunding bonds in any Fiscal Year will not be more than 10% higher than it is in any other Fiscal Year."

Amend Section 9.03 of the Ordinance and the Revenue Bond Ordinances by changing the phrase "66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding" to "a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding".

The amendment to Section 6.01(e) will become effective once the consent of 66 2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received. Since there are no Prior Lien Bonds now Outstanding, the reference to Prior Lien Bonds above is of no force and effect. The amendment to Section 9.03 will become effective once the consent of 100% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received. Since the Series 2005 Bonds are insured, the consent of the bond insurer will be required to be obtained.

Upon the issuance of the Bonds, the percentage of bondholders of the Currently Outstanding Revenue Bonds and the Bonds who have consented or will have been deemed to have consented to the amendments described above is __._%.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Amendments" in this document.

DESCRIPTION OF THE 2017 PROJECTS

In response to the airlines' request for additional space, as well as the significant increase in passenger growth at ABIA, the City has endeavored to undertake the projects described below (collectively, the "2017 Projects"):

Airport Terminal/Apron Expansion and Improvement Project –

The Airport Terminal/Apron Expansion and Improvement Project will include nine new passenger gates; four of which will be flexible in design to accommodate both domestic and international flights. The project scope includes utility and infrastructure upgrades to support the new expansion and renovation work in the ticket lobby to match new technology in order to improve customer service and balance the space needs for passengers and airlines. The Airport Terminal/Apron Expansion and Improvement Project scope of work has been expanded from the 2014 plan to include terminal mechanical system improvements, baggage claim level infrastructure improvements and terminal roof replacement.

The aircraft apron expansion element of the Airport Terminal/Apron Expansion and Improvement Project will include expanding the existing apron by approximately 48 acres. The expanded apron will provide aircraft parking for the new terminal gates and provide dual parallel taxi lanes to better accommodate existing aircraft movements as well as future larger design group aircraft operations and safely accommodate irregular airline operations. The aircraft apron expansion element of the Airport Terminal/Apron Expansion and Improvement Project scope of work has been expanded from the 2014 plan to include relocation and expansion of water quality detention ponds to support aircraft deicing.

The Airport Terminal Expansion and Improvements are expected to be completed in the Fall of 2018. The overall project is scheduled to be completed in the Summer of 2019.

Parking Garage Project Construction –

Funding is proposed for the construction work for a new, approximately 5,000-space, five-level parking garage at the Lot A site north of the existing parking garage and west of the new rental car facility. The Parking Garage Project Construction scope of work has been expanded to include improvements to the roadways and entry plazas for the newly constructed garage. The garage is scheduled to be completed in November 2018.

For information on the funding plan for these projects, see "CAPITAL IMPROVEMENT PROGRAM" in this document.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated application of proceeds of the Bonds.

	2017A	2017B (AMT)
Sources of Funds:	$	$
Principal Amount		
Original Issue Premium		
Total Sources of Funds	$	$
Uses of Funds:		
Deposit to Project Account		
Deposit to Capitalized Interest Account		
Deposit to Debt Service Reserve Fund		
Costs of Issuance		
Underwriters Discount		
Total Uses of Funds	$	$

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DESCRIPTION OF THE BONDS

General

The Bonds will be issued in the aggregate principal amount and at the interest rates, and will mature in the amounts and on the dates, all as set forth on the inside cover page. The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from their date of delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and will be payable on May 15, 2017, and on each November 15 and May 15 thereafter (each such date is referred to as an "Interest Payment Date") until maturity or prior redemption. The Bonds are initially to be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as securities depository for the Bonds. Purchases by beneficial owners of the Bonds (the "Beneficial Owners") are to be made in book entry form. See "Book-Entry-Only System" below in this document.

The principal of the Bonds shall be payable in lawful money of the United States of America at the corporate trust office in TBD (the "Designated Payment/Transfer Office") of TBD (the "Paying Agent/Registrar"), and the interest on the Bonds shall be paid by check or draft mailed, by first-class mail, by the Paying Agent/Registrar to the respective registered owners thereof at their addresses as they appear on the registration books kept by the Paying Agent/Registrar pertaining to the registration of the Bonds on the last Business Day of the month next preceding an Interest Payment Date. In lieu of mailing such interest payment, such other method may be used at the risk and expense of a registered owner, if requested by the registered owner and acceptable to the Paying Agent/Registrar. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with arrangements between the City and the securities depository. See " - Book-Entry-Only System" below in this document.

Redemption of the Bonds

Optional Redemption. The City reserves the right, at its option, to redeem the Bonds in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on November 15, 2027, 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 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 are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds, or portions thereof, within such maturity and series to be redeemed.

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

Mandatory Sinking Fund Redemption. The Bonds having stated maturities of November 15 in each of the years 20__ and 20__ respectively (the "Term Bonds"), shall be subject to mandatory redemption in part prior to maturity at the redemption price of par plus accrued interest to the date of redemption on November 15 in each of the years and in principal amounts as follows:

_____% Term Bond due November 15, 20__		_____% Term Bond due November 15, 20__	
Year	Principal Amount	Year	Principal Amount
20__	$	20__	$
20__		20__	
20__		20__	
20__		20__	
20__*		20__*	

*Stated maturity.

Approximately 45 days prior to each mandatory redemption date of the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the stated applicable maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund; *provided*, that during any period in which ownership of the Term Bonds is determined only by a book entry at a securities depository for the Term Bonds, the particular Term Bonds shall be selected in accordance with the arrangements between the City and the securities depository.

The principal amount of the Term Bonds of a stated maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds of like maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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 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; *provided*, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, the particular Bonds shall be selected in accordance with the arrangements between the City and the securities depository. If a Bond (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 the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Bond shall cease to accrue from and after the redemption date of the Bond, 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.

Any notice of redemption shall state the redemption date, the redemption price, the amount of accrued interest payable on the redemption date, the place at which Bonds are to be surrendered for payment and, if less than the entire principal amount of a Bond is to be redeemed, the portion thereof to be redeemed. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption. When the Bonds have been called for redemption in whole or in part and due provision has been made to redeem them, the Bonds or portions thereof so redeemed shall no longer be regarded as Outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the registered owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Limitation on Transfer of Bonds Called for Redemption

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

Defeasance of Bonds

The Ordinances provide for the defeasance of the Bonds when the payment of the principal of the Bonds, plus interest to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Obligations, 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 Bonds. The Ordinances provide that "Defeasance Obligations" means (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 Obligation will be maintained by any particular rating category. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Discharge by Deposit" in this document.

Remedies

If the City defaults in the payment of principal, interest or redemption price on the Bonds when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinances, or the City declares bankruptcy, the registered owners of the Bonds may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinances 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 courts, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The City may exercise authority to issue obligations and enter into credit agreements pursuant to Chapter 1371, secured by the Net Revenues of the Airport System. In the proceedings authorizing the issuance of obligations or the execution and delivery of credit agreements, the City may agree to waive sovereign immunity from suit or liability for the purposes of adjudicating a claim to enforce the credit agreement or obligation or for damages for breach of the credit agreement or obligation. The City has not waived the defense of sovereign immunity with respect to the Bonds under Chapter 1371. 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 State legislature has effectively waived the City's sovereign immunity from a suit for money damages outside of Chapter 1371, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds 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 revenue, 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 Bonds 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 any other remedies available to the registered owners 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

The Ordinances provide that in the event of a payment default on any of the Bonds or a default in the performance of any duty or covenant provided by law or in the Ordinances, the Owner or Owners of any of the Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Bonds, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Ordinances, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds provided in the Ordinances, and the application of such Gross Revenues in the manner required in the Ordinances.

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" below in this document. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Bonds are described in this Official Statement.

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 and the Underwriters believe 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 Bonds, 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 Bonds), or redemption or other notices, to the beneficial owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States 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 Bonds. The Bonds will be issued as fully-registered Bonds 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 Bonds, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 Bonds 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, Bond 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 the Bonds will be printed and delivered to DTC.

Paying Agent/Registrar

Interest on and principal of the Bonds will be payable, and transfer functions will be performed at the Designated Payment/Transfer Office designated to the City by the Paying Agent/Registrar, currently its TBD, Texas corporate trust 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 Bonds are outstanding and 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 Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds 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. A Bond 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 Bond will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds 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 Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" above in this document for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

SOURCES OF REPAYMENT FOR THE BONDS

Pledge of Net Revenues

The Bonds and the Currently Outstanding Revenue Bonds, together with any Additional Revenue Bonds (if and when issued), are secured by and payable from a first lien on the Net Revenues. Gross Revenues shall be deposited and paid into the special funds established and confirmed in the Ordinances and shall be applied toward the payment of all Operation and Maintenance Expenses of the Airport System, to provide for the payment of Debt Service on the Revenue Bonds and any Credit Agreement Obligations related to outstanding Revenue Bonds, and for the payment when due of Administrative Expenses. **Net Revenues shall mean that portion of Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System**. Debt Service shall be payable prior to the payment of any Administrative Expenses. See "- Flow of Funds" below in this document. For definitions of "Gross Revenues," Operations and Maintenance Expenses," and "Administrative Expense," see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

The Ordinances do not constitute a mortgage of any of the physical properties forming a part of the Airport System or create any lien thereon or security interest therein. The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State of Texas is pledged as security for the Bonds.

As of the date hereof, the Currently Outstanding Revenue Bonds are the only obligations of the City payable from a first lien on and pledge of the Net Revenues.

Use of Passenger Facility Charges

The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) $4.50 derived from each passenger facility charge ("PFC") so imposed and collected by the City for the payment of debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the PFCs will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%. PFCs are currently being used to pay debt service on Revenue Bonds for PFC-eligible projects that have been approved by the Federal Aviation Administration ("FAA"). See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Use of Passenger Facility Charges" in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of □Gross Revenues□. Consistent with the definition of □Debt Service Requirements□ in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See "- Rate Covenant", "- Additional Revenue Bonds" and the definition of "Debt Service Requirements" in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Selected Definitions" in this document.

The City plans to seek approval from the FAA to use PFCs to fund a portion of the 2017 Projects and to pay a portion of the debt service on the Bonds. Upon approval, the City intends to set aside PFCs to pay PFC-eligible debt service on the Bonds in accordance with the covenant described above. See "CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit F" in this document.

See "CAPITAL IMPROVEMENT PROGRAM – Passenger Facility Charges" in this document for data on historical PFC collections.

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Flow of Funds

The Ordinances confirm the prior establishment of special funds which shall be maintained and accounted for so long as any Revenue Bond and related Credit Agreement Obligation remains Outstanding and Administrative Expenses remain unpaid. Gross Revenues as received are required to be deposited into the Revenue Fund established by the Ordinances, and moneys in such fund are required to be applied and allocated on a monthly basis in the manner and the priority established by the Ordinances. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Funds and Flow of Funds" in this document.

FLOW OF FUNDS
DEPOSIT GROSS REVENUES OF THE AIRPORT SYSTEM

Fund	*Priority Under the Ordinance*
Revenue Fund To provide for all payments of Operation and Maintenance Expenses required by the Revenue Bond Ordinances	1
Debt Service Fund All amounts required by the Revenue Bond Ordinances necessary to pay Debt Service on Revenue Bonds and any related Credit Agreement Obligations (1)	2
Administrative Expense Fund All amounts required to pay Administrative Expenses when due	3
Debt Service Reserve Fund All amounts required by the Revenue Bond Ordinances (2)	4
Funds and Accounts for Subordinate Obligations All amounts necessary to provide for the payment of Subordinate Obligations, or to provide reserves for such payments, as may be required by any ordinance authorizing Subordinate Obligations and related credit agreement obligations (3)	5
Funds and Accounts for General Obligation Airport Bonds To provide for the payment of principal and interest on General Obligation Airport Bonds	6
Operation and Maintenance Reserve Fund (held in Revenue Fund) All amounts required by the Revenue Bond Ordinances	7
Renewal and Replacement Fund All amounts ($5,000,000) required by the Revenue Bond Ordinances	8
Capital Fund May be used for lawful purposes related to the Airport System Other Available Funds (4) | Minimum Capital Reserve	9

PFCs Used to Pay Debt Service

(1) See "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS - Financial Transactions Related to the Series 2005 Bonds" in this document.
(2) See "- Debt Service Reserve Fund".
(3) See "- Subordinate Obligations".
(4) See "HISTORICAL FINANCIAL DATA - Table 8" and the definition of "Other Available Funds" in APPENDIX C in this document.

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Rate Covenant

The City covenants in the Ordinances (see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Particular Covenants – Rate Covenant" in this document) that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year, the Net Revenues will be at least sufficient to equal the **larger** of either (i) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and to pay any debt service or debt service reserve fund or account for Subordinate Obligations, **or** (ii) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for the Revenue Bonds for the Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

If the Net Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for the Fiscal Year, must request an Airport Consultant to make its recommendations, if any, as to a revision of the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the foregoing requirements. Copies of the request and the recommendations of the Airport Consultant shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the covenant set forth above, so long as Debt Service is paid when due.

For purposes of the rate covenant, as described above, Other Available Funds is defined in the Ordinances as unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund; but in no event may this amount exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. The City has had a practice of transferring Other Available Funds to the Revenue Fund pursuant to the Revenue Bond Ordinances. See "HISTORICAL FINANCIAL DATA – Table 8 – Historical Debt Service Coverage" in this document.

Debt Service Reserve Fund

The Ordinances and the ordinances authorizing the Currently Outstanding Revenue Bonds establish a Debt Service Reserve Fund for the benefit of all Revenue Bonds and require that an amount equal to the Debt Service Reserve Fund Requirement be accumulated and maintained therein in accordance with such ordinances. The Debt Service Reserve Fund Requirement is defined in the Ordinances and shall mean the amount required to be maintained in the Debt Service Reserve Fund. This amount shall be computed and recomputed annually as a part of the City's budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with regulations promulgated under the Code, exceed the least of (a) 10% of the stated principal amount of each issue of which the Revenue Bonds or Additional Revenue Bonds are a part, (b) the maximum annual principal and interest requirements of the issue or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that the additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code and the regulations thereunder promulgated from time to time. The Ordinances and the ordinances authorizing the Currently Outstanding Revenue Bonds also provide for the use of a Debt Service Reserve Fund Surety Bond in lieu of a cash deposit. In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of that month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in the Debt Service Reserve Fund shall be transferred to the Revenue Fund.

But if and whenever the balance in the Debt Service Reserve Fund is reduced below this amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in amounts required to restore the Debt Service Reserve Fund to this amount and to pay reimbursement obligations within an 18 month period. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Funds and Flow of Funds - Debt Service Reserve Fund" in this document. Upon the issuance of the Bonds, the aggregate Debt Service Reserve Requirement will be $__________. The Debt Service Reserve Fund is currently funded with $__________ of cash and a Debt Service Reserve Fund Surety Bond (the "2005 Reserve Policy") issued by Assured Guaranty Municipal Corp (rated "A2" by Moodys and "AA" by S&P) in the amount of $__________. The 2005 Reserve Policy will remain in effect so long as all or a portion of the Series 2005 Bonds are outstanding; however, under certain circumstances, the 2005 Reserve Policy may be cancelled prior to the final maturity of the Series 2005 Bonds (see "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS – Financial Transactions Related to the Series 2005 Bonds" in this document). Pursuant to the terms of the 2005 Reserve Policy, all cash on deposit in the Debt Service Reserve Fund must be utilized before any draw may be made on the 2005 Reserve Policy, and the proceeds of any payments made pursuant to the 2005 Reserve Policy may only be applied to the payment of debt service on the Series 2005 Bonds. The City intends to deposit $_________ in the Debt Service Reserve Fund from a portion of the proceeds of the Bonds. See "SOURCES AND USES OF FUNDS" in this document. Upon such deposit, the Debt Service Reserve Fund will be fully funded.

Credit Agreement Obligations

Under certain circumstances, Credit Agreement Obligations may be accorded the status of Bonds. Credit Agreement Obligations are defined under the Bond Ordinances to mean any amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense. Credit Agreements are defined under the Ordinances as means (i) any agreement of the City entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Revenue Bonds or (B) providing liquidity with respect to Revenue Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Revenue Bonds to which it relates, and (ii) a Swap Agreement. The Ordinances further define a Swap Agreement as a Credit Agreement with respect to a series of Revenue Bonds pursuant to which the City has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City's fixed or variable interest rate liability on all or a portion of the Revenue Bonds to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody's, and by Standard & Poor's, and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Revenue Bonds without reference to any Credit Agreement.

Contingent Payment Obligations

The City has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of the City to make payments contingent upon the occurrence or non-occurrence of certain future events, including events that are beyond the direct control of the City. These agreements include interest Swap Agreements and other similar agreements, letter of credit and line of credit agreements for advances of funds to the City in connection with its Bonds and other obligations, and other agreements. See "–Credit Agreement Obligations."

Such contracts and agreements may provide for contingent payments that may be conditioned upon the credit ratings of the City and/or of the other parties to the contract or agreement, maintenance by the City of specified financial ratios, the inability of the City to obtain long-term refinancing for shorter-term obligations or liquidity arrangements, and other factors. Such payments may be payable on a parity with debt service on the Bonds, including any payments made pursuant to a Swap Agreement.

The amount of any such contingent payments may be substantial. To the extent that the City did not have sufficient funds on hand to make any such payment, it is likely that the City would seek to borrow such amounts through the issuance of Additional Revenue Bonds or Subordinate Obligations.

Additional Revenue Bonds

The Bonds will be issued as Additional Revenue Bonds, secured by a first lien on and pledge of the Net Revenues on parity with the Currently Outstanding Revenue Bonds.

Additional Revenue Bonds may be issued upon satisfaction of the conditions set forth in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Additional Bonds" in this document.

The City has retained substantial flexibility as to the terms of any such Additional Revenue Bonds. Such Additional Revenue Bonds (which may include, without limitation, bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein and Credit Agreement Obligations to Credit Providers) may mature on any date or dates over any period of time; bear interest at a fixed or variable rate; be payable in any currency or currencies; be in any denominations; be subject to additional events of default; have any interest and principal payment dates; be in any form (including registered, book-entry or coupon); include or exclude redemption provisions; be sold at a certain price or prices; be further secured by any separate and additional security; be subject to optional tender for purchase; and otherwise include such additional terms and provisions as the City may determine, subject to the then-applicable requirements and limitations imposed by State law.

Subordinate Obligations

The City has reserved the right to issue or incur, for any lawful Airport System purpose, bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Bonds, Currently Outstanding Revenue Bonds, and any Additional Revenue Bonds.

Although referred to in the Ordinances as "Subordinate Obligations", such bonds, notes or other obligations may bear any name or designation provided by the ordinance authorizing their issuance. Such Subordinate Obligations may be secured by any other source of revenues lawfully available for such purposes. No Subordinate Obligations are currently outstanding. See "DEBT SERVICE REQUIREMENTS" in this document.

OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS

Outstanding Revenue Bonds

Four series of Revenue Bonds are currently outstanding: the Series 2005 Bonds, the Series 2013 Bonds, the Series 2013A Bonds, and the Series 2014 Bonds. As of December 1, 2016, the outstanding principal balance of the Series 2005 Bonds is \$179,075,000, the outstanding principal balance of the Series 2013 Bonds is \$56,410,000, the outstanding principal balance of the Series 2013A Bonds is \$17,988,000, and the outstanding principal balance of the Series 2014 Bonds is \$244,495,000.

The Series 2005 Bonds are variable rate demand obligations with a final maturity of November 15, 2025; the payment of debt service is secured by letters of credit. See "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS – Financial Transactions Related to the 2005 Bonds" in this document. The Series 2013 Bonds are a fixed rate direct placement loan with Prosperity Bank under the terms of the existing ordinance and have a final maturity of May 15, 2028. The Series 2013A Bonds are a fixed rate direct placement loan with Bank of America Merrill Lynch and have a final maturity of November 15, 2018. The Series 2014 Bonds are fixed-rate bonds with a final maturity of November 15, 2044.

Financial Transactions Related to the Series 2005 Bonds

The Series 2005 Bonds are variable rate demand obligations and consist of four sub-series of Series 2005 Bonds. The City has entered into a Letter of Credit and Reimbursement Agreement (the "Reimbursement Agreement") with Sumitomo Mitsui Banking Corporation, acting through its New York Branch ("SMBC"). Pursuant to the terms of the Reimbursement Agreement, SMBC has issued four separate letters of credit, one for each sub-series of the Series 2005 Bonds, to provide both liquidity and credit support for each sub-series of the Series 2005 Bonds. Payment of scheduled principal of and interest on the Series 2005 Bonds, together with the purchase price of Series 2005 Bonds subject to optional or mandatory tender for purchase which have not been remarketed, will be payable from amounts received under each letter of credit. If a letter of credit is drawn upon to pay debt service or tenders of a sub-series of Series 2005 Bonds, and the funds received from the draw are not promptly repaid by the City, SMBC will become an owner of the sub-series of Series 2005 Bonds. Series 2005 Bonds tendered for purchase will be paid first, from the proceeds of remarketing, if any, and second, from a liquidity drawing on a letter of credit. The existing letters of credit issued by SMBC each have a scheduled expiration date of October 15, 2018. The existing letters of credit may terminate prior to the scheduled expiration date upon the occurrence of certain events of default as described in the Reimbursement Agreement.

Fees of the City payable to SMBC under the Reimbursement Agreement relating to the issuance of the letters of credit, are Credit Agreement Obligations, payable on a parity with the obligation of the City to pay debt service on the Revenue Bonds.

At the time of the issuance of the Series 2005 Bonds, a financial guaranty insurance policy (the "2005 Bond Policy") was issued to guarantee the scheduled payment of principal of and interest on the Series 2005 Bonds when due. The 2005 Bond Policy was issued by Financial Security Assurance Inc.; Assured Guaranty Municipal Corp. ("AGM") succeeded to the interests of Financial Security Assurance Inc. under the 2005 Bond Policy and the other policies described below.

In connection with the issuance of the Series 2005 Bonds, the City entered into an interest rate swap agreement with Morgan Stanley Capital Services, Inc., as "Counterparty" (the "Interest Rate Swap Agreement"). A financial guaranty insurance policy (the "2005 Swap Policy") was issued relating to the swap transaction entered into by the City with the Counterparty (the "Swap Transaction"), and AGM is obligated to make certain payments under the 2005 Swap Policy in relation to certain events occurring with respect to the Swap Transaction.

In connection with the Swap Transaction, the City is obligated to make payments to the Counterparty calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2005 Bonds and a fixed interest rate of 4.051% per annum, and the Counterparty is obligated to make reciprocal payments to the City calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2005 Bonds and a variable rate equal to 71% of the one-month London Interbank Borrowing Rate (LIBOR) for U.S. deposits. Payments are made on a net basis on the first day of each month, ending in November 2025. Interest on the Series 2005 Bonds is determined in a manner that differs from the LIBOR index used to calculate amounts payable to the City under the terms of the Interest Rate Swap Agreement. On the effective date of the Interest Rate Swap Agreement, the Counterparty was rated "Aa3" by Moody's, "AA-" by S&P and "AA-" by Fitch. The City entered into the Interest Rate Swap Agreement in conjunction with the issuance of the Series 2005 Bonds in order to effect and quantify a debt service savings on outstanding bonds that were refunded with the proceeds of the Series 2005 Bonds. Payments to be made by the City, if any, under the terms of the Interest Rate Swap Agreement (other than a "termination payment" as discussed below) constitute Credit Agreement Obligations and are therefore payable solely from and equally and ratably secured by a lien on the Net Revenues of equal rank and dignity with the lien and pledge securing the payment of the Revenue Bonds. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS - Note 9b – Variable Rate Debt Management Program" in this document for a discussion relating to the valuation of and risks associated with the Interest Rate Swap Agreement. As of September 30, 2016, the net aggregate monthly payments the City has made to the Counterparty under the Interest Rate Swap Agreement equal $____________.

The City's obligation to make scheduled payments under the Interest Rate Swap Agreement is insured by AGM under the terms of the 2005 Swap Policy issued in 2005. Any termination payment the City may become obligated to pay under the terms of the Interest Rate Swap Agreement is not covered by the 2005 Swap Policy. A discussion of events that could result in the termination of the 2005 Swap Policy follow below.

If either party to the Interest Rate Swap Agreement commits an event of default, suffers a reduction in credit worthiness, or merges with a materially weaker entity, or in certain other circumstances, the Interest Rate Swap Agreement may be terminated at the option of the other party. Accordingly, no assurance can be given that the Interest Rate Swap Agreement will continue in existence until November 2025. If the Interest Rate Swap Agreement is terminated, then current market conditions will determine whether the City will owe a termination payment to the Counterparty or be entitled to receive a termination payment from the Counterparty. Such termination payment generally would be based on the market value of the Interest Rate Swap Agreement on the date of termination and could be substantial. In addition, a partial termination of the Interest Rate Swap Agreement could occur to the extent any Series 2005 Bonds are redeemed pursuant to the City exercising its right to effect an optional redemption of the Series 2005 Bonds. If such optional redemption were to occur, termination payments related to the portion of the Interest Rate Swap Agreement to be terminated will be owed by either the City or the Counterparty, depending on the existing market conditions. The obligation of the City to pay a termination payment to the Counterparty could result in the City issuing Additional Revenue Bonds or Subordinate Obligations to enable the City to make such a termination payment.

SMBC, the City, the paying agent and tender agent, and AGM have entered into a Second Amended and Restated Bond Insurance Policy Cancellation Agreement (the "Cancellation Agreement"). Under certain conditions as described in the Cancellation Agreement, the providers of the letters of credit may direct the cancellation of the 2005 Bond Policy, which will effect a mandatory tender of the Series 2005 Bonds. No draws upon the 2005 Bond Policy may occur once the providers of the letters of credit have directed the cancellation of the 2005 Bond Policy. Should AGM have made payments, directly or indirectly, on account of principal of or interest on Series 2005 Bonds to any holder of the Series 2005 Bonds (the "Holder") prior to the date the 2005 Bond Policy is cancelled (the "Cancellation Date"), AGM will be (a) subrogated to the rights of the Holder to receive the amount of such payment from the City, and (b) deemed the Holder of such Series 2005 Bonds for all purposes under the Series 2005 Ordinance, including, without limitation, the direction of remedies, the voting or giving consent with respect to remedies and other actions or inactions that may require voting or consent, and the filing of proofs of claim and other indicia of ownership in any insolvency proceeding. AGM also will be entitled to receive the amount of principal and interest as provided in the Series 2005 Bond Ordinance and the Series 2005 Bonds, and the parties to the Cancellation Agreement will otherwise treat AGM as the owner of such rights to the amount of such payment.

In connection with the issuance of the Series 2005 Bonds a Debt Reserve Fund Surety Bond was issued relating to the Series 2005 Bonds (the "2005 Reserve Policy"), and AGM is obligated under the terms of the 2005 Reserve Policy to make payments in the event conditions specified in the ordinance relating to the Series 2005 Bonds occur which would result in a draw being necessary to pay debt service on the Series 2005 Bonds. See "SOURCES OF REPAYMENT FOR THE BONDS – Debt Service Reserve Fund" in this document. The Cancellation Agreement provides that upon the cancellation of the 2005 Bond Policy in accordance with the terms of the Cancellation Agreement (unless an Insurer Event of Default has occurred and is continuing), the 2005 Reserve Policy shall be cancelled by a date that is not more than three years after the Cancellation Date, and the City shall (i) beginning with the first full calendar month following the Cancellation Date, commence funding on a monthly basis an amount sufficient so that the Debt Service Reserve Fund Requirement established in support of the Series 2005 Bonds is established (without giving effect to the 2005 Reserve Policy) by the date that is three years after the Cancellation Date and (ii) restore any draw on the Debt Service Reserve Fund from over a period of no more than eighteen (18) months as required by the Ordinances. The City further agrees in the Cancellation Agreement not to issue any Additional Revenue Bonds payable from the 2005 Reserve Policy.

The City and AGM, in connection with the delivery of the letters of credit described above, have entered into a Second Amended and Restated Agreement Regarding Insured Swap Transaction (City of Austin) (the "Swap Management Agreement"), in which the City may be required to terminate the 2005 Swap Policy if the 2005 Bond Policy is cancelled under the terms of the Cancellation Agreement. In the Swap Management Agreement, upon the termination of the 2005 Bond Policy pursuant to the Cancellation Agreement, the City shall provide AGM with (i) on a monthly basis, a statement of the estimated aggregate mark-to-market value of the Interest Rate Swap Agreement and (ii) notice at such time, if any, as the aggregate mark-to-market value of the Interest Rate Swap Agreement is negative $100,000 or an amount more favorable to the City within two (2) Business Days of that being the case. Unless AGM directs or agrees otherwise, not later than the earlier of (a) ten (10) Business Days after the first date on which the estimated aggregate mark-to-market value of the Interest Rate Swap Agreement payable by the City is zero or on which such estimated aggregate mark-to-market value is positive to the City and (b) three (3) years of the date of the cancellation of the 2005 Bond Policy pursuant to the Cancellation Agreement, the City shall do one of the following: (1) designate an early termination date, or other optional termination, with respect to the Interest Rate Swap Agreement, or (2) deliver to AGM the original 2005 Swap Policy together with an instrument from the Counterparty satisfactory to AGM deeming the Interest Rate Swap Agreement to no longer be insured and releasing AGM from all further liability under the 2005 Swap Policy. **The Swap Management Agreement does provide, however, that the City and AGM agree that in the event the 2005 Bond Policy is cancelled as a result of the occurrence of an Insurer Event of Default (as defined in the Reimbursement Agreement), the City shall not be obligated to perform its obligations described in the immediately preceding sentence.**

Special Facilities Bonds

The City has reserved the right to issue from time to time, in one or more series, Special Facilities Bonds as provided in the Ordinances to finance and refinance the cost of any Special Facilities, including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto, provided that such Special Facilities Bonds shall be payable solely from payments by Special Facilities lessees and/or other security not provided by the City. In no event shall any Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. The City has issued and there is currently outstanding one series of Special Facilities Bonds, the City of Austin, Texas, Rental Car Special Facility Revenue Bonds, Taxable Series 2013.

Subordinate Debt to Support Austin Airport Hotel Refinancing

In 1998, the City of Austin (City) created Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), a public facility corporation, to issue revenue bonds to finance the construction and equipping of the hotel at the airport (Airport Hotel Bonds).

In 1999, ABLE issued: (1) senior "A" bonds in the amount of $38,785,000 at 6.75% interest rate secured by a senior lien pledge of hotel revenue, and (2) subordinated "B" bonds in the amount of $3,730,000 at 10.5% interest rate secured by a subordinate lien pledge of hotel revenue. The Airport Hotel Bonds are limited obligations and payable by ABLE solely from hotel revenue.

Since 2004, ABLE has not generated sufficient cash flow to pay debt service on the Airport Hotel Bonds due to the large debt issuance, high interest rates, and other economic factors. The failure to pay debt service when due on the Airport Hotel Bonds is an event of default under the indenture pursuant to which the Airport Hotel Bonds were issued.

Current Condition of the Airport Hotel

In 2014, significant damage to the roof of the airport hotel was caused by a hail storm and one of six energy recovery units located on the hotel roof failed. The energy recovery units extract hot air and humidity from the building and are a necessary feature of the hotel's heating and cooling system in maintaining air balance and moisture levels of the building.

The roof and energy recovery unit were replaced after some delays due to additional storm damage to the roof and funding concerns by bondholders. In 2015, mold was identified in the hotel atrium. Mold remediation is estimated to cost approximately $4 million which includes replacing the hotel's heating, ventilating, and air conditioning (HVAC) system, skylight and stucco repairs, and other related mechanical repairs.

Plan To Refinance Airport Hotel Debt and Provide Additoinal Funds For Repairs and Capital Improvements

As of December 1, 2016, ABLE's total outstanding debt is over $62.4 million in principal and interest. The City of Austin Department of Aviation (Airport) has assisted ABLE in its negotiations with the Bondholders to: (1) refinance the terms of the Airport Hotel Bonds and (2) finance the necessary repairs and capital improvements the hotel requires to continue operating in a first class manner with high Hilton standards.

The City, Airport, ABLE, and Bondholders have executed a letter of intent including the following financing structure:

1. ABLE will issues new bonds in the estimated amount of $46 million.
2. Airport will support Hotel Debt on a subordinate basis by replacing draws on the Hotel Bond debt service reserve fund.
3. New bonds will buy out bondholders with $30 million
4. ABLE and bondholders will split cost to replace HVAC and remediate mold in hotel.
5. Airport to advance up to $3M to start repairs immediately. Funds were provided August 2016. Project is currently underway with Project Manager evaluating engineering and design proposals.
6. Airport will be reimbursed from new bonds.
7. New bonds will provide $9M for hotel remodel and other capital improvements.

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DEBT SERVICE REQUIREMENTS (TO COME)

		The Bonds			
Bond Year Ending November 15th	Outstanding Revenue Bonds	Principal	Interest	Total	Total Debt Service
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					

THE AIRPORT SYSTEM

Airport Facilities

The Airport System is comprised of airport, heliport and aviation facilities or any interest therein owned, operated or controlled in whole or in part by the City and includes ABIA, but expressly excludes any heliport or heliports operated by City departments other than the Aviation Department. ABIA is classified by the FAA as a medium hub airport. According to Airports Council International, ABIA is the 38th largest airport in the United States based on calendar year 2015 total passengers.

ABIA opened in 1999 at the site of the former Bergstrom Air Force Base, replacing Robert Mueller Municipal Airport. The 700-acre Mueller Airport site, approximately three miles from downtown Austin, is being redeveloped as a mixed-use urban community by the City of Austin under a public-private partnership agreement. The Mueller Airport property is not part of the Airport System.

ABIA occupies a 4,240-acre site approximately eight miles southeast of downtown Austin. Airport access is provided by Texas State Highway 71 (SH 71), a six-lane divided highway running east-west, and U.S. Highway 183 (US 183), a four-lane divided highway running north-south. SH 71 provides access to Interstate Highway 35 (I-35) approximately six miles to the west.

The Airport's parallel north-south runways, designated 17L-35R and 17R-35L, are 9,000 feet and 12,250 feet long, respectively, 150 feet wide, and capable of accommodating all aircraft now in commercial service. The runways are separated by 6,700 feet, allowing their use for the simultaneous arrival of aircraft in virtually all weather conditions.

The passenger terminal is 736,000 square feet and contains four levels:

> Level 1, the baggage claim level, provides 149,000 square feet of space for baggage claim devices, lobby, and support facilities. The baggage claim level accommodates a 33,000-square-foot CBP facility for the processing of international arriving passengers.
>
> Level 2, the apron level, provides 230,000 square feet of space for inbound and outbound baggage handling equipment and facilities, airline operations space, and other non-public areas. The apron level also provides a passenger holdroom for the ground-level loading of regional airline aircraft (Gate 1). The aircraft parking apron adjacent to the terminal provides approximately 56 acres for aircraft parking at the 25 terminal gates, as well as up to 24 "remain overnight" parking positions.
>
> Level 3, the concourse level, provides 294,000 square feet of space for airline check-in counters with lobby and queuing areas, airline offices, public circulation areas, passenger security screening facilities, concessions, passenger holdrooms, restrooms, and supporting facilities. The concourse provides 23 loading bridge-equipped aircraft parking positions (gates) capable of accommodating up to B-757-size aircraft in domestic service, one loading bridge-equipped gate (Gate 2) capable of accommodating widebody aircraft in international service (providing access to the CBP facility), and access to Gate 1 at the apron level.
>
> Level 4, the mezzanine level, provides 56,000 square feet of space for Aviation Department and other offices and airline club rooms. Above the mezzanine level is a 7,000-square-foot penthouse level with mechanical rooms.

Approximately 13,404 public and 1,516 employee parking spaces are provided on Airport property in a three-level parking garage adjacent to the terminal, the consolidated rental car garage, and in surface lots served by shuttle buses. The parking garage provides 3,654 spaces for short-term and valet public parking. . The first level of the garage is at the same level as the arrivals roadway and baggage claim level of the terminal. The third level of the garage is at the same level as the departures roadway and concourse level of the terminal.

The consolidated rental car garage opened in September 2015 and provides 3,200 rental car spaces and 900 public parking spaces on five levels. When the rental car garage opened, the 1,100 spaces on the third level of the existing garage were converted to use for public parking so that the rental garage project resulted in a net increase of 2,100 spaces for rental car parking and 2,000 spaces for public parking. The consolidated rental car garage was financed with the proceeds of bonds that are Special Facilities Bonds. See "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS –

Special Facilities Bonds" in this document.

Other facilities at the Airport include air cargo, general aviation, Texas State Department of Transportation flight services, Texas Air National Guard, aviation support, and non-aeronautical facilities. See "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT – Airline Traffic Analysis – Airport Facilities" in this document.

AIRPORT MANAGEMENT

The Department of Aviation is a department within the City. See "THE CITY" in this document. The operations of the Department of Aviation are managed by the Executive Director of Aviation who is appointed by the city manager. The Executive Director of Aviation sets rates and charges for the Airport. Biographical information concerning the Executive Director of Aviation and other key employees of the Department of Aviation is provided below.

Jim Smith, Executive Director of Aviation. Mr. Smith is responsible for the City's Department of Aviation. He served in executive capacities in Norfolk, Virginia and Dayton, Ohio before joining the City in 1984. Since coming to Austin he has served as Director of Planning and Development, Director of Public Works and Transportation, Assistant City Manager and now Executive Director of the Department of Aviation. He has a Bachelor of Science Degree from the City University of New York and a Master of Public Administration Degree from the University of Dayton.

Patti Edwards, IAP, Director, Chief Operating Officer. Ms. Edwards is responsible for the day to day operations of the airport. This includes overseeing several areas responsible for maintenance, operations, security, parking, and information technology. In addition to working with departmental staff, she is the airport liaison with the TSA, CBP, Austin Police Department, and Austin Fire Department. She has been employed by the City's Aviation Department for over 20 years and has been in her current position since November 2005. Ms. Edwards has over 32 years of experience in Facilities and Project management. She is an active member of BOMA, IFMA Airport Council, ACI and AAAE and has earned the Airport Council International certification as an "International Airport Professional".

Jamy Kazanoff, Assistant Director, Aviation Business Development & Customer Relations. Ms. Kazanoff is responsible for airport marketing, business development and community relations for ABIA. She oversees the areas of marketing, art and music, air service development, media relations and serves as the point of contact with many Austin-area business and community groups. She has been employed by the City's Aviation Department for 26 years. Ms. Kazanoff has over 30 years of marketing and business development experience, serving in account executive positions with advertising agencies in the private sector. She is actively involved in the Airports Council International (ACI) International Air Service Committee, serving as Chairwoman in 2016. She is also active in ACI's Marketing and Communications Program, Central Texas Regional Partnership, Austin Airport Task Force, and Austin Hospitality Council. She is a graduate of the University of Texas at Austin with a Bachelor of Journalism degree, Public Relations.

David Arthur, CPA, Assistant Director and Chief Financial Officer. Mr. Arthur is responsible for overall financial management of the Airport System, including financial accounting and reporting, day to day fiscal operations, budgeting, grants administration and airport rate setting. Before joining the City's Aviation Department in July 2009, he served the Houston Airport System in Financial and Management positions, most recently as Assistant Director, Finance and Budget. He is a graduate of Northwest Missouri State University and a Certified Public Accountant and has earned the Airport Council International certification as an "International Airport Professional".

Shane Harbinson, Assistant Director, Planning & Engineering. Mr. Harbinson is responsible for Airport Planning, Development and Environmental Services. Mr. Harbinson has served in airport positions at Minneapolis St. Paul International and Midland International in Midland, Texas before joining the City in 1999. Since coming to the City, he has served as Operations Coordinator, Noise Abatement Officer, Airport Planner, Manager of Airport Operations, Assistant Director of Operations and Security, and now Assistant Director of Planning & Engineering. He is a graduate of Saint Cloud State University, Saint Cloud, Minnesota, with a Bachelor of Science in Aviation. He is active in the American Association of Airport Executives and Airport's Council International.

Donnell January, Deputy Chief Operations Officer, Maintenance and Facilities. Mr. January is responsible for all Maintenance and Facility Services at ABIA. He oversees the areas of Airline Maintenance, Building Maintenance, Airside Maintenance, Landside Maintenance, Facility Services, Motor-pool and the Sign Shop. He joined the Department of Aviation in 2005, and has over 20 years of management experience. Since joining the Aviation Department, Mr. January has served as Division Manager implementing and maintaining the new in-line baggage handling system. Mr. January has a Bachelor of Science Degree from the College of Engineering Technology at Prairie View A&M University, Prairie View, Texas.

Ghizlane Badawi, Deputy Chief Operating Officer, Airport Operations. Mrs. Badawi is responsible for airport operations, security, asset management, safety, ground transportation, and guest services. She has been employed by the City's Aviation Department for over nine years, serving as Internal Auditor, Business Process Consultant Senior, Chief Administrative Officer, and now Deputy Chief Operating Officer. Mrs. Badawi's previous work experience includes banking, insurance, auditing, consulting, information technology, sales, and customer service. She is an active member of the American Association of Airport Executives (AAAE), Airports Council International (ACI), Association of Airport Internal Auditors (AAIA), and Risk and Insurance Management Society (RIMS). She has a Bachelor of Business Administration Degree from Al Akhawayn University, Morocco and a Master of Business Administration Degree from Quinnipiac University, Hamden, Connecticut. She has earned Aviation Safety and Security Certification from the Viterbi School of Engineering, University of Southern California, is a Certified Internal Controls Auditor, and has earned RIMS certification as a Certified Risk Management Professional.

Susana Carbajal, Assistant Director, Support Services. Ms. Carbajal manages the airport's business development, tenant management, advertising and marketing, business assurance, administration, legal services, and governmental affairs. Prior to working at Austin-Bergstrom International Airport, Susana served as Chief Counsel for the 2008 Democratic National Convention. She began her legal career as an attorney at the law firm of Brown McCarroll, LLP (now Husch Blackwell, LLP) in Austin, Texas where she focused on corporate reorganization, bankruptcy, and commercial litigation. She served at The White House for President Bill Clinton in the Office of Presidential Personnel. Susana graduated magna cum laude from American University in Washington, D.C. and The University of Texas School of Law.

AIRPORT SERVICE REGION

Primary Service Region

The Airport's primary service region is the 4,220-square-mile, 5-county Austin-Round Rock Metropolitan Statistical Area (the "MSA"). According to the U.S. Department of Commerce, Bureau of the Census, the population of the MSA in 2015 was 2,001,000. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC ANALYSIS – Airport Service Region" in this document.

Nearby Airports

The Airport's secondary service region is defined by the location of (and airline service provided at) the nearest commercial service airports. The nearest airports classified as large or medium hub airports by the FAA are those serving San Antonio (a medium hub approximately 80 road miles to the southwest), Houston (approximately 160 miles to the east served by Houston Bush Intercontinental, a large hub, and Houston Hobby, a medium hub) and Dallas-Fort Worth (approximately 220 road miles to the north served by DFW International, a large hub and Dallas Love Field, a medium hub). See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC ANALYSIS – Airport Service Region" in this document.

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AIRPORT ACTIVITY STATISTICS

Table 1
Historical Airline Traffic
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)

Fiscal Year	Enplaned Passengers (a)	Annual Increase (Decrease)	Passenger Aircraft Departures: Annual	Passenger Aircraft Departures: Average Daily	Enplaned Passengers per Departure
2000	3,655,588		46,260	126	79
2001	3,679,949	0.7%	45,326	124	81
2002	3,264,847	(11.3)	41,959	115	78
2003	3,282,670	0.5	43,747	120	75
2004	3,482,196	6.1	47,207	129	74
2005	3,715,811	6.7	48,668	133	76
2006	3,981,081	7.1	50,663	139	79
2007	4,262,698	7.1	53,828	147	79
2008	4,473,485	4.9	56,597	155	79
2009	4,107,593	(8.2)	47,848	131	86
2010	4,256,806	3.6	46,745	128	91
2011	4,524,641	6.3	48,398	133	93
2012	4,662,738	3.1	48,372	132	96
2013	4,928,979	5.7	50,554	139	97
2014	5,275,464	7.0	51,877	142	102
2015	5,792,387	9.8	55,557	152	104
2016	6,180,464	6.7	56,349	154	110

	Average Annual Percent Increase (Decrease): Enplaned Passengers	Average Annual Percent Increase (Decrease): Departures
2000-2003	(3.5)%	(1.8)%
2003-2008	6.4%	5.3%
2008-2009	(8.2)%	(15.5)%
2009-2016	6.0%	2.4%

Note: Calculated percentages may not match those shown because of rounding.
(a) Excludes through passengers.
Source: City of Austin, Aviation Department records.

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As of the date of this Official Statement, ABIA is being served by the following airlines.

Table 2
List of Airlines

Passenger Airlines (a)	All-Cargo Airlines
AeroMexico	ABX Air
Air Canada	Air Cargo Carriers
Alaska Airlines	Ameriflight
Allegiant Air	Atlas Air
American Airlines	Baron Aviation Services
Ameristar Jet Charter	C & M Airways
Atlas Air	Cargolux Airlines International
Branson Air Express	Ameriates Sky Cargo
British Airways	Federal Express
Delta Airlines	Kalitta Air
Frontier	Martinaire
JetBlue	Nippon Cargo Airlines
Kalita Charters	Qatar Airways
Miami Air	Singapore Airlines Cargo
Omni Air	Sky Lease Cargo
Public Charters	Southern Air
Republic Airlines	United Parcel Services
Singapore Airlines	
Southwest Airlines	
Sun Country Airlines	
Titan Airways	
Transportes Aeromar	
United Airlines	
US Airways	
Virgin America	

(a) Includes regional affiliates.
(b) Includes US Airways
Source: City of Austin, Department of Aviation records.

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The following table presents the airlines' shares of enplaned passengers for Fiscal Years 2000-2016.

Table 3
Airline Market Shares
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)

Airline (a)	2000	2005	2010	2011	2012	2013	2014	2015	2016
Southwest	34.6%	33.1%	36.8%	36.8%	37.8%	39.0%	38.1%	36.6%	38.4%
American	33.2%	30.3%	25.5%	24.8%	24.0%	23.4%	22.4%	21.8%	20.8%
United	16.4%	14.1%	16.4%	16.3%	16.7%	16.0%	16.5%	16.8%	15.7%
Delta	14.9%	15.5%	10.4%	11.4%	11.8%	12.1%	12.2%	12.1%	12.0%
JetBlue	--	--	5.8%	5.9%	6.1%	6.3%	5.6%	4.8%	4.5%
Frontier	--	2.2%	2.5%	2.7%	2.3%	1.7%	1.8%	2.8%	2.5%
Alaska	--	--	2.4%	2.1%	1.2%	1.1%	1.1%	1.2%	1.7%
Virgin America	--	--	--	--	--	0.3%	0.9%	1.8%	1.6%
British Airways	--	--	--	--	--	--	0.7%	1.0%	1.0%
Allegiant	--	--	--	--	--	--	0.6%	1.0%	1.3%
Condor	--	--	--	--	--	--	0.1%	0.0%	0.1%
Air Canada	--	--	--	--	--	--	--	0.1%	0.3%
Other (b)	0.9%	4.7%	0.2%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%
Airport Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: Columns may not add to totals shown because of rounding. Shares include affiliates of airlines shown, if any. Percentages of "0.0" indicate a value of less than 0.05%.

(a) Includes regional affiliates.

(b) The high percentage for 2005 is mainly accounted for by Mesa Airlines and SkyWest Airlines, which operated as affiliates of various Signatory Airlines.

(c) Source: City of Austin, Department of Aviation records.

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The following table presents historical aircraft operations (landings and takeoffs) for Fiscal Years 2000 – 2016.

Table 4
Historical Aircraft Operations
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)

Fiscal Year	Air Carrier	Air Taxi/ Commuter	General Aviation	Military	Total	Annual Increase/ (Decrease)
2000	99,631	16,416	82,757	5,059	203,863	
2001	102,661	15,766	98,428	7,720	224,575	10.2%
2002	93,206	17,628	97,451	8,333	216,618	(3.5)%
2003	92,602	21,993	89,087	13,797	217,479	0.4%
2004	92,298	26,048	86,238	15,708	220,292	1.3%
2005	101,296	27,242	79,738	10,386	218,662	(0.7)%
2006	94,611	24,973	80,523	7,312	207,419	(5.1)%
2007	100,672	28,177	73,450	5,679	207,978	0.3%
2008	106,362	30,820	75,470	5,103	217,755	4.7%
2009	94,484	17,157	59,601	5,882	177,124	(18.7)%
2010	92,372	17,433	57,463	6,899	174,167	(1.7)%
2011	95,095	18,466	59,696	6,879	180,136	3.4%
2012	96,823	15,962	50,867	5,828	169,480	(5.9)%
2013	101,006	16,979	52,582	6,698	177,265	4.6%
2014	103,710	17,289	51,231	6,994	179,224	1.1%
2015	112,079	15,830	54,401	7,771	190,081	6.1%
2016	114,150	16,194	51,231	10,435	192,010	1.0%
	Average Annual Percent Increase (Decrease)					
2000-2003	(2.4)%	10.2%	2.5%	39.7%	2.2%	
2003-2008	2.8%	7.0%	(3.3)%	(18.0)%	0.0%	
2008-2009	(11.2)%	(44.3)%	(21.0)%	15.3%	(18.7)%	
2009-2016	2.7%	(0.8)%	(2.1)%	8.5%	1.2%	

Note: Calculated percentages may not match those shown because of rounding.
Source: City of Austin, Department of Aviation records.

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The following table presents historical aircraft landed weight for Fiscal Years 2000 – 2016.

Table 5
Historical Aircraft Landed Weight
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)
(in 1,000-pound units)

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	Annual Increase/ (Decrease)
2000	5,266,397	985,074	6,251,471	
2001	5,526,750	997,993	6,524,743	4.4%
2002	4,982,674	875,652	5,858,326	(10.2)
2003	4,844,743	768,318	5,613,062	(4.2)
2004	4,824,584	723,773	5,548,357	(1.2)
2005	5,061,919	743,608	5,805,526	4.6
2006	5,163,142	592,220	5,755,362	(0.9)
2007	5,578,438	543,275	6,121,713	6.4
2008	5,758,583	601,430	6,360,014	3.9
2009	5,249,325	439,566	5,688,891	(10.6)
2010	5,143,676	397,117	5,540,793	(2.6)
2011	5,353,345	405,953	5,759,298	3.9
2012	5,394,633	420,904	5,815,537	1.0
2013	5,688,131	434,382	6,122,513	5.3
2014	5,944,339	433,628	6,377,968	4.2
2015	6,598,612	492,026	7,090,637	11.2
2016	6,939,722	481,109	7,420,831	4.7

	Average Annual Percent Increase (Decrease)		
2000-2003	(2.7)%	(7.9)%	(3.5)%
2003-2008	3.5%	(4.8)%	2.5%
2008-2009	(8.8)%	(26.9)%	(10.6)%
2009-2016	4.1%	1.3%	3.9%

Note: Calculated percentages may not match those shown because of rounding.
Source: City of Austin, Department of Aviation records.

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HISTORICAL FINANCIAL DATA

The City, as operator of the Airport System, currently accounts for its activities according to generally accepted accounting principles through an enterprise fund. The following table represents the historical operating results of the Airport enterprise fund for Fiscal Years 2011 through 2015 based on the audited financial statements of the City, as reported on by the City's certified public accountants. The City's audited financial statements for the Fiscal Year ended September 30, 2015 are included as APPENDIX B in this document.

TABLE 6
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings/Net Position
City of Austin, Texas
Airport Fund
(Fiscal Year Ended September 30)
(in thousands)

	2011	2012	2013	2014	2015
Revenue					
User fees and rental	$ 89,548	$ 95,904	$ 103,515	$ 108,960	$ 119,969
Operating revenues	89,548	95,904	103,515	108,960	119,969
Expenses					
Operating expenses before depreciation	63,835	69,201	70,148	76,042	80,182
Depreciation	19,581	20,398	21,121	21,151	20,690
Total operating expenses	83,416	89,599	91,269	97,193	100,872
Operating income before nonoperating revenues (expenses) and operating transfers	6,132	6,305	12,246	11,767	19,097
Nonoperating revenues (expenses)					
Interest and other revenues	711	395	190	221	1,225
Interest on revenue bonds and other debt	(14,087)	(12,933)	(12,801)	(11,794)	(18,924)
Interest capitalized during construction	372	512	843	1,409	1,284
Passenger facility charges	17,430	18,414	19,506	19,806	22,384
Cost (recovered) to be recovered in future years	(229)	(220)	(207)	-	-
Other nonoperating expenses	(5,923)	537	(3,704)	(312)	(686)
Total nonoperating revenues (expenses)	(1,726)	6,705	3,827	9,330	5,283
Income (loss) before contributions and transfers	4,406	13,010	16,073	21,097	24,380
Capital contributions	5,479	9,030	4,598	4,808	8,405
Transfers In	-	-	-	3	-
Transfers Out	-	(6,395)	(72)	(793)	(52)
Change in net position	9,885	15,645	20,599	25,115	32,733
Total net position - beginning	468,819	478,704	494,349	514,948 *	517,020
Total net position - ending	478,704	494,349	514,948	540,063	549,753

The information in the following table was derived from financial information maintained by the City's Department of Aviation, which was prepared according to generally accepted accounting principles. The following table presents the Airport revenue detail for Fiscal Years 2011 through 2015. The City's audited financial statements for the Fiscal Year ended September 30, 2015 are included as APPENDIX B in this document.

TABLE 7
Airport Revenue Detail by Fiscal Year
(Fiscal Year Ended September 30)
(in thousands)

	2010	2011	2012	2013	2014	2015
Airline Revenue						
Landing Fees	$18,762	$19,403	$19,738	$21,431	$20,852	$22,720
Terminal Rental & Other Fees	19,564	22,385	24,029	23,154	23,424	26,906
Total Airline Revenue	$38,326	$41,788	$43,767	$44,585	$44,276	$49,626
Non-Airline Revenue						
Parking	$25,201	$28,416	$31,568	$32,155	$33,723	$36,586
Other Concessions	18,191	17,934	18,751	19,803	22,082	24,736
Other Rentals and Fees	1,559	1,410	1,818	6,972	8,879	9,020
Total Non-Airline Revenue	$44,951	$47,760	$52,137	$58,930	$64,684	$70,343
Total Revenue	$83,277	$89,548	$95,904	$103,515	$108,960	$119,969

Source: City of Austin, Department of Aviation

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The information set forth in the following table was derived from financial information maintained by the City. The following table presents the historical debt service coverage information for the Outstanding Revenue Bonds for Fiscal Years 2011 through 2015. The amounts shown in the following table were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, "Gross Revenues", "Operation and Maintenance Expenses", "Administrative Expenses" and certain other amounts specified therein are not measured according to generally accepted accounting principles for purposes of the rate covenant and other provisions of the Ordinances and the Revenue Bond Ordinances. See the definitions of such terms in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

TABLE 8
Historical Debt Service Coverage
(Fiscal Year Ended September 30)
(in thousands)

	2011	2012	2013	2014	2015
Gross Revenues	$ 90,259	$ 96,344	$ 103,705	$ 109,263	$ 120,780
Other Available Funds (1)	3,739	3,594	3,805	3,620	3,551
Funds Available to Pay Debt Service	$ 93,997	$ 99,938	$ 107,511	$ 112,883	$ 124,331
Operating Expenses (2)	(64,371)	(65,689)	(69,338)	(73,822)	(76,995)
Net Available Revenue	$ 29,626	$ 34,249	$ 38,172	$ 39,061	$ 47,336
Debt Service (3)	$ 14,955	$ 14,375	$ 15,221	$ 14,480	$ 14,205
Coverage	1.98	2.38	2.51	2.70	3.33

(1) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of "Other Available Funds" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

(2) Amounts shown include "Operation and Maintenance Expenses" and "Administrative Expenses" (as such terms are defined in the Ordinances and the Revenue Bond Ordinances), and exclude depreciation and other unfunded post-employment benefits and pension obligation accruals. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City's rate covenant, and Administrative Expenses are not included in the coverage calculations for the purpose of issuing Additional Revenue Bonds. See "SOURCES OF REPAYMENT FOR THE BONDS – Flow of Funds", "– Rate Covenant" and "– Additional Revenue Bonds" in this document.

(3) Amounts are net of PFCs used to pay debt service. See "SOURCES OF REPAYMENT FOR THE BONDS – Use of Passenger Facility Charges" in this document.

Historical Debt Service Coverage Information Contained in Audited Financial Statements

As described above, the amounts shown in Table 8 were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. The City's audited financial statements for the Fiscal Year ended September 30, 2015 are included as Appendix B in this document, also contain historical debt service coverage information for the Outstanding Revenue Bonds. The debt service coverage reported in Note 6.c. on page 75 and in Table 17 of the statistical section of the audited financial statements (which can be accessed at https://assets.austintexas.gov/financeonline/downloads/cafr/cafr2015.pdf) include Other Available Funds as being 25% of the gross debt service on the Revenue Bonds, before deducting the amount of PFCs used to pay debt service. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of "Other Available Funds" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" and "SOURCES OF REPAYMENT FOR THE BONDS – Use of Passenger Facility Charges" in this document. In addition, the amounts shown as Other Available Funds and debt service due for Fiscal Year 2012 in Table 17 of the statistical section of the audited financial statements include a transfer from the Capital Fund to the Debt Service Fund to retire in full variable rate notes in the amount of $28 million. Such amounts are excluded from the Fiscal Year 2012 information contained in Table 8, as payments of debt service from the Capital Fund do not affect the calculation of debt service coverage for purposes of the Ordinances and the Revenue Bond Ordinances.

Historical Debt Service Coverage Information Contained in Report of Airport Consultant

The Airport's strong growth in passenger activity and revenue continued in 2015 and throughout 2016. In 2015, the Airport experienced consistent passenger growth for the sixth consecutive year, was the third fastest growing medium hub airport in the United States and served a record eleven (11) million passengers for calendar year 2015 for the first time in the Airport's history.

For the Fiscal Year ended September 30, 2015, the Airport increased enplanements 9.8% over the Fiscal Year ended September 30, 2014. For the Fiscal Year ended September 30, 2016, the Airport set a new record for annual traffic for the sixth consecutive year. The total passengers served during Fiscal Year 2016 were 12,341,704 and the enplaned passenger traffic increased 6.7% over the prior year.

Airport revenue for the Fiscal Year ended September 30, 2015 was $120.0 million, an increase of 10.1% over Fiscal Year 2014.

Airport operating expenses for the Fiscal Year ended September 30, 2015 were $80.2 million, an increase of 5.4% over Fiscal Year 2014. Moderate increases in Airport operating expenses in light of record growth and revenue improvement reflect the Airport's culture of cost control and providing value to airlines and airport customers.

Thanks to the robust Austin economy, the Airport continues to attract additional new air service at a time when many other U.S. airports are losing air service routes. New airlines and routes include:

- Condor commenced operations at the Airport in June 2016 with twice-weekly seasonal service to Frankfurt, Germany;
- Effective August 2016, Volaris started non-stop services three days per week to Guadalajara;
- In November 2016, Aeromexico launched non-stop service to Mexico City four times per week; and
- Allegiant started twice-weekly service to Albuquerque in June 2016 and twice-weekly service to Pittsburgh in December 2016.

See "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX B – AUDITED FINANCIAL STATEMENTS" in this document.

AIRLINE INFORMATION

Revenues of the Airport System may be affected by the ability of the airlines operating at ABIA, individually and collectively, to meet their respective obligations. Each of said airlines (or their respective parent corporations) is subject to the information reporting requirements of the United States Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (the "SEC"). Certain information, including financial information, as of particular dates concerning each of the airlines operating at ABIA (or their respective parent corporations) is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20659, and at the SEC's regional offices at 219 South Dearborn Street, Chicago, Illinois 60604; 26 Federal Plaza, New York, New York 10278; and 5757 Wilshire Boulevard, Suite 500 East, Los Angeles, California 90036-3648 and copies of such reports and statements can be obtained from the Public Reference Section of the SEC at the above address at prescribed rates. In addition, each airline operating at ABIA is required to file periodic reports of financial and operating statistics with the United

States Department of Transportation (the "U.S. DOT"). Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the U.S. DOT at prescribed rates.

AIRLINE AGREEMENTS

Most of the airlines serving the Airport operate under the provisions of an Airline Use and Lease Agreement (the "Airline Agreement") that became effective in October 2009 with an initial five-year term that, under its terms, continues month to month after expiration of the initial five-year term. Airlines that are signatory to the Airline Agreement are:

American Airlines (including US Airways)
Delta Airlines
Frontier Airlines
JetBlue Airlines
Southwest Airlines
United Airlines

These six airlines, (collectively, the "Signatory Airlines"), accounted for approximately 94% of passengers enplaned at the Airport in 2016. An amendment to the Airline Agreement has been executed by Southwest Airlines, American Airlines, United Airlines and Delta Airlines to (a) extend the term of the Agreement for an additional one year after the Date of Beneficial Occupancy of the Airport Terminal Gate and Apron Expansion Project (b) clarify the landing fee billing process to compliment the Airport's third-party landing fee management program and (c) update the minimum gate usage requirement for Preferential Use of a Gate. The amendment increases minimum gate usage for an airline to obtain or maintain Preferential Use of a Gate from an average of 6 departures to 7 departures or 800 seats per gate per day. Jet Blue is expected to execute the amendment to the Airline Agreement by December 15, 2016.

The City is currently utilizing a shared use system of operations for a portion of the existing terminal space. As the 2014 Projects are implemented, the City will continue to consider the optimal approach for the payment of terminal fees and charges as well as equipment rental. The Signatory Airlines have not objected to continuing operating under the terms of the current Airline Agreements on a month-to-month basis. As the City continues to consider the optimal approach to operating facility space and the payment of terminal fees and charges and equipment rentals, the Airlines are engaged in the process and are supportive of the 2014 Projects and the funding plan included in the five-year Capital Improvement Plan. See "CAPITAL IMPROVEMENT PROGRAM" in this document.

Rate-Making Approach at ABIA

The airlines agree to pay Signatory Airline rates and charges at the Airport calculated according to the rate-making procedures contained in each Airline Agreement and Operating Agreement, adjusted to include an allocated portion of debt service and coverage on all Airport System debt in the aeronautical rate base. The City believes that the rate-making methodology, costs included in the aeronautical rate base, and cost center allocation methodology assumed in the financial forecasts contained in the Report of the Airport Consultant are fair and reasonable and substantially in conformance with the FAA Policy Regarding Airport Rates and Charges issued on June 21, 1996, and as subsequently amended. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" in this document.

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CAPITAL IMPROVEMENT PROGRAM

The City continually develops and monitors a list of capital projects and assesses the timing of implementing these projects based on funding availability and needs. These projects comprise the Airport's Capital Improvement Program ("CIP") for the period ending 2020. The current CIP is $801,036,000 and includes the 2017 Projects. Also included are projects that are anticipated to be funded, all or in part, by an Airport System bond issue projected to be issued in 2018. Certain of the federal grants and PFCs described in the table below either have not been applied for or the application for such sources is pending. See "CERTAIN INVESTMENT CONSIDERATIONS – Availability of Funding for the Capital Improvement Program" in this document. Provided below is a table of the estimated funding plan for the CIP:

	Project costs	Federal grants	PFC revenues pay-as-you-go	Capital Fund	Revenue Bonds Prior Bonds	Revenue Bonds 2017 Bonds	Revenue Bonds 2018 Bonds
Terminal and Apron Expansion and Improvement							
East concourse expansion	$ 163,650,000	$ -	$ 56,000,000	$ -	$ 88,558,000	$ 19,092,000	$ -
Aircraft parking apron expansion	113,255,000	39,660,000	-	-	13,494,000	60,101,000	-
Other terminal improvements	73,119,000	-	-	-	34,357,000	38,763,000	-
Subtotal	$ 350,024,000	$ 39,660,000	$ 56,000,000	$ -	$ 136,409,000	$ 117,956,000	$ -
Parking Garage	$ 203,750,000	$ -	$ -	$ -	$ 23,000,000	$ 180,750,000	$ -
Centralized Bag Handling System	100,000,000	10,000,000	-	-	-	-	90,000,000
Maintenance Facility	30,656,000	-	-	-	3,656,000	-	27,000,000
IT Facility	15,000,000	-	-	-	-	-	15,000,000
Administration Building	20,000,000	-	-	-	-	-	20,000,000
Other airfield projects	19,535,000	14,465,000	-	4,170,000	900,000	-	-
Other terminal projects	6,000,000	-	-	4,000,000	2,000,000	-	-
Other landside projects	15,750,000	-	-	4,550,000	11,200,000	-	-
Information technology projects	43,291,000	-	-	43,291,000	-	-	-
Capital equipment and vehicles	11,495,000	-	-	11,495,000	-	-	-
Total	$ 815,501,000	$ 64,125,000	$ 56,000,000	$ 67,506,000	$ 177,165,000	$ 298,706,000	$ 152,000,000

Source: City of Austin, Aviation Department, November 4, 2016.

Note: It is expected that PFC revenues will be available to pay eligible portions of debt service on the 2017A-B and 2018 Bonds

Passenger Facility Charges

Under the Aviation Safety and Capacity Act of 1990 (the "PFC Act"), as modified by the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century ("AIR-21"), the FAA may authorize a public agency to impose a PFC of $1.00, $2.00, $3.00, $4.00 or $4.50 on each passenger enplaned at any commercial service airport controlled by the public agency, subject to certain limitations.

The City has approval from the FAA to impose a PFC per eligible enplaned passenger at the Airport. The PFC was imposed at $3.00 in August 1995 and increased to $4.50 in April 2004. The cumulative amount of PFC approvals received by the City is $353,389,005. Through September 30, 2014, cumulative PFC revenues, including investment earnings, totaled $266,935,961. Under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of April 2020. The City has applied PFCs toward project costs on a pay-as-you-go basis and has set aside and applied PFCs toward the following year's Airport System Revenue Bond debt service up to the maximum eligible amount. The City intends to continue such application of PFC revenues in accordance with the covenant of the City contained in the Ordinances. See "SOURCES OF REPAYMENT FOR THE BONDS – Use of Passenger Facility Charges" in this document. Provided below is a table showing the City's PFC revenues, including investment earnings, and the amount set aside for debt service on Revenue Bonds in Fiscal Years 2009-2016 for the payment of debt service due on Revenue Bonds during the next succeeding Fiscal Year.

TABLE 9
PFC Detail by Fiscal Year

Fiscal Year	PFC Revenues	Amount Set Aside and Applied Toward Debt Service
2009	$16,249,735	$11,525,909
2010	17,222,017	12,045,971
2011	17,581,883	12,045,493
2012	18,494,930	11,032,005
2013	19,581,247	11,135,562
2014	19,855,510	11,260,015
2015	22,487,714	17,460,639

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of "Gross Revenues". Consistent with the definition of "Debt Service Requirements" in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See "- Rate Covenant", "- Additional Revenue Bonds" and the definition of "Debt Service Requirements" in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Selected Definitions" in this document.

The City has formally requested approval from the FAA to use PFCs to fund a portion of the 2017 Projects and to pay a portion of the debt service on the Bonds. Upon approval, the City intends to set aside PFCs to pay PFC-eligible debt service on the Bonds in accordance with the covenant described above. See "CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval" in this document.

REPORT OF THE AIRPORT CONSULTANT

APPENDIX A attached to this document contains the Report prepared by the Airport Consultant. The Report provides information regarding the Airport System, the 2017 Projects, historical and forecast air traffic activity, historical financial information, and forecasts of financial results for the Airport System. The Report should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts. As noted in the Report, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. See "CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements", and "-Assumptions in the Airport Consultant's Report" in this document.

The following table provides the debt service coverage estimates and projections from the Report. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Financial Analysis – Exhibit G" in this document. Such table is qualified in its entirety by reference to the complete copy of the Report attached as APPENDIX A to this document. The information set forth in the following table was determined in the same manner as the historical debt service coverage information set forth in Table 8 (prepared by the City) above, except as described in "HISTORICAL FINANCIAL DATA – Historical Debt Service Coverage Information Contained in Report of the Airport Consultant" in this document.

		(thousands)						
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Gross Revenues		$142,678,000	$148,731,000	$158,847,000	$168,587,000	$180,008,000	$187,856,000	$195,367,000
Less: Operation and Maintenance Expenses		(95,815,000)	(99,460,000)	(104,681,000)	(116,269,000)	(121,067,000)	(126,037,000)	(131,180,000)
Net Revenues		$46,863,000	$49,271,000	$54,166,000	$52,318,000	$58,941,000	$61,819,000	$64,187,000
Other Available Funds		6,182,000	6,647,000	8,856,000	10,768,000	11,716,000	11,641,000	11,645,000
Net Revenues plus Other Available Funds		$53,045,000	$55,918,000	$63,022,000	$63,086,000	$70,657,000	$73,460,000	$75,832,000
Less: Administrative Expenses (net of payments from PFC revenues)		(746,000)	(737,000)	(659,000)	(567,000)	(476,000)	(390,000)	--
Subtotal	[A]	$52,299,000	$55,181,000	$62,363,000	$62,519,000	$70,181,000	$73,070,000	$75,832,000
Revenue Bond debt service		$36,649,000	$37,244,000	$48,034,000	$63,996,000	$68,789,000	$69,099,000	$69,130,000
Less: Paid from PFC revenues		(11,920,000)	(10,656,000)	(12,612,000)	(20,926,000)	(21,926,000)	(22,536,000)	(22,552,000)
Revenue Bond Debt Service Requirements	[B]	$24,729,000	$26,588,000	$35,422,000	$43,070,000	$46,863,000	$46,563,000	$46,578,000
Debt service coverage	[A/B]	2.11	2.08	1.76	1.45	1.50	1.57	1.63
Debt service coverage requirement		1.25	1.25	1.25	1.25	1.25	1.25	1.25

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(1) Amounts shown for Fiscal Year 2016 are estimates. Amounts shown for Fiscal Years 2017 and thereafter are projections.

(2) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of "Other Available Funds" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

(3) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, moneys on deposit in the Revenue Fund

are used to pay Debt Service on Revenue Bonds (including the Bonds), and any related Credit Agreement Obligations, prior to being used to pay Administrative Expenses. Further, pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City's rate covenant, and Administrative Expenses are not included in the coverage calculations for the purpose of issuing Additional Revenue Bonds. See "SOURCES OF REPAYMENT FOR THE BONDS – Flow of Funds", "– Rate Covenant" and "– Additional Revenue Bonds" in this document. In addition, amounts shown are net of PFCs used to pay Administrative Expenses. See "HISTORICAL FINANCIAL DATA – Historical Debt Service Coverage Information Contained in Report of the Airport Consultant" in this document.

(4) Amounts are net of PFCs used to pay debt service. See "SOURCES OF REPAYMENT FOR THE BONDS – Use of Passenger Facility Charges" in this document.

CERTAIN INVESTMENT CONSIDERATIONS

General

Since the events of September 11, 2001, the Airport, as well as the rest of the aviation industry, has faced numerous challenges. Following the terrorist events, the aviation industry continued to face obstacles as airline traffic and revenue remained soft, the economy weakened, air traffic demand continued to decrease, and airlines' expenses continued to increase. The aviation industry continues to face obstacles including hostilities in the Middle East, elevated oil prices, increased fare discounting, escalating security costs, the outbreak of SARS, and, most recently, the Zika virus. All of this has had an impact on the operational levels at airports across the country, including the Airport. The City and the Department of Aviation have been seeking to respond to these series of challenges.

The principal of and interest on the Bonds are payable pursuant to the Ordinances solely from the Net Revenues of the Airport System and moneys on deposit in the Debt Service Fund and the Debt Service Reserve Fund. The ability to pay debt service on the Bonds will depend on the receipt of sufficient Gross Revenues, including the receipt of PFC revenues, a portion of which the City has covenanted in the Ordinances to set aside for payment of the Revenue Bonds, including the Bonds.

The Airport System's ability to generate Gross Revenues, including any PFC revenues, depends upon sufficient levels of aviation activity and passenger traffic at the Airport. The achievement of increased passenger traffic will depend partly on the profitability of the airline industry and the ability of individual airlines to provide sufficient capacity to meet demand. A weak economy, international hostilities and the threat of terrorist activity reduces demand for air travel. To the extent the Airport System is unable to make up for revenue shortfalls, the City's ability to pay debt service on the Bonds may be adversely affected.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain risks associated with the Bonds. There follows a summary of some, but not necessarily all, of the possible investment considerations and risks which should be carefully evaluated by prospective purchasers of the Bonds prior to the purchase thereof. Moreover, the order in which investment considerations are presented in this caption is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. The Bonds may not be suitable investments for all persons. Prospective purchasers should be able to evaluate the risks and merits of an investment in the Bonds and should confer with their own legal and financial advisors before considering a purchase of the Bonds.

Limited Obligations

The Bonds, together with the Currently Outstanding Revenue Bonds and any Additional Revenue Bonds, when and if issued, are limited special obligations of the City payable from, and equally and ratably secured by, a first lien on the Net Revenues of the Airport System and the Debt Service Fund and Debt Service Reserve Fund established in the Ordinances. No mortgage of any of the physical properties forming a part of the Airport System or any lien thereon or security interest therein has been given. **The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State of Texas is pledged as security for the Bonds.** See "SOURCES OF REPAYMENT FOR THE BONDS" in this document.

No Acceleration

The Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation, on the occurrence or continuance of an event of default in the payment of debt service on any of the Revenue Bonds (including the Bonds) or a default in the performance of any duty or covenant provided by law or in the Ordinances. Upon the occurrence of such an event of default, Holders of the Bonds would only be entitled to principal and interest payments on the Bonds as they come due. Under certain circumstances, Holders of the Bonds may not be able to pursue certain remedies or enforce covenants contained in the Ordinances. Moreover, since Net Revenues are that portion of Gross Revenues that remain after the deduction of the Operation and Maintenance Expenses of the Airport System, and the City is not subject to involuntary bankruptcy proceedings, the City may be able to continue indefinitely collecting Gross Revenues and applying them to the operation of the Airport System even if an event of default has occurred and no payments are being made on the Bonds. See "DESCRIPTION OF THE BONDS – Remedies" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

Factors Affecting the Airline Industry

General

Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Net Revenues available for payment of the Revenue Bonds (including the Bonds), include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of ABIA; competition from neighboring airports; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession that occurred between 2008 and 2009. Other business decisions by airlines, such as the reduction or elimination of service to unprofitable markets could affect airline operations in the future.

In addition to revenues received from the airlines, the City derives a substantial portion of its revenues from parking operations, food and beverage concessions, retail concessions, car rental companies, and others. See Tables 6 and 7 in "HISTORICAL FINANCIAL DATA" in this document. Declines in passenger traffic at ABIA may adversely affect the commercial operations of many of such concessionaires. While the City's agreements with retail, food and beverage concessionaires as well as car rental companies require them to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by a concessionaire or rental car company to make the required payments or could lead to the cessation of operations of such concessionaire or rental car company.

Many of these factors are outside the City's control. Changes in demand, decreases in aviation activity and their potential effect on enplaned passenger traffic at Airport may result in reduced Gross Revenues and PFCs. Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, costs of aviation fuel, airline concentration, international conflicts and threats of terrorism and structural changes in the travel market. See also "- Aviation Security and Health Safety Concerns" below for additional discussion on the costs of security.

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. Between 2008 and 2009, the U.S. economy experienced a recession, which was followed by weak economic growth. While the economy has recovered since 2009, any substantial deterioration in the level of regional or national economic activity in the future could have an adverse impact on the air transpotation industry.

Cost of Aviation Fuel

Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America (an airline trade association, formerly known as Air Transport Association of America), fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather.

Between early 2011 and mid-2014, fuel prices were relatively stable, partly as a result of increased oil supply from U.S. domestic production. As of mid-2014, average fuel prices were approximately three times those prevailing at the end of 2003. Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel. Decreased demand from China and other developing countries, combined with a continued surplus in the worldwide supply (and the potential for further surpluses from Iran as trade sanctions are lifted) resulted in further reductions in fuel prices in 2015. As shown on Figure 8, the average price of aviation fuel mid-2016 was approximately 50% of the price at mid-2014. The reduction in fuel prices is having a positive effect on airline profitability as well as far-reaching implications for the global economy. While fuel prices have declined significantly in the past few years, significant and prolonged increases in the cost of aviation fuel in the future could have an adverse impact on airline profitability.

Airline Concentration; Effect of Airline Industry Consolidation

The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airlines mergers occurring over the last several years include: (a) in 2008, Delta acquired Northwest and its affiliated air carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass; (b) on October 1, 2010, United Airlines and Continental Airlines merged and United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012; (c) on May 2, 2011, Southwest acquired Air Tran, and Southwest and Air Tran began operating as a single airline (under the Southwest brand) in March 2012; and (d) effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways continue to operate as separate airlines until their operations have been fully integrated. As of the date of this Official Statement, none of these mergers have had any material impact on airline service or enplanements at ABIA. In April 2016, Alaska Air Group, parent of Alaska Airlines, announced that it will acquire Virgin American Airlines. The proposed acquisition is subject to regulatory approval. Alaska Airliens and Virgin America both serve the Airport, accounting for 1.2% and 1.8% of total enplaned passengers, respectively, in FY 2015. While prior mergers have not had any material impact on airline service and enplanements at the Airport or on Gross Revenues, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Gross Revenues, reduced PFC collections and/or increased costs for the other airlines serving ABIA.

International Conflict and the Threat of Terrorism

The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The City cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the City or the airlines operating at the Airport from such incidents or disruptions.

Structural Changes in the Travel Market

Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Consumers have come to expect extraordinarily low fares. In addition, the availability of fully transparent price information on the internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video- conferencing.

Effect of Airline Bankruptcies

General

Since December 2000, numerous airlines have filed for bankruptcy protection including, among others, Northwest, Delta, including its subsidiary Comair, Mesaba, Sun Country (which filed for protection twice), US Airways (which filed for protection twice), UAL Corporation, the parent of United, AMR Corporation, the parent of American Airlines and American Eagle, Air Canada and Frontier. Each of these airlines has emerged from bankruptcy. Only Delta, United, American, Frontier, Northwest, and Sun Country operated at ABIA at the time of their respective filings for bankruptcy protection, and each such airline except for Northwest continues to operate at the Airport.

Assumption or Rejection of Agreements

An airline that has executed an Airline Agreement or other executory contract with the City and seeks protection under the U.S. bankruptcy laws must assume or reject (a) its Airline Agreement within 120 days after the bankruptcy filing (subject to court approval, a one-time 90-day extension is allowed (further extensions are subject to the consent of the City)), and (b) its other executory contracts with the City prior to the confirmation of a plan of reorganization.

In the event of assumption and/or assignment of any agreement to a third party, the airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable Airline Agreement or other agreements.

Rejection of an Airline Agreement or other agreement or executory contract will give rise to an unsecured claim of the City for damages, the amount of which in the case of an Airline Agreement or other agreement is limited by the United States Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of an Airline Agreement or other agreement could be considerably less than the maximum amounts allowed under the United States Bankruptcy Code. Certain amounts unpaid as a result of a rejection of an Airline Agreement or other agreement in connection with an airline in bankruptcy, such as airfield, terminal, concourse and ramp costs would be passed on to the remaining airlines under their respective Airline Agreements, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs. In addition, pre-petition payments made by an airline in bankruptcy within 90 days of filing a bankruptcy case could be deemed to be an "avoidable preference" under the United States Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy. In general, risks associated with bankruptcy include risks of substantial delay in payment or of reduced or non-payment and the risk that the City may be delayed or prohibited from enforcing any of its remedies under the agreements with a bankrupt airline. Northwest, Delta, Sun Country, United, American, and Frontier were each operating at Airport under an agreement at the time of their respective filings for bankruptcy protection.

Northwest, Delta, United, American, and Frontier each assumed their respective Airline Agreements when they emerged from bankruptcy protection. During its first bankruptcy proceedings, Sun Country rejected its Operating Agreement; however, the investor group that purchased the assets of the defunct Sun Country signed a new operating agreement. During its second bankruptcy proceedings, Sun Country assumed its operating agreement. See "AIRLINE AGREEMENTS" in this document.

With respect to an airline in bankruptcy proceedings in a foreign country, the City is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

Pre-Petition Obligations

During the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the City on account of goods and services provided prior to the bankruptcy. Thus, the City's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees. All of the pre-petition obligations of Northwest, Delta, Sun Country, United, American, and Frontier were paid in full.

PFCs

Pursuant to the PFC Act, the FAA has approved the City's applications to require the airlines to collect and remit to the City a $4.50 PFC on each enplaning revenue passenger at ABIA. See "CAPITAL IMPROVEMENT PROGRAM - Passenger Facility Charges" in this document.

The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the City) imposing the PFCs, except for any handling fee (which currently is $0.11 per PFC) or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the City cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at ABIA.

The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues.

It is possible that the City could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the City cannot predict whether an airline operating at ABIA that files for bankruptcy protection would have properly accounted for the PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for the PFCs owed by such airline. All of the airlines that were operating at the Airport at the time of their respective filings for bankruptcy protection and during the time they operated at ABIA while under bankruptcy protection submitted to the City all of the PFCs collected by them. PFCs are not pledged to the repayment of the Revenue Bonds (including the Bonds), however, see "SOURCES OF REPAYMENT FOR THE BONDS - Use of Passenger Facility Charges" in this document for a description of the City's covenants to set aside a portion of PFCs received by the City to pay debt service on the Revenue Bonds eligible to paid from PFCs.

Aviation Security and Health Safety Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001 and again in 2014 following the high profile disappearance of Malaysia Airlines Flight 370 and the crash of Malaysia Airlines Flight 17. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against future terrorist incidents and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the TSA, more effective dissemination of information about threats, more intensive screening of passengers, baggage, and cargo, and deployment of new screening technologies. The airlines and the federal government were primarily responsible for, and bore most of the capital costs associated with, implementing the new security measures. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, while the United States Centers for Disease Control and Prevention ("CDC") and the World Health Organization ("WHO") did not recommend that people avoid domestic or international travel, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel, particularly to and from Mexico and Asia. More recently, the CDC has issued travel alerts in 2016 warning pregnant women to avoid travel to areas where outbreaks of the Zika virus, which has been linked to birth defects, are occurring. The lists of such areas includes more than 50 countries and certain locations in Miami, Florida. While the Airport is not in an area of concern identified by the CDC, further spread of the virus could impact the Airport by reducing travel to affected regions. This disease or future pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport. The City is unable to predict how serious the impact of the Zika virus or future pandemic may become, what effect it may have on air travel to and from the Airport, and wheter any such affects will be material.

Regulations and Restrictions Affecting the Airport

The operations of the Airport System are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Agreements and the Operating Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the terrorist attacks of September 11, 2001, ABIA also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Department of Aviation management.

It is not possible to predict whether future restrictions or limitations on Airport System operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport System, whether additional requirements will be funded by the federal government or require funding by the City, or whether such restrictions or legislation or regulations would adversely affect Net Revenues. See "- Aviation Security and Health Safety Concerns" above, "CAPITAL IMPROVEMENT PROGRAM" and "CAPITAL IMPROVEMENT PROGRAM - Passenger Facility Charges" in this document.

Ability to Meet Rate Covenant

As described in "SOURCES OF REPAYMENT OF THE BONDS - Rate Covenant" in this document, the City has covenanted in the Ordinances that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year, the rate covenant set forth in the Ordinances is met. In addition to Net Revenues, the City expects to use approximately $11.3 million to $19.4 million of PFCs in each of the Fiscal Years between 2015 and 2021, respectively, to pay a portion (approximately 29.1% - 41.0%) of the Debt Service on the Revenue Bonds. If PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for the Revenue Bonds, the principal and/or interest on such Revenue Bonds is excluded from the calculation of Debt Service Requirements; thus decreasing Debt Service Requirements and increasing debt service coverage for purposes of the rate covenant under the Ordinances. See "SOURCES OF REPAYMENT FOR THE BONDS - Use of Passenger Facility Charges" in this document. See also, "- Availability of PFCs and PFC Approval" below in this document.

If Net Revenues (and PFCs expected to be used to pay debt service) were to fall below the levels necessary to meet the rate covenant in any Fiscal Year, the Ordinances provide for procedures under which the City would retain and request an Airport Consultant to make recommendations as to the revision of the City's rentals, rates, fees and other charges, its Operating and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the rate covenant set forth in the Ordinances. The Ordinances provide that so long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the rate covenant set forth in the Ordinances, so long as Debt Service is paid when due.

Increasing the schedule of rentals, rates, fees and other charges for the use of the Airport System and for services rendered by the City in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see "— Regulations and Restrictions Affecting the Airport" above). Implementation of an increase in the schedule of rentals, rates, fees and other charges for the use of the Airport System could have a detrimental impact on the operation of the Airport System by making the cost of operating at the Airport System unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport System. Notwithstanding this potential detrimental impact, the Airline Agreements acknowledge the existence of the rate covenant under the Ordinances and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges.

Availability of PFCs and PFC Approval

In addition to the use of Net Revenues, the City expects to use between $11.3 million and $19.4 million of PFCs each Fiscal Year between Fiscal Years 2015 and 2021, (UPDATE?) to pay a portion of the debt service on the Revenue Bonds (including the Bonds). See "SOURCES OF REPAYMENT FOR THE BONDS - Use of Passenger Facility Charges" and "- Ability to

Meet Rate Covenant" above in this document. Additionally, the City expects to use approximately $___ million of PFCs to fund a portion of the Planned CIP Projects, including the 2017 Projects. See "CAPITAL IMPROVEMENT PROGRAM" in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of □Gross Revenues□. Consistent with the definition of □Debt Service Requirements□ in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See "SOURCES OF REPAYMENT FOR THE BONDS - Rate Covenant", "- Additional Revenue Bonds" and the definition of "Debt Service Requirements" in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Selected Definitions" in this document. As described in "CAPITAL IMPROVEMENT PROGRAM – Passenger Facility Charges" in this document, under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of April 2020. **The City plans to seek approval from the FAA to use PFCs to fund a portion of the 2017 Projects and to pay a portion of the debt service on the Bonds. No assurance can be given that the FAA will approve the amounts for the projects to be contained in such application.**

The amount of PFC revenue received by the City in future years will vary based upon the actual number of PFC-eligible passenger enplanements at ABIA. No assurance can be given that any level of enplanements will be realized. See "- Factors Affecting the Airline Industry" above in this document. See also "CAPITAL IMPROVEMENT PROGRAM - Passenger Facility Charges" and "- Ability to Meet Rate Covenant" above in this document. Additionally, the FAA may terminate the City's authority to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or regulations promulgated by the FAA under authority of the PFC Act ("PFC Regulations"), or (b) the City otherwise violates the PFC Act or the PFC Regulations. The City's authority to impose a PFC may also be terminated if the City violates certain provisions of the Airport Noise and Capacity Act of 1990 (the "ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the City's authority to impose a PFC would not be summarily terminated. No assurance can be given that the City's authority to impose a PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the City or that the City will not seek to decrease the amount of PFCs to be collected, provided such decrease does not violate the City's covenant in the Ordinances. A shortfall in PFC revenues may cause the City to increase rates and charges at ABIA to meet the debt service requirements on the Revenue Bonds (including the Bonds) that the City plans to pay from PFCs, and/or require the City to identify other sources of funding for its capital program (including the 2017 Projects), including issuing Additional Revenue Bonds and/or Subordinate Obligations, to finance the pay-as-you-go projects currently expected to be paid with PFC revenues.

Availability of Funding for the Capital Improvement Program

The City's plan of finance assumes that proceeds of Revenue Bonds, PFC revenues on a pay-as-you-go basis, federal grants, and other available revenues of the City (including certain amounts to be on deposit in the Repair and Replacement Fund and the Capital Fund), will be received by the City in certain amounts and at certain times to pay the costs of the planned projects described in "CAPITAL IMPROVEMENT PROGRAM" in this document (the "Planned CIP Projects"). No assurance can be given that these sources of funding will be available in the amounts or on the schedule assumed. See "-Availability of PFCs and PFC Approval" above in this document.

To the extent that any portion of the funding assumed in the plan of finance for the Planned CIP Projects is not available as anticipated, the City may be required to defer or remove certain of the Planned CIP Projects or issue additional Revenue Bonds and/or Subordinate Obligations to pay the costs of such Planned CIP Projects.

Federal Funding; Impact of Federal Sequestration

On February 6, 2012, Congress passed a four-year reauthorization bill for the FAA, the "FAA Modernization and Reform Act of 2012", which was signed into law on February 14, 2012. The final FAA reauthorization authorizes $3.35 billion per year for the Airport Improvement Program ("AIP") through Fiscal Year 2015. (UPDATE SECTION?) AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set- asides and the national priority ranking system). There can be no assurance that the FAA will receive spending authority. In addition, AIP could be affected by the automatic across-the-board spending cuts, known as sequestration, described in more detail below. The City is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the City for ABIA, such reduction could (i) increase by a corresponding amount the capital expenditures that the City would need to fund from other sources (including surplus revenues, additional Revenue Bonds or Subordinate Obligations), (ii) result in decreases to Planned CIP Projects or (iii) extend the timing for completion of certain projects. See "CAPITAL IMPROVEMENT PROGRAM" in this document.

Federal funding received by the City and the Department of Aviation could be adversely affected by the implementation of the Budget Control Act of 2011 (the "Budget Control Act"). As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration - a unique budgetary feature of the Budget Control Act -has been triggered. On January 2, 2013, President Obama signed into law H.R. 8, the American Taxpayer Relief Act of 2012, which delayed the initiation of the sequestration process from January 2, 2013 to March 1, 2013. On March 26, 2013, President Obama signed the Consolidated and Further Continuing Appropriations Act of 2013, providing funds for operation of the federal government through September 30, 2013, and off-setting some of the sequestration- mandated reductions for Fiscal Year 2013. The spending reductions for Fiscal Year 2013 were approximately $85.4 billion, with similar cuts for Fiscal Years 2014 through 2021.

The City receives numerous grants from the FAA and the TSA for various capital projects and the FAA employs and manages the air traffic control personnel at ABIA. These expenditures of the FAA are subject to sequestration. The FAA implemented furloughs in April 2013 that resulted in major air traffic control system delays. The furloughs were suspended after one week for the balance of federal Fiscal Year 2013 following Congress' authorization of alternate funding from reductions in the amounts of available AIP funds or any other programs or accounts in federal Fiscal Year 2013. On December 26, 2013, the Senate approved the Bipartisan Budget Act of 2013 (the "Budget Act"), which sets overall discretionary spending for the federal Fiscal Year 2014 at $1.013 trillion, and provides $63 billion in sequester relief over two years. The Budget Act restores the cuts made by budget sequestration to the FAA's operations and procurement accounts and provides full funding for the AIP at $3.35 billion for the federal Fiscal Year 2014.

Between 2009 and 2013, the City received, on average, approximately $6.7 million of grants per year from the FAA and TSA. The City is unable to predict future sequestration funding cuts or furloughs or the impact of such actions on ABIA's airline traffic, grant receipts and Gross Revenues. The City intends to take any commercially reasonable measures necessary to continue smooth operation of ABIA.

Forward-Looking Statements

This Official Statement, including the Appendices and the documents incorporated by reference in this document, contain "forward-looking statements," which generally can be identified with words or phrases such as "anticipates," believes," "could," "estimates," "expects," "foresees," "may," "plan," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement, including the Appendices in this document, that any person expects or anticipates will, should or may occur in the future, including but not limited to, the projections in the Airport Consultant's Report, are forward-looking statements. These statements are based on assumptions and analysis made by the City and the Airport Consultant, as applicable, in light of their experience and perception of historical trends, current conditions and expected future developments as well as other factors they believe are appropriate in the circumstances. However, whether actual results and developments will conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under the "CERTAIN INVESTMENT CONSIDERATIONS" caption in this document as well as additional factors beyond the City's control. The risk factors and assumptions described under such caption and elsewhere in this Official Statement could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement and any Appendices in this document are qualified by these cautionary statements. There can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Net Revenues or the operations of ABIA. All subsequent forward-looking statements attributable to the City or persons acting on its behalf are expressly qualified in their entirety by the factors and assumptions described above and in any documents containing those forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City does not assume any obligation to update any such forward-looking statements.

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

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The City's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The City's independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the City's independent auditors assume no responsibility for its content.

Assumptions in the Airport Consultant□s Report

As noted in the Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may and are likely to occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" in this document.

Future and Proposed Legislation

The Texas Legislature will convene its Regular Session of the 85th Legislature in January 2017. The City makes no representations or predictions concerning the substance or effect of any legislation that may be proposed and ultimately passed in such Regular Session or any special session that may convene after the end of the Regular Session, or how any such legislation would affect the Net Revenues or the financial condition or operations of ABIA.

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

LITIGATION

It is the opinion of the City Attorney and ABIA management that, as of the date of this Official Statement, there is no pending litigation against the City that would have a material adverse financial impact upon ABIA or its operations.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the Holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. 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 (i) the portions of the financial statements of the City in APPENDIX B in this document and (ii) 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 (numbered 1 through 9). The City will update and provide this financial and operating data as of the end of each Fiscal Year within six months after the end of each Fiscal Year and the financial statements within 12 months after the and of each Fiscal Year. 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 SEC. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided at that time, the City shall provide notice that the audited financial statements are not available and provide unaudited financial information of the type described in the various tables (numbered 1 through 9) in this document and "unaudited financial statements" by the required time, and shall provide audited financial statements for the applicable Fiscal Year, when and if the audit report on the financial statements becomes available. The term "unaudited financial statements" means unaudited financial statements and tables customarily prepared and maintained by the City. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B in this document or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current Fiscal Year is October 1 to September 30. Accordingly, it must provide updated information by March 31 of 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 ten Business Days after the occurrence of the event, of any of the following events with respect to the Bonds: (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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, 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 Bonds nor the Ordinances make any provision for 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 official 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 Bonds, 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 Bonds 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 Bonds 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 Bonds in the offering described in this Official Statement in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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 Bonds in the primary offering of the Bonds. 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 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 year 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. With respect to the City's continuing disclosure reports regarding its outstanding Airport System Revenue Bonds, the City determined that (i) a table regarding detailed Airport revenues was inadvertently omitted from such reports that were filed in 2012 and 2013, however, the total of such Airport revenues was included in such annual filings and such table was included in subsequent annual continuing disclosure reports, and (ii) a table had transposed years in the presentation of data in such report that was filed in 2015, and the City filed corrected information for such table on May 8, 2015. The City has implemented procedures to ensure timely filing of all future financial information and event notices.

TAX MATTERS

Series 2017A Bonds

On the date of initial delivery of the Series 2017A Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), for federal income tax purposes (i) interest on the Series 2017A Bonds will be excludable from the "gross income" of the holders thereof, except for any holder who is treated pursuant to section 147(a) of the Internal Revenue Code of 1986 (the "Code") as a "substantial user" of the Project or, a "related person" to such user, and (ii) the Series 2017A Bonds are not treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2017A Bonds. See Appendix D -- Forms of Bond Counsel's Opinions.

Interest on the Series 2017A Bonds may be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Series 2017B Bonds

On the date of initial delivery of the Series 2017B Bonds, Bond Counsel will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Series 2017B Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except for any holder who is treated pursuant to section 147(a) of the Internal Revenue Code of 1986 (the "Code") as a "substantial user" of the Project or, a "related person" to such user. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the AMT Bonds. See Appendix D -- Forms of Bond Counsel's Opinions.
Interest on the Series 2017B Bonds is an item of tax preference, as defined in section 57(a)(5) of the Code, for purposes of determining the alternative minimum tax imposed on individuals and corporations.

General

In rendering its opinions, Bond Counsel (a) will rely upon information furnished by the City, and particularly written representations of officers and agents of the City with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Bonds, and the construction, use and management of the facilities financed or refinanced with the proceeds of each series of the Bonds and (b) will assume continuing compliance with covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purpose as of the date of issuance, the tax-exempt status of the Bonds of either series could be affected by future events. However, future events beyond the control of the City, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance. The opinions of Bond Counsel are conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

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

A ruling was not sought from the Internal Revenue Service (the "IRS") by the City with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bodns. No assurances can be given as to whether the IRS will commence an audit of the Bonds of either series, or as to whether the IRS would agree with the opinions of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any Holder who has purchased a Bond as an Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such holder in excess of the basis of such Original Issue Discount Bond in the hands of such Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

All holders of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered owner and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances and in respect to investors who are not United States persons, certification as to foreign status, and other matters may be required to be provided by partners and beneficiaries thereof.

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 SEC 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.

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 in the first paragraph 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, 2016, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	13%
U. S. Agencies	42%
Money Market Funds	3%
Local Government Investment Pools	42%

The dollar weighted average maturity for the combined City investment portfolios is 280 days. The City prices the portfolios weekly utilizing a market pricing service.

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.

Interim City Manager – 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.

Interim Chief Financial Officer – Greg Canally

Mr. Greg Canally is currently the Interim Chief Financial Officer for the City of Austin. Prior to this appointment, Mr. Canally served as the Deputy Chief Financial Officer over the Treasury Office, Purchasing Office & Capital Contract Office, and worked as the Finance lead on economic development, transportation initiatives, facility master planning, and a variety of information technology issues for the City. Mr. Canally has been with the City of Austin for 17 years, entirely in the Finance Department. From 2004 thru 2008, he was the City's Budget Officer. He is past member of Government Finance Officers Association's Committee on Economic Development and Capital Planning. Prior to his work in municipal government, Mr. Canally worked as a project manager/economist for HDR Engineering, working with all levels of government to implement Water Planning solutions in Texas. Mr. Canally holds a Bachelor of Science in Economics from Villanova University and a Master of Science in Economics from the University of Texas at Austin.

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, the Water and Wastewater System, the 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.

Pension Plans

The City has three contributory defined benefit retirement plans for the Municipal, Fire, and Police employees. These plans are single employer funded plans each with a fiscal year end of December 31. The three retirement plans cover substantially all full-time employees. State law requires the City to make contributions to the plans in an amount at least equal to the contribution of the employee group.

The following describes the contributions in place as of October 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 18.2% of payroll, and the City contributes 22.05%. The Police Officers contribute 13.0% and the City contributes 21.313% of payroll.

During fiscal 2015, the City implemented Governmental Accounting Standards Board Statement ("GASB") No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27, as amended by GASB Statement No. 71 ("GASB 71"), Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68, which increased the net pension liability in the financial statements by $1.2 billion over the previously reported net pension obligation.

GASB 68, as amended, requires governments offering defined benefit pension plans to recognize as an expense and a liability today, future pension obligations for existing employees and retirees which are in excess of pension plan assets. In addition it allows deferral of certain pension expense items, expands financial statement note disclosures, and changes disclosure of required supplementary information.

The City's net pension liability was measured as of December 31, 2014 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the COAERS plan. For the Fire and Police systems, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 using the final 2014 assumptions and then was rolled forward to the plan's year ending December 31, 2014.

The COAERS, as of December 31, 2014, had a net pension liability of $884.3 million with a plan fiduciary net position as a percentage of the total pension liability of 71.4%. The Police Officers' Fund, as of December 31, 2014, had a net pension liability of $333.6 million with a plan fiduciary net position as a percentage of the total pension liability of 65.7%. The Firefighters' Fund, as of December 31, 2014 had a net pension liability of $72.0 million with a plan fiduciary net position as a percentage of the total pension liability of 91.6%.

The financial statements for each plan are accessible on their respective websites. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 7" in this document for additional information on the City's Pension Plans. Also, see Note 7 of the City's Comprehensive Annual Financial Report ("CAFR") for their web addresses.

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 years, for the Police Officers' Fund was 28.6 years and the Firefighters' Fund was 10.57 years.

As of December 31, 2014, the actuarial accrued liability for the COAERS was $3,094,055,712 and the funded ratio was 70.9%. The actuarial accrued liability for the Police Officers' Fund was $968,340,394 and the funded ratio was 67.5%. The actuarial accrued liability for the Firefighters' Fund was $868,146,375 and the funded ratio was 90.9%.

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.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 7" in this document for additional information on the City's Pension Plans.

On June 8, 2016, the COAERS Board of Trustees received an annual financial report of COAERS for the fiscal year ended December 31, 2015. The report stated that as of December 31, 2015, COAERS had a net pension liability of $1.247 billion with a plan fiduciary net position as a percentage of the total pension liability of 63.2%. Additionally, the actuarial accrued liability for the COAERS was $3,391,796,116 and the funded ratio was 68.0%.

On August 9, 2016, the Police Officers' Fund Board received an annual financial report of the Police Officers' Fund for the fiscal year ended December 31, 2015. The report stated that as of December 31, 2015, the Police Officers' Fund had a net pension liability of $384.7 million with a plan fiduciary net position as a percentage of the total pension liability of 62.6%. Additionally, the actuarial accrued liability for the Police Officers' Fund was $1,036,118,138 and the funded ratio was 66.6%. The report's numbers reflect changes to benefit provisions and actuarial assumptions that were adopted since the prior valuation for fiscal year ended December 31, 2014.

On August 10, 2016, the Firefighters' Fund Board received an annual financial report of the Firefighters' Fund for the fiscal year ended December 31, 2015. The report stated that as of December 31, 2015, the Firefighters' Fund had a net pension liability of $128.4 million with a plan fiduciary net position as a percentage of the total pension liability of 86.0%. Additionally, the actuarial accrued liability for the Firefighters' Fund was $921,875,579 and the funded ratio was 89.9%.

Other Post-Employment Benefits

In addition to the contributions made to the three pension systems, the City provides certain other post-employment benefits 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 $39.5 million for 4,431 retirees in 2015 and $33.3 million for 4,189 retirees in 2014. As of September 30, 2015, the net OPEB obligation is $777.7 million.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 8" in this document for additional information on 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 $9.3 million for claims and damages at the end of fiscal year 2015. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

OTHER RELEVANT INFORMATION

Ratings

The Bonds have received a rating of "___" by S&P Global Ratings, a Standard & Poor's division of S&P Global Inc. ("S&P"), and a rating of "___" by Moody's Investors Service, Inc. ("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 one or all of such rating companies, if in the judgment of one or more companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price and liquidity of the Bonds.

Registration and Qualification

The sale of the Bonds 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 Bonds 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 Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that such Bonds are valid and legally binding bonds of the City payable from sources and in the manner described in this Official Statement and in the Ordinances and the approving legal opinion of Bond Counsel. The form of Bond Counsel's opinions appears in this document as APPENDIX D. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

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 Official Statement except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this Official Statement under the captions "INTRODUCTION", "DESCRIPTION OF THE BONDS" (except for the information under the subcaptions "Remedies" and "Book-Entry-Only System"), "SOURCES OF REPAYMENT FOR THE BONDS", "OUTSTANDING REVENUE BONDS AND SPECIAL FACILITIES BONDS", "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings"), "TAX MATTERS," 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 under "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES", 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 Bonds and the Ordinances. In addition, certain legal matters will be passed upon (i) for the Underwriters by Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriters, and (ii) for the City by Norton Rose Fulbright US LLP, as Disclosure Counsel for the City. The payment of legal fees to Bond Counsel, counsel to the Underwriters and Disclosure Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed in those opinions. In rendering a legal opinions, 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 Bonds. The payment of the fee for services rendered by PFM with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. 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 Bonds.

Financial Information and Independent Auditors

The financial data listed as fiscal year 2016 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 the forward-looking 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 Governmental Accounting Standards Board Statements No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68 during the year ended September 30, 2015.

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 publig, as shown on the inside front cover page of this Official Statement, less an underwriting discount of $__________. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased.

The Underwriters have provided the following paragraphs for inclusion in the Official Statement, and the City takes no responsibility for the accuracy thereof.

Authenticity of Financial Data and Other Information

The financial data and other information contained in this Official Statement 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 Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Certification of the Official Statement

This Official Statement, and the execution and delivery of this Official Statement was approved and authorized by an Authorized Officer of the City pursuant to the provision of the Ordinances adopted by the City Council on December 15, 2016.

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

APPENDIX B

AUDITED FINANCIAL STATEMENTS

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES

The following constitutes a summary of certain portions of the Ordinances. This summary should be qualified by reference to other provisions of the Ordinances referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Ordinances in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Ordinances, a copy of which may be obtained from the City.

Selected Definitions

"Additional Revenue Bonds" means the additional parity revenue bonds permitted to be issued by the City pursuant to the Ordinances.

"Administrative Expense Fund" means the fund so designated in the Ordinances.

"Administrative Expenses" means the fees, expenses, and indemnification liabilities payable to the Persons to whom fees and expenses are due and owing in connection with the Revenue Bonds and Credit Agreement Obligations incurred in connection with a related series of Revenue Bonds, including, but not limited to the fees and expenses of the Paying Agent/Registrars, the Credit Providers, the rebate analysts, the remarketing agents and the tender agents, and of which the City is given actual notice at least thirty (30) days prior to the date payment of these amounts is due.

"Airport" means the air carrier airport developed, constructed and operated by the City pursuant to the city-wide election held within the City on May 1, 1993, and designated as the Austin-Bergstrom International Airport (ABIA).

"Airport Consultant" means a nationally recognized independent firm, person or corporation having a widely known and favorable reputation for special skill, knowledge and experience in methods of developing, operating and financing of airports of approximately the same size as the properties constituting the Airport System.

"Airport System" means all airport, heliport and aviation facilities, now or from time to time owned, operated or controlled in whole or in part by the City, including the Airport, together with all properties, facilities and services of the Airport, and all additions, extensions, replacements and improvements to the Airport, and all services currently provided, or to be provided, by the City in connection with the Airport, but expressly excluding (i) any heliport or heliports operated by City Departments other than the Aviation Department, (ii) the Austin consolidated rental car facility, financed by the issuance of City of Austin, Texas Rental Car Special Facility Revenue Bonds, Taxable Series 2013, as Special Facilities, and (iii) the Mueller Airport Property.

"Aviation Director" means the Executive Director of the City's Department of Aviation, or any successor or person acting in that capacity.

"Bond Insurer" means Assured Guaranty Municipal Corp. (the successor to Financial Security Assurance, Inc., a New York stock insurance company), or any successor to or assigned of Assured Guaranty Municipal Corp.

"Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017A and the City of Austin, Texas, Airport System Revenue Bonds, Series 2017B (AMT), authorized by the Ordinances.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the City, or in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are generally authorized or obligated by law or executive order to close.

"Capital Fund" means the fund so designated in the Ordinances.

"Capitalized Interest Account" means the account so designated in the Ordinances.

"Code" means the Internal Revenue Code of 1986.

"Construction Fund" means the fund so designated in the Ordinances.

"Credit Agreement" means (i) any agreement of the City entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Revenue Bonds or (B) providing liquidity with respect to Revenue Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Revenue Bonds to which it relates, and (ii) a Swap Agreement.

"Credit Agreement Obligations" means any amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense.

"Currently Outstanding Revenue Bonds" means the Series 2005 Bonds, the Series 2013 Bonds and the Series 2013A Bonds.

"Debt Service" means (i) with respect to a series of Revenue Bonds, an amount equal to the Principal Installment, redemption premium, if any, and interest on such Revenue Bonds, (ii) with respect to a Credit Agreement other than a Swap Agreement, amounts payable as Credit Agreement Obligations, and (iii) with respect to a Swap Agreement, regularly scheduled amounts payable by the City under a Swap Agreement, so long as the counterparty is not in default (specifically excluding Termination Payments, which shall constitute Subordinate Obligations).

"Debt Service Fund" means the fund so designated in the Ordinances.

"Debt Service Requirements" means for any particular period of time, an amount equal to the sum of the following for such period with respect to all or any portion of Revenue Bonds or Credit Agreement Obligations, as applicable, then Outstanding:

A. That portion of interest which would accrue with respect to Revenue Bonds during such period if interest were deemed to accrue only during the 6 month period prior to its payment (12 month period in the case of capital appreciation or compound interest bonds), plus

B. That portion of the principal amount of Revenue Bonds which would accrue during such period if principal was deemed to accrue only during the 12 month period prior to its scheduled payment date (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory Revenue Bond redemptions),

less and except any such interest or principal for the payment of which provision has been made by: (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest or principal either from proceeds of bonds, from interest earned or to be earned thereon, from Airport System funds other than Net Revenues, or from any combination of such sources; and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a dedicated fund or account (including, without limitation, the Capitalized Interest Account), the proceeds of which are required to be transferred as needed into the Debt Service Fund or directly to the Paying Agent/Registrar for the Revenue Bonds.

"Debt Service Reserve Fund" means the fund so designated in the Ordinances.

"Debt Service Reserve Fund Requirement" means the amount required to be maintained in the Debt Service Reserve Fund. This amount shall be computed and recomputed annually as a part of the City's budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with section 1.148-6 of the regulations promulgated under the Code, exceed the least of: (a) 10% of the stated principal amount of each issue of which such Revenue Bonds or Additional Revenue Bonds are a part; (b) the maximum annual principal and interest requirements of the issue; or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that such additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code and the related regulations promulgated from time to time.

"Debt Service Reserve Fund Surety Bond" means any surety bond or insurance policy having a rating in the highest respective rating categories by Moody's and Standard & Poor's issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in the Ordinances.

"Defeasance Obligations" means: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States; (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date council adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

"Federal Payments" means those funds received by the Airport System from the federal government or any agency of the federal government as payments for the use of any facilities or services of the Airport System.

"Fiscal Year" means the City's fiscal year as from time to time designated by the City, which is currently October 1 to September 30.

"General Obligation Airport Bonds" means those bonds or other obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes.

"Gross Revenues" means all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to all or any part of the Airport System, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Airport System, or otherwise, and includes, except to the extent expressly excluded below, all revenues received by the City from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation of the Airport System, interest and other income realized from the investment or deposit of amounts required to be transferred or credited to the Revenue Fund. Gross Revenues **expressly excludes**:

(a) proceeds of any Revenue Bonds and Subordinate Obligations;

(b) interest or other investment income derived from Revenue Bonds and Subordinate Obligation proceeds deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund;

(c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies shall be received as payments for the use of the Airport System facilities;

(d) any revenues derived from any Special Facilities (e.g. customer facility charges) which are pledged to the payment of Special Facilities Bonds;

(e) insurance proceeds other than loss of use or business interruption insurance proceeds;

(f) the proceeds of the passenger facility charge (PFC) currently imposed by the City and any other per-passenger charge as may be lawfully authorized;

(g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities;

(h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes;

(i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges shall be considered Gross Revenues; and

(j) Other Available Funds transferred to the Revenue Fund as provided in the Ordinances.

"Interest Payment Date" means each May 15 and November 15, commencing May 15, 2017, until maturity or prior redemption of the Bonds.

"Minimum Capital Reserve" means an amount, designated by the Aviation Director not less frequently than annually at the end of each Fiscal Year, but in any event not more than $100,000 each Fiscal Year, necessary to accumulate or to reaccumulate in the Capital Fund a reserve in an amount not less than $1,000,000.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns, and if this corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall refer to any other nationally recognized securities rating agency designated by the City.

"Mueller Airport Property" means the property and facilities that comprised the former Robert Mueller Municipal Airport, located within the City. The Mueller Airport Property is not part of the Airport System.

"Net Revenues" means that portion of the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System, including, without limitation, those reasonably allocated City overhead expenses relating to the administration, operation and maintenance of the Airport System; insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund; any general and excise taxes or other governmental charges imposed by entities other than the City; any required rebate of any portion of interest income to the federal government which is payable from Gross Revenues or the Revenue Fund; costs of contractual and professional services, labor, materials and supplies for current operations, including the costs of direct City services rendered to the Airport System as are requested from the City by the Airport System and as are reasonably necessary for the operation of the Airport System; costs of issuance of Revenue Bonds and Subordinate Obligations for the Airport System (except to the extent paid from the proceeds); fiduciary costs; costs of collecting and refunding Gross Revenues; utility costs; any lawful refunds of any Gross Revenues; and all other administrative, general and commercial expenses, but **excluding**:

(a) any allowance for depreciation;

(b) costs of capital improvements;

(c) reserves for major capital improvements, Airport System operations, maintenance or repair;

(d) any allowance for redemption of, or payment of interest or premium on, Revenue Bonds and Subordinate Obligations;

(e) any liabilities incurred in acquiring or improving properties of the Airport System;

(f) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities to the extent they are required to be paid by such lessees pursuant to the terms of the Special Facilities Leases;

(g) any charges or obligations incurred in connection with any lawful Airport System purpose, including the lease, acquisition, operation or maintenance of any facility or property benefiting the Airport System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of the Capital Fund;

(h) liabilities based upon the City's negligence or other ground not based on contract; and

(i) so long as Federal Payments are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period.

"Operation and Maintenance Reserve Fund" means the fund so designated and created within the Revenue Fund in the Ordinances.

"Other Available Funds" means any amount of unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund, but in no event may this amount exceed twenty-five percent (25%) of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year for purposes of Sections 5.03 (Rate Covenant) and 6.01 (Additional Revenue Bonds) of the Ordinances.

"Outstanding" when used with reference to any Revenue Bonds or Subordinate Obligations means, as of a particular date, all those obligations Revenue Bonds or Subordinate Obligations delivered except: (a) any obligation paid, discharged or cancelled by or on behalf of the City at or before that date; (b) any obligation defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any obligation in lieu of or in substitution for which another obligation was delivered pursuant to the ordinance authorizing the issuance of the obligation.

"Owner" or "Registered Owner"," when used with respect to any Revenue Bond means the person or entity in whose name the Revenue Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners means the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Revenue Bonds then Outstanding under the Ordinances.

"Paying Agent/Registrar" means, for the Bonds, Wilmington Trust, National Association, Dallas, Texas, and its successors in that capacity.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of the government.

"Qualified Put" means any agreement, however denominated, provided by a qualifying financial institution (as described in the next sentence) which contractually commits to purchase, upon no more than seven days' notice, for not less than a stated price any class or amount of investment securities or other authorized investments of the City at any time that such investment securities or investments must be liquidated in order to make cash transfers from the fund or account that holds such investments. A Qualified Put may be entered into only with a qualifying financial institution which is (a) a domestic bank the long-term debt of which is rated at least "AA" by Standard & Poor's and "Aa" by Moody's , or (b) a foreign bank the long-term debt of which is rated "AAA" by Standard & Poor's and at least "Aa" by Moody's , or at least "AA" by Standard & Poor's and "Aaa" by Moody's , or (c) a financial institution the long-term debt of which is rated at least "A" by both Standard & Poor's and Moody's and agrees to collateralize its obligations under such agreement by lodging with a third party trustee, escrow agent, custodian or other financial third party direct obligations of the United States of America or its agencies with a market value equal to 102% of the difference between the face amount of its purchase obligation under the agreement and the market value of the investment securities to which the agreement relates (based upon periodic market valuations at least monthly). A Qualified Put may be integrated into any investment authorized under Texas law, such as a repurchase agreement.

"Renewal and Replacement Fund" means the fund so designated in the Ordinances.

"Renewal and Replacement Fund Requirement" means the amount required to be maintained in the Renewal and Replacement Fund pursuant to the Ordinances, or any greater amount required by any ordinance authorizing any series of Additional Revenue Bonds.

"Revenue Bond Ordinances" means the ordinances authorizing the issuance of the Series 2005 Bonds, the Series 2013 Bonds, the Series 2013A Bonds, this Ordinances and any ordinances pursuant to which Additional Revenue Bonds are issued.

"Revenue Bonds" means the Currently Outstanding Revenue Bonds, the Bonds and each series of bonds, notes or other obligations, other than Credit Agreement Obligations, which the City has reserved the right to issue or incur from time to time pursuant to the Ordinances, payable from and secured by a first lien on and pledge of Net Revenues.

"Revenue Fund" means the fund so designated in the Ordinances.

"Series 2005 Bonds" means the City of Austin, Texas, Airport System Refunding Revenue Bonds, Series 2005 (AMT), outstanding, as of November 1, 2016, in the aggregate principal amount of $198,175,000.

"Series 2013 Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2013, outstanding, as of November 1, 2016, in the aggregate principal amount of $60,000,000.

"Series 2013A Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2013A, outstanding, as of November 1, 2016, in the aggregate principal amount of $35,014,000.

"Special Facilities" means structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, inflight kitchens, training facilities and any and all other facilities and appurtenances being a part of or related to the Airport System, the cost of the construction or other acquisition of which is financed with the proceeds of Special Facilities Bonds.

"Special Facilities Bonds" means those bonds from time to time hereafter issued by the City pursuant to the appropriate provisions of the Ordinances.

"Special Facilities Lease" means any lease or agreement pursuant to which a Special Facility is leased by the City to the lessee in consideration for which the lessee agrees to pay (i) all debt service on the Special Facilities Bonds issued to finance the Special Facility (which payments are pledged to secure the Special Facilities Bonds) and (ii) the operation and maintenance expenses of the Special Facility.

"Standard & Poor's" or "S&P" means S&P Global Ratings, a division of S&P Global Inc., its successors and assigns, and if such entity shall for any reason no longer perform the functions of a securities rating agency, "Standard & Poor's" and "S&P" shall refer to any other nationally recognized securities rating agency designated by the City.

"Subordinate Obligations" means each series of bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, which the City has reserved the right to issue or incur from time to time pursuant to the Ordinances as Subordinate Obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds.

"Swap Agreement" means a Credit Agreement, approved (if required) in writing by the Bond Insurer, with respect to a series of Revenue Bonds pursuant to which the City has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City's fixed or variable interest rate liability on all or a portion of the Revenue Bonds to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody's, and by Standard & Poor's, and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Revenue Bonds without reference to any Credit Agreement.

"Termination Payment" means an amount owed by the City to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of the Swap Agreement and which, on the date of execution of the Swap Agreement, is not an amount representing a regularly scheduled payment under the Swap Agreement. "Termination Payment" shall not include any amount representing an Administrative Expense.

Funds and Flow of Funds

Funds. The Ordinances creates the Revenue Fund, including the Operation and Maintenance Reserve Fund therein, the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, the Renewal and Replacement Fund, the Capital Fund, including a Capital Improvement Account therein, and the Construction Fund, including the Capitalized Interest Account and the Series 2014 Project Account therein. The City may create additional accounts and subaccounts in any of the funds, including accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, so long as they are not inconsistent with the Ordinances.

The Revenue Fund, including the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Fund and the Construction Fund (other than any Capitalized Interest Account in the Construction Fund) shall be maintained as separate funds or accounts on the books of the City and all amounts credited to the Funds and Accounts shall be maintained in an official depository bank of the City. The Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund shall be maintained at an official depository bank of the City or in a trustee bank designated by the City separate and apart from all other funds and accounts of the City. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the owners of the Revenue Bonds and the proceeds of which shall be pledged, as herein provided, to the payment of the Revenue Bonds. The Administrative Expense Fund shall constitute trust funds which shall be held in trust for the payment of Administrative Expenses to Persons entitled to those Administrative Expenses.

Flow of Funds. Gross Revenues shall be deposited as received by the City into the Revenue Fund. In addition, the City may deposit into the Revenue Fund any Federal Payments not restricted for capital purposes, provided that, so long as the Federal Payments are excluded from the definition of Gross Revenues, the Federal Payments shall be applied solely to the payment of Operation and Maintenance Expenses or capital expenditures and never constitute Net Revenues. Other Available Funds may also be deposited into the Revenue Fund. Moneys from time to time credited to the Revenue Fund shall be applied as follows in the following order of priority:

(a) First, to provide for all payments of Operation and Maintenance Expenses required by the Revenue Bond Ordinances.

(b) Second, to transfer all amounts to the Debt Service Fund required by the Revenue Bond Ordinances and any related Credit Agreement Obligations.

(c) Third, to transfer all amounts to the Administrative Expense Fund required to pay Administrative Expenses to the Persons entitled to payment when due.

(d) Fourth, to transfer all amounts to the Debt Service Reserve Fund required by the Revenue Bond Ordinances.

(e) Fifth, to transfer all amounts necessary to provide for the payment of Subordinate Obligations, or to provide reserves for payment, as may be required by any ordinance authorizing Subordinate Obligations and related credit agreement obligations.

(f) Sixth, to transfer all amounts necessary to provide for the payment of principal of and interest on General Obligation Airport Bonds.

(g) Seventh, to transfer all amounts to the Operation and Maintenance Reserve Fund required by the Revenue Bond Ordinances.

(h) Eighth, to transfer all amounts to the Renewal and Replacement Fund required by the Revenue Bond Ordinances.

(i) Ninth, the balance shall be transferred to the Capital Fund.

Debt Service Fund. On the date of initial delivery of the Bonds, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund the amount necessary to pay interest coming due on the Bonds on their first Interest Payment Date. Thereafter, to the extent moneys remain on deposit in the Capitalized Interest Account, on the Business Day immediately following an Interest Payment Date, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund amounts available to pay the interest coming due on the Bonds on the next succeeding Interest Payment Date.

On or before the last Business Day of each month so long as any Revenue Bonds remain Outstanding, after making all required payments of Operation and Maintenance Expenses, there shall be transferred into the Debt Service Fund from the Revenue Fund the amount to cause the balance in the Debt Service Fund to equal the Debt Service on all Revenue Bonds and Credit Agreement Obligations accrued, but unpaid, through the end of the current month on all Revenue Bonds and Credit Obligations reasonably expected to accrue and be payable on or before the last Business Day of the next succeeding month.

Debt Service Reserve Fund. The City shall establish and maintain a balance in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement. Each increase in the Debt Service Reserve Fund Requirement resulting from the issuance of Additional Revenue Bonds shall be funded at the time of issuance and delivery of the series of Additional Revenue Bonds by depositing to the credit of the Debt Service Reserve Fund either: (A) proceeds of the Additional Revenue Bonds and/or other lawfully appropriated funds in not less than the amount which will be sufficient to fund fully the Debt Service Reserve Fund Requirement; or (B) a Debt Service Reserve Fund Surety Bond sufficient to provide that portion of the Debt Service Reserve Fund Requirement. The City further expressly reserves the right to substitute at any time a Debt Service Reserve Fund Surety Bond for any funded amounts in the Debt Service Reserve Fund and to apply the funds thereby released, to the greatest extent permitted by law, to any of the purposes for which the related Revenue Bonds. The City shall not employ any Debt Service Reserve Fund Surety Bond unless: (i) the City officially finds that the purchase of the Debt Service Reserve Fund Surety Bond is cost effective; (ii) the Debt Service Reserve Fund Surety Bond does not impose upon the City a repayment obligation (in the event the Debt Service Reserve Fund Surety Bond is drawn upon) greater than can be funded in 18 monthly installments as provided below, payable out of Net Revenues on a parity with the monthly deposits that are otherwise required to be made to the Debt Service Reserve Fund; and (iii) that any interest due in connection with the repayment obligations does not exceed the highest lawful rate of interest which may be paid by the City at the time of delivery of the Debt Service Reserve Fund Surety Bond.

In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement for the Revenue Bonds or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of such month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement for the Revenue Bonds and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in such Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below such amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in such amounts as shall be required to restore the Debt Service Reserve Fund to this amount and to pay this reimbursement obligations within an 18 month period.

The City shall use the Debt Service Reserve Fund to pay the principal of and interest on the Revenue Bonds and the Credit Agreement Obligations at any time the amount available in the Debt Service Fund is insufficient for this purpose, and to make any payments required to satisfy repayment obligations to issuers of Debt Service Reserve Fund Surety Bonds. The City may use the Debt Service Reserve Fund to make the final payments for the retirement or defeasance of Revenue Bonds, related Credit Agreement Obligations and Administrative Expenses.

Funds and Accounts for Subordinate Obligations. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, the City shall transfer into the funds and accounts as the City may establish pursuant to an ordinance authorizing the issuance or incurrence of Subordinate Obligations, the amounts required pursuant to the ordinance authorizing the issuance or incurrence of Subordinate Obligations to provide for the payment, or to provide reserves for the payment, of the Subordinate Obligations.

Administrative Expense Fund. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the City shall transfer to the Administrative Expense Fund an amount equal to the Administrative Expenses expected to be paid to the Persons entitled to payment in the next succeeding month. Amounts on deposit in the Administrative Expense Fund shall be applied solely to the payment of Administrative Expenses.

General Obligation Airport Bonds. On or before the last Business Day of each month, so long as any General Obligation Airport Bond remains outstanding, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund and any other fund and account established by ordinances authorizing the issuance of Revenue Bonds and Subordinate Obligations, the City shall transfer from the Revenue Fund, to the extent amounts are available, the amounts necessary to provide for the payment, when due, of principal of and interest on General Obligation Airport Bonds.

Operation and Maintenance Reserve Fund. The City shall fund and maintain a balance of money and investments in the Operation and Maintenance Reserve Fund at least equal to two months current Operation and Maintenance Expenses, which amount shall annually be re-determined by the Aviation Director at the time the recommended budget for the Airport System is submitted to Council, based upon either the Aviation Director's recommended budget for Operation and Maintenance Expenses or the Aviation Director's estimate of actual Operation and Maintenance Expenses for the then current Fiscal Year. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as provided in the Ordinances, there shall be transferred from the Revenue Fund, to the extent amounts are available, to the Operation and Maintenance Reserve Fund an amount equal to 1/12th of the deficiency, if any, in the Operation and Maintenance Reserve Fund as of the last day of the previous Fiscal Year until the required balance in the Operation and Maintenance Reserve Fund is established or reestablished. Amounts from time to time credited to the Operation and Maintenance Reserve Fund may be used at any time: first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Revenue Fund; second, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency in any of these funds.

Renewal and Replacement Fund. The City has established the Renewal and Replacement Fund Requirement to be $5,000,000. On or before the last Business Day of each month, if the Renewal and Replacement Fund contains less than the Renewal and Replacement Fund Requirement, then after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as hereinabove provided, and to the Operation and Maintenance Reserve Fund, the City shall transfer from the Revenue Fund, to the extent funds are available, to the Renewal and Replacement Fund an amount equal to 1/12th of the deficiency (being the amount by which the Renewal and Replacement Fund Requirement exceeded the unappropriated balance therein) as of the last day of the previous Fiscal Year and, at the discretion of the City, to pay directly from the Revenue Fund any other costs that could be paid from amounts on deposit in the Renewal and Replacement Fund. The City is required to make these transfers into the Renewal and Replacement Fund until such time as the Renewal and Replacement Fund Requirement has again been accumulated in the Renewal and Replacement Fund. Amounts from time to time credited to the Renewal and Replacement Fund may be used at any time: first, to pay for any costs of replacing depreciable property and equipment of the Airport System and making repairs, replacements or renovations of the Airport System; second, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Revenue Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency.

Capital Fund. After the City makes all payments and transfers required by the Ordinances, at least annually it shall also transfer all amounts remaining in the Revenue Fund to the Capital Fund; provided, however, that no transfers shall be made to the Capital Fund unless the Debt Service Reserve Fund contains the Debt Service Reserve Fund Requirement and all Administrative Expenses have been paid. Amounts credited to the Capital Improvement Account may be used only for lawful purposes relating to the Airport System, including without limitation, to pay for any capital expenditures or to pay costs of replacing any depreciable property or equipment of the Airport System, to make any major or extraordinary repairs, replacements or renewals of the Airport System, to acquire land or any interest in such land, to pay costs necessary or incident to the closing or disposition of any facility of the Airport System and, at the City's discretion, to be designated as Other Available Funds to be transferred to the Revenue Fund.

Construction Fund. From the proceeds of each series of Revenue Bonds (other than any refunding bonds) there shall be deposited into the Capitalized Interest Account (if any) established in the Construction Fund for that series the amount of capitalized interest required by the ordinance authorizing issuance of the series of Revenue Bonds. The amounts may be applied to pay interest on the series of Revenue Bonds as provided in the authorizing ordinance.

From the proceeds of each series of Revenue Bonds (other than any refunding bonds) there shall be deposited into the applicable Project Account established in the Construction Fund the amounts as shall be provided in the ordinance authorizing the series of Revenue Bonds. The amounts may be applied to pay costs of establishing, improving, enlarging, extending, and repairing the Airport System or any project to become part of the Airport System, to reimburse advances made by the City for such costs, to pay costs of issuance of Revenue Bonds and to pay any other capital costs of the Airport System as provided in the ordinance authorizing the series of Revenue Bonds.

The Ordinances establish within the Construction Fund two accounts, the Series 2014 Project Account and the Capitalized Interest Account. Moneys in the Series 2014 Project Account shall be used to pay costs of constructing the improvements at the Airport consistent with the purpose for which the Bonds are issued. Moneys in the Capitalized Interest Account shall be held for the purpose of paying interest on the Bonds during the construction of the improvements and for one year after the improvements have been constructed, and shall be transferred from time to time to the Debt Service Fund in the manner provided in the Ordinances.

Mueller Airport Disposition Fund. The Robert Mueller Municipal Airport was closed for aviation purposes and the Mueller Airport Property was transferred out of the Airport System and is no longer part of the Airport System. In connection with the transfer of the Mueller Airport Property, the City deposited certain funds into the Mueller Disposition Fund. These funds, together with any other amounts deposited into the Mueller Disposition Fund, may be used for the payment or reimbursement of all costs and expenses incurred by the City necessary or incident to the closing of Robert Mueller Municipal Airport to aviation purposes and the disposition of the Mueller Airport Property. Any amounts remaining will be transferred to the City's aviation department.

Investment of Funds; Transfer of Investment Income. Money in all Funds and Accounts shall, at the option of the City, be invested in the manner provided by Texas law; provided, that all such deposits and investments shall be made in a manner that the money required to be expended from any Fund will be available at the proper time or times. Moneys in the Funds and Accounts may be subjected to further investment restrictions imposed from time to time by ordinances authorizing the issuance of Revenue Bonds and Subordinate Obligations. All such investments shall be valued no less frequently than once per Fiscal Year at market value, except that: (i) any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount, and (ii) any investments which are subject to a Qualified Put may continuously be valued at the amount at which they can be put or sold under the terms of such Qualified Put. For purposes of maximizing investment returns, money in the Funds may be invested, together with money in other Funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of the money or Funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which the money is invested and the share thereof purchased with such money or owned by such Fund are held by or on behalf of each such Fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

All interest and income derived from deposits and investments credited to any of the following funds and accounts shall be applied as follows, except as provided in the following paragraph.

Source of Interest or Income	Fund or Account to which such Interest or Income should be Credited
Revenue Fund	Remains in Revenue Fund
Administrative Fund	Revenue Fund
Debt Service Reserve Fund	Remains in fund until the Debt Service Reserve Fund Requirement is satisfied; thereafter to the Revenue Fund
Operation and Maintenance Reserve Fund	Remains in fund until fully funded; thereafter, to the Revenue Fund
Renewal and Replacement Fund	Remains in fund until Renewal and Replacement Fund Requirement is met; thereafter, to the Revenue Fund
Capital Fund - Capital Improvement Account	Remains in the fund or in the appropriate fund or account therein

Any interest and income derived from deposits and investments of any amounts credited to any Fund or Account may be: (i) transferred into any rebate account or subaccount; and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained in the Ordinances or required in order to prevent interest on any bonds payable from Net Revenues from being includable within the gross income of the Owners thereof for federal income tax purposes.

So long as any Revenue Bond remains Outstanding, all uninvested moneys on deposit in, or credited to, the Funds and Accounts established or confirmed in the Ordinances shall be secured by the pledge of security, as provided by Texas law.

Additional Bonds

Additional Revenue Bonds. The City reserves the right to issue, for any lawful Airport System purpose, one or more installments of Additional Revenue Bonds payable from and secured on a parity with the Outstanding Revenue Bonds; provided, however, that no series of Additional Revenue Bonds shall be issued unless:

(a) No Default. The City Manager and the Aviation Director certify that, upon the issuance of such Additional Revenue Bonds, the City will not be in default under any term or provision of any Revenue Bonds then Outstanding or any ordinance pursuant to which any Revenue Bonds were issued unless the default will be cured by the issuance of the Additional Revenue Bonds.

(b) Proper Fund Balances. The City's Chief Financial Officer or trustee, if one has been appointed, shall certify that, upon the issuance of Additional Revenue Bonds, the Debt Service Fund will have the required amounts on deposit and that the Debt Service Reserve Fund will contain the applicable Debt Service Reserve Fund Requirement or the amount as is required to be funded at that time.

(c) Projected Coverage for Additional Revenue Bonds. An Airport Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues, together with the estimated Other Available Funds, of the Airport System for each of three consecutive Fiscal Years beginning in the earlier of

(i) the first Fiscal Year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Additional Revenue Bonds, based upon a certified written estimated completion date by the consulting engineer for the facility or facilities, or

(ii) the first Fiscal Year in which the City will have scheduled payments of interest on or principal of the Additional Revenue Bonds to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of the Additional Revenue Bonds, investment income on such Additional Revenue Bonds or from other appropriated sources (other than Net Revenues),

are equal to at least 125% of the Debt Service Requirements on all Outstanding Revenue Bonds scheduled to occur during each such respective Fiscal Year after taking into consideration the additional Debt Service Requirements for the Additional Revenue Bonds to be issued.

(d) Alternate Coverage for Additional Revenue Bonds. In lieu of the certification described in (c) above, the City's Chief Financial Officer may provide a certificate showing that, for either the City's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, the Net Revenues, together with Other Available Funds, of the Airport System were equal to at least 125% of the maximum Debt Service Requirements on all Revenue Bonds scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Revenue Bonds proposed to be issued.

(e) Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the maximum annual Debt Service Requirements in any Fiscal Year after the issuance of the Additional Revenue Bonds will not exceed the maximum annual Debt Service Requirements in any Fiscal Year prior to the issuance of the Additional Revenue Bonds.

(f) Bond Ordinance Requirements. Provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds including, in the event that interest on the additional series of Revenue Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the Debt Service Fund of amounts fully sufficient to pay interest on such Additional Revenue Bonds during the period specified in the Revenue Bond Ordinance and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by the Ordinances or any other Revenue Bond Ordinance authorizing Additional Revenue Bonds.

(g) Special Provisions for Completion Bonds. The provisions of paragraphs (c) and (d) above shall not apply to the issuance of Completion Bonds in accordance with the provisions of the Ordinances.

Completion Bonds. The City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Project for which Revenue Bonds have previously been issued.

Prior to the issuance of any series of Completion Bonds the City must provide, in addition to all of the applicable certificates required above for the issuance of Additional Revenue Bonds, the following documents:

(a) a certificate of the consulting engineer engaged by the City to design the Project for which the Completion Bonds are to be issued stating that the Airport Project has not materially changed in scope since the issuance of the most recent series of Revenue Bonds for such purpose (except as permitted in the applicable ordinance authorizing the Revenue Bonds) and setting forth the aggregate cost of the Airport Project which, in the opinion of such consulting engineer, has been or will be incurred; and

(b) a certificate of the Aviation Director (i) stating that all amounts allocated to pay costs of the Airport Project from the proceeds of the most recent series of Revenue Bonds issued in connection with the Airport Project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of the Airport Project; (ii) containing a calculation of the amount by which the aggregate cost of that Airport Project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Airport Project paid to such date plus the moneys available at such date within any construction fund or other like account applicable to the Airport Project plus any other moneys which the Aviation Director, in his discretion, has determined are available to pay such costs in any other fund; and (iii) certifying that, in the opinion of the Aviation Director, the issuance of the Completion Bonds is necessary to provide funds for the completion of the Airport Project.

For purposes of this Section, the term "Airport Project" means the Airport or any other Airport System facility or project which shall be defined as an Airport Project in any ordinance authorizing the issuance of Additional Revenue Bonds for the purpose of financing the Airport Project. Any such ordinance may contain such further provisions as the City shall deem appropriate with regard to the use, completion, modification or abandonment of the Project.

Subordinate Obligations. The City reserves the right to issue or incur, for any lawful Airport System purpose, Subordinate Obligations and credit agreement obligations related to the Subordinate Obligations, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of the Revenue Bonds.

Special Facilities Bonds. The City reserves the right in the Ordinances to issue from time to time, in one or more series, Special Facilities Bonds to finance and refinance the cost of any Special Facilities, including all required reserves , all related costs of issuance and other reasonably related amounts , provided that such Special Facilities Bonds shall be payable solely from payments by lessees under Special Facilities Leases and/or other security not provided by the City. In no event shall Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. Unless expressly provided to the contrary in the Ordinances, no default with respect to a Special Facilities Bond shall constitute a default under the Ordinance.

Credit Agreements. To the fullest extent permitted by applicable law, the City expressly reserves the right to purchase and/or enter into Credit Agreements in connection with any series of Revenue Bonds and to pledge to and secure the payment of related Credit Agreement Obligations from Net Revenues and the various funds and accounts established or referred to in the Ordinances to the extent permitted by the Ordinances, and any of the City's other ordinances authorizing the issuance of Additional Revenue Bonds and to enter into credit agreements in connection with any series of Subordinate Obligations.

Particular Covenants

Annual Budget. So long as any Revenue Bond or Credit Agreement Obligation remains Outstanding, the Aviation Director shall, prior to the commencement of each Fiscal Year, prepare and delivery to the chief budget officer of the City, for submission to Council, a recommended annual budget for the Airport System for that Fiscal Year. The City shall adopt annual budgets for the Airport System for each Fiscal Year, containing an estimate of Gross Revenues and only those budgeted expenditures as will produce Net Revenues in an amount not less than the Debt Service and Administrative Expenses when due and make the required deposits to the Debt Service Reserve Fund. After the adoption of the annual Airport System budget by the City, the total expenditures for Operation and Maintenance Expenses will not exceed the total expenditures authorized for the purposes described in the budget, as the budget may from time to time be amended.

Rate Covenant. The City covenants that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the Net Revenues will be at least sufficient to equal the larger of either:

(i) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or

(ii) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for Revenue Bonds for such Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

If the Net Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for the Fiscal Year, must request an Airport Consultant to make any recommendations to revise the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the foregoing requirements. Copies of the request and the recommendations of the Airport Consultant shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the covenant set forth above, so long Debt Service is paid when due.

Sale or Encumbrance of Airport System. Except for the use of the Airport System or services pertaining to the Airport System in the normal course of business, the City covenants that neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Revenue Bonds, Credit Agreement Obligations and Administrative Expenses have been paid in full, or unless provision for payment has been made, and the City shall not dispose of its title to the Airport System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the Airport System, except for the execution of leases, licenses, easements, or other agreements in connection with the operation of the Airport System by the City, or in connection with any Special Facilities, except for any pledges of and liens on revenues derived from the operation and use of all or part of the Airport System, or any Special Facilities, for the payment of Revenue Bonds, Credit Agreement Obligations, Administrative Expenses, Special Facilities Bonds and any other obligations pertaining to the Airport System, and except as otherwise provided in the next two paragraphs.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any property constituting a part of the Airport System which the Aviation Director certifies: (i) to be no longer useful in the construction or operation of the Airport System; (ii) to be no longer necessary for the efficient operation of the Airport System; or (iii) to have been replaced by other property of at least equal value. The net proceeds of the sale or disposition of any Airport System property (or the fair market value of any property so excluded) pursuant to this paragraph shall be used for the purpose of replacing properties at the Airport System, shall be paid into the Capital Fund - Capital Improvement Account or shall be applied to retire or pay principal of or interest on Revenue Bonds.

Nothing in the Ordinances prevents any transfer of all or a substantial part of the Airport System to another body corporate and politic (including, but not necessarily limited to, a joint action agency or an airport authority) which assumes the City's obligations under the Ordinances and in any ordinance authorizing the issuance of Revenue Bonds, in whole or in part, if: (i) in the written opinion of the Airport Consultant, the ability to meet the rate covenant and other covenants under the Ordinances and in any ordinance authorizing the issuance of Revenue Bonds, are not materially and adversely affected; and (ii) in the written opinion of nationally recognized bond counsel, the transfer and assumption will not cause the interest on any Revenue Bonds that were issued as "tax-exempt bonds" within the meaning of the regulations promulgated under the Code to be includable in gross income of the Owners of the Revenue Bonds for federal income tax purposes. Following the transfer and assumption, all references to the City, City officials, City ordinances, City budgetary procedures and any other officials, actions, powers or characteristics of the City shall be deemed references to the transferee entity and comparable officials, actions, powers or characteristics of the entity. In the event of any transfer and assumption, nothing in the Ordinances shall prevent the retention by the City of any facility of the Airport System if, in the written opinion of the Airport Consultant, the retention will not materially and adversely affect nor unreasonably restrict the transferee entity's ability to comply with the requirements of the rate covenant and the other covenants of the Ordinances and in any Revenue Bond Ordinance.

Insurance. The City covenants and agrees that it will keep the Airport System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that the insurance is available; provided, however, that if any insurance is not commercially available or not available on more favorable economic terms, the City may elect to be self-insured in whole or in part against the risk or loss that would otherwise be covered by insurance, in which case the City will establish reserves for such risk or loss in amounts the City determines to be appropriate. All net proceeds of property or casualty insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the Airport System or to redeem Revenue Bonds. Proceeds of business interruption insurance may be credited to the Revenue Fund.

Accounts, Records, and Audits. The City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Gross Revenues and the operation of the Airport System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Airport System. After the close of each Fiscal Year, the City shall cause an audit report of the records and accounts described in the preceding sentence to be prepared by an independent certified public accountant or independent firm of certified public accountants, which may be part of an overall audit report of the City and/or other of its enterprise funds. All expenses of obtaining such reports shall constitute Operation and Maintenance Expenses of the Airport System.

Bondholders' Remedies. The Ordinances are a contract between the City and the Owners of the Revenue Bonds and the holders of related Credit Agreement Obligations from time to time outstanding and the Ordinances shall be and remain irrepealable until the Revenue Bonds, the related Credit Agreement Obligations and Administrative Expenses shall be fully paid or discharged or provision for their payment shall have been made as provided in the Ordinances. In the event of a default in the payment of Debt Service on any of the Revenue Bonds or Credit Agreement Obligations or a default in the performance of any duty or covenant provided by law or in the Ordinances, the Owner or Owners of any of the Revenue Bonds, and the holders of any Credit Agreement Obligations and the Persons to whom Administrative Expenses are owed may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Revenue Bonds or holder of Credit Agreement Obligations or Person to whom Administrative Expenses are owed, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Ordinances, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds herein provided, and the application of such Gross Revenues in the manner required in the Ordinances.

Notwithstanding the provisions of the foregoing paragraph: (i) acceleration as a remedy is expressly denied; (ii) no grace period for a default in the performance of any duty or covenant shall exceed 30 days, nor shall any grace period be extended for more than 60 days without the written consent of the Bond Insurer (to the extent consent is required); and (iii) no grace period is permitted with respect to a default in the payment of Debt Service or the payment of Administrative Expenses when due. For purposes of exercising the rights of Owners upon the occurrence of an event of default described in the immediately preceding paragraph, the Bond Insurer shall be deemed to be the sole holder of the Series 2005 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant to the Ordinances.

Legal Holidays. If any date on which a payment of Debt Service is due is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of scheduled payment of Debt Service.

Discharge By Deposit

The City may discharge its obligation to the Owners of any or all of the Bonds to pay Debt Service, or any portion by depositing with the Paying Agent/Registrar cash in an amount equal to the Debt Service of the Bonds to the date of maturity or redemption, or any portion of the Bonds to be discharged, or by depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of $100,000,000, pursuant to an escrow or trust agreement, cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, the Bonds, or any portion thereof, shall no longer be regarded to be Outstanding or unpaid. In case any Bonds are to be redeemed on any date prior to their maturity, the City shall give to the Paying Agent/Registrar irrevocable instructions to give notice of redemption of Bonds to be so redeemed in the manner required in the Ordinances. Any determination not to redeem Bonds that is made in conjunction with the payment arrangements described above shall not be irrevocable, provided that: (1) in the proceedings providing for the payment arrangements, the City expressly reserves the right to call the Bonds for redemption; (2) the City gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the payment arrangements; and (3) the City directs that notice of the reservation be included in any redemption notices that it authorizes.

Prior to the defeasance of the Bonds: (i) a report of an independent firm of nationally recognized certified public accountants (Accountant) verifying the sufficiency of the escrow established to pay the Bonds in full on the respective maturity or redemption date (Verification) will be obtained by the City; (ii) an escrow agreement will be executed and delivered by the City; and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under this Ordinances will be obtained by the City. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City.

Amendments

Alteration of Rights and Duties. The rights, duties, and obligations of the City and the Owners of the Bonds and the holders of Credit Agreement Obligations related to the Bonds, and Persons to whom Administrative Expenses are owed, are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

Amendment of the Ordinances Without Consent. The City may, without the consent of or notice to any of the Owners of the Bonds, amend the Ordinances for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in the Ordinances or in the ordinances authorizing the issuance of Revenue Bonds; or to comply with any applicable provision of law or regulation of Federal agencies, or to obtain the approving opinion of the Attorney General of Texas as required by law; provided, however, that such action shall not adversely affect the interests of the Owners of the Revenue Bonds;

(b) to change the terms or provisions of the Ordinances to the extent necessary to prevent the interest on the Revenue Bonds from being includable within the gross income of the Owners thereof for federal income tax purposes;

(c) to grant to or confer upon the Owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Revenue Bonds;

(d) to add to the covenants and agreements of the City contained in the Ordinances other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in the Ordinances;

(e) to amend any provisions of the Ordinances relating to the issuance of Revenue Bonds and Subordinate Obligations, or the incurrence of and security for reimbursement obligations in connection therewith, so long as to do so does not cause any reduction in any rating assigned to the Outstanding Revenue Bonds by any major municipal securities evaluation service then rating any Series of the Revenue Bonds;

(f) to subject to the lien and pledge of the Ordinances additional Net Revenues which may include revenues, properties or other collateral; and

(g) to amend the undertaking relating to continuing disclosure of information in Article Twelve of the Ordinances to the extent permitted in Article Twelve.

Amendments of the Ordinances Requiring Consent. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of the Ordinances but, if the amendment is not of the character described above, only with the consent of the Owner or Owners given in accordance with the Ordinances of not less than 66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that nothing in this paragraph shall permit (a) an extension of the maturity of the principal of or interest on any Revenue Bond issued hereunder, or (b) a reduction in the principal amount of any Revenue Bond or the rate of interest on any Revenue Bond, or (c) a privilege or priority of any Revenue Bond or Revenue Bonds over any other Revenue Bond or Revenue Bonds, or (d) a reduction in the percentage of aggregate principal amount of the Revenue Bonds required for consent to such amendment. See "- Consent to Certain Amendments Given Through Ownership of Bonds", below.

Consent of Owners. Any consent required by the preceding paragraph hereof by any Owner shall be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by the Owner or its duly authorized attorney. Proof of the execution of any consent or of the writing appointing any such attorney and of the ownership of Revenue Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Ordinances, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under such instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged its execution before him or her, or by affidavit of any witness to the execution.

(b) The fact of the ownership by any person of any Revenue Bond and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that on that date the Revenue Bond was registered in the name of that party in the Register.

In lieu of the foregoing the City may accept such other proofs of the foregoing as it shall deem appropriate.

Consents required pursuant to the subsection titled "Amendments of the Ordinances Requiring Consent" shall be valid only if given following the giving of notice by or on behalf of the City requesting the consent and setting forth the substance of the amendment of the Ordinances in respect of which such consent is sought and stating that copies thereof are available at the office of the City Clerk for inspection. Such notice shall be given by certified mail to each Registered Owner of the Revenue Bonds affected at the address shown on the Register.

Revocation of Consent. Any consent by any Owner of a Revenue Bond shall be irrevocable for a period of 18 months from the date of mailing of the notice provided for in the Ordinances, and shall be conclusive and binding upon all future Owners of the same Revenue Bond and any Revenue Bond delivered on transfer thereof or in exchange for or replacement of the Revenue Bond during this period. The consent may be revoked at any time after 18 months from the date of the first mailing of the notice by the Owner who gave the consent or by a successor in title, by filing notice with the Paying Agent/Registrar, but the revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Revenue Bonds Outstanding as in the Ordinances defined have, prior to the attempted revocation, consented to and approved the amendment.

Consent to Certain Amendments Given Through Ownership of Bonds. By acceptance of the Bonds, each Owner of a Bond: (i) irrevocably and specifically consents to and approves the amendments described in (1) and (2) below; (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact for the limited purpose of executing the written instrument required by Section 9.04 of the Ordinance to evidence the Owner's specific consent to and approval of the amendments described in (1) and (2) below; and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner, it being specifically provided that the Aviation Director need not consult with, or provide notice to, an Owner in connection with the actions taken by the Aviation Director under this Section. The power of attorney granted to the Aviation Director shall be limited to effecting the below amendments and is irrevocable for so long as any Bond remains Outstanding.

The amendments are:

(1) Amend Section 6.01(e) of this Ordinancse and the Revenue Bond Ordinances to read:

"Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Prior Lien Bonds or Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the aggregate Debt Service Requirements after the issuance of the Additional Revenue Bonds do not exceed the aggregate Debt Service Requirements prior to the issuance of the Additional Revenue Bonds; provided, that the annual debt service on the refunding bonds in any Fiscal Year will not be more than 10% higher than it is in any other Fiscal Year."

(2) Amend Section 9.03 of this Ordinances and the Revenue Bond Ordinances by changing the phrase "66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding" to "a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding".

The amendment described in clause (1) will become effective once the City determines that the consent of 66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received, and the amendment described in clause (2) will become effective once the City determines that the consent of 100% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding is received. Since the Series 2005 Bonds are insured, the consent of the Insurer will be required to be obtained. Since there are no Prior Lien Bonds (as defined in the Series 2005 Bond Ordinance) now Outstanding, the reference to Prior Lien Bonds in clause (1) above is of no force and effect.

Use of Passenger Facility Charges

Consistent with the definitions of Debt Service Requirements and Gross Revenues, the City acknowledges and agrees that debt service with respect to the Revenue Bonds paid or to be paid from passenger facility charges is not included in the calculation of Debt Service Requirements. The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) $4.50 derived from each passenger facility charge ("PFC") so imposed and collected by the City for the payment of PFC-eligible debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the passenger facility charges will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%.

APPENDIX D

FORM OF BOND COUNSEL'S OPINIONS

TO: Mayor and Council

FROM: Jim Smith, Aviation Executive Director

DATE: December 12, 2016

SUBJECT: Airport Bond Sale Items on 12/15 City Council Agenda

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The December 15th City Council agenda contains two council action items for the Austin Airport System revenue bond sale:

- **Item 15 Airport System Revenue Bonds, Series 2017B AMT.** $160,000,000 in airport system revenue bonds Series 2017B subject to the alternative minimum tax (AMT) for expansion and improvements to the airport terminal and apron.
- **Item 18 Airport System Revenue Bonds, Series 2017A Non-AMT.** $230,000,000 in airport system revenue bonds Series 2017A not subject to AMT for construction of a new, six-level parking garage with approximately 6,000 spaces.

The approval of this 2017 airport bond sale is one of the last of a series of steps the City Council has taken to support previous approvals, contract awards, reimbursement resolutions and prior 2014 bond sale to meet the rapidly growing demands for additional air service by the citizens of Austin. The Austin airport has had 9% compound growth rate in passengers over the past 3 years, one of the highest airport growth rates in the nation. Previous City Council actions to support the airport growth are summarized below:

February 13, 2014: Approval to use construction manager-at-risk (CMR) alternate delivery method for the design and construction of the terminal and apron expansion.

August 7, 2014: Approval to negotiate and execute architectural service agreement for preliminary architectural definition of the terminal and apron expansion.

October 23, 2014: Approval to negotiate and execute CMR contract for pre-construction services for the terminal and apron expansion.

October 15, 2015: 1) Approval to negotiate and execute an amendment to the architectural service agreement to complete the architectural design of the terminal and apron expansion.

2) Approval to negotiate and execute an amendment to the CMR contract to establish the guaranteed maximum price (GMP).

City Council also previously approved the initial bond issue providing funding for the terminal and apron expansion design and construction and the design of the parking garage on November 20, 2014.

Reimbursement resolutions related to the terminal and apron expansion and the new garage were also previously approved by the City Council supporting capital appropriations already approved by the City Council.

The bonds are backed by a pledge of Airport Revenue. As a reminder, the Airport is entirely self-sustaining, generating its own revenue to cover its operating costs, and does not receive any funds from City tax revenue.

The Airport has scheduled bond credit rating review meetings with Moody's Investors Service on December 12, 2016 and with Standard & Poor's on December 13, 2016. The most recent airport bond rating from Moody's is "A1" and from S&P is "A".

The Airport financing plan includes "AMT" (Alternative Minimum Tax) bonds and "Non-AMT" bond issuances for ABIA. Item (15) for the 2017B series bonds are AMT bonds planned to finance the terminal and apron expansion and improvements. Item (18) for the 2017A series are Non-AMT bonds planned to finance the construction of the parking garage at the Airport.

The bonds funding the airport terminal and apron expansion are considered private activity bonds. The interest earned on private activity bonds is subject to the AMT provisions of the Internal Revenue Code. The bonds financing the parking garage are considered governmental bonds for federal income tax purposes. Interest earned on governmental bonds is non-taxable and not subject to the AMT provisions.

The effect of AMT versus Non-AMT to the City of Austin is that Non-AMT bonds generally bear interest at a lower rate than AMT bonds.

Both of these bond sale items are "parameter" bond sales, that is, the bond sales will take place subsequent to the date Council authorizes the transaction in accordance with parameters specified in the bond ordinance. This method provides the City the flexibility to quickly respond to changing market conditions, by delegating authority to the City Manager or Chief Financial Officer ("the Pricing Officer") to complete the sales at a time when market conditions are most favorable to the City. The City's Financial Advisor, Public Financial Management, and the underwriting teams expect to go to market in January 2017 for these transactions. Approval of these items on the December 15th agenda is necessary to achieve this bond sale timeline.

Please feel free to contact me at (512) 530-7518 if you have any questions.

Jim Smith
Aviation Executive Director

xc: Elaine Hart, Interim City Manager
Sue Edwards, Assistant City Manager
Greg Canally, Interim Chief Financial Officer
Ed Van Eenoo, Deputy Chief Financial Officer
Art Alfaro, Treasurer
Georgia Sanchez, Deputy Treasurer
Dennis Waley, Public Financial Management