

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 2, 2014

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

(See "OTHER RELEVANT INFORMATION – Ratings")

NEW ISSUES – Book-Entry-Only

Interest on the Taxable Obligations (defined below) is **not** excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS FOR THE TAXABLE OBLIGATIONS".

\$10,000,000*
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Public Improvement Bonds, Taxable Series 2014

\$9,600,000*
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Certificates of Obligation, Taxable Series 2014

Dated Date: September 1, 2014

Due: As shown on the inside cover page

Interest on the City of Austin, Texas \$10,000,000* Public Improvement Bonds, Taxable Series 2014 (the "Taxable Bonds"), the City of Austin \$9,600,000* Certificates of Obligation, Taxable Series 2014 (the "Taxable Certificates") will accrue from the dated date shown above and will be payable March 1, 2015, and each September 1 and March 1 thereafter until maturity or redemption prior to maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Taxable Bonds and Taxable Certificates are collectively referred to as the "Taxable Obligations". The Taxable Bonds and the Taxable Certificates are being offered separately by the City, and delivery of each issue is not contingent upon the delivery of the other issue. The City of Austin, Texas (the "City") intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on 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 of the Taxable Obligations (see "TAXABLE OBLIGATION INFORMATION – Book-Entry-Only System").

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

Proceeds from the sale of the Taxable Bonds will be used to finance various capital improvements, and to pay certain costs of issuance of the Taxable Bonds. Proceeds from the sale of the Taxable Certificates will be used to finance various capital improvements and to pay certain costs of issuance of the Taxable Certificates. See "TAXABLE OBLIGATION INFORMATION – Authority for Issuance".

MATURITY SCHEDULE

See "MATURITY SCHEDULE" on next page

The Taxable Obligations are subject to redemption prior to their stated maturities as described in "TAXABLE OBLIGATION INFORMATION – Optional Redemption of the Taxable Obligations".

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

It is expected that the Taxable Obligations will be delivered through the facilities of DTC on or about October 2, 2014.

Ramirez & Company
Coastal Securities, Inc.

RBC Capital Markets

Siebert, Brandford, Shank & Co.
SAMCO Capital Markets, Inc.

*Preliminary; subject to change.

\$10,000,000*
CITY OF AUSTIN, TEXAS
Public Improvement Bonds, Taxable Series 2014

MATURITY SCHEDULE

Base CUSIP No. 052396 (1)

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix</u>
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(Interest to accrue from the Dated Date)

\$9,600,000*
CITY OF AUSTIN, TEXAS
Certificates of Obligation, Taxable Series 2014

MATURITY SCHEDULE

Base CUSIP No. 052396 (1)

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> <u>Suffix</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> <u>Suffix</u>
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(Interest to accrue from the Dated Date)

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

The City sold its Public Improvement Bonds, Series 2014 in the aggregate principal amount of \$_____, Certificates of Obligation, Series 2014 in the aggregate principal amount of \$_____, and Public Property Finance Contractual Obligations, Series 2014 in the aggregate principal amount of \$_____ (collectively, the “Tax-Exempt Obligations”) on August 28, 2014, which are expected to be delivered on October 2, 2014.

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor, or the Underwriters take any responsibility for the accuracy of such numbers.

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

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

No dealer, broker, salesman or other person has been authorized by the City or by the purchasers in the initial offering of all or any of the Taxable Obligations (collectively the “Underwriters”) 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 Taxable Obligations, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is submitted in connection with the sale of securities referred to in this 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 TAXABLE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE ORDINANCES BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS.

The information set forth 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 of this Official Statement. CUSIP numbers have been assigned to each series of Taxable Obligations by CUSIP Global Services for the convenience of the owners of the Taxable Obligations.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references are qualified in their entirety by reference to this 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.

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

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CITY OF AUSTIN

Elected Officials (1)

Lee Leffingwell	Mayor
Chris Riley	Councilmember Place 1
Mike Martinez	Councilmember Place 2
Kathryne B. Tovo	Councilmember Place 3
Laura Morrison	Councilmember Place 4
William Spelman	Councilmember Place 5
Sheryl Cole, Mayor Pro Tem	Councilmember Place 6

(1) As a result of an amendment to the Austin City Charter approved at an election held November 2012, all current terms of the City Council will expire in November 2014. In November 2014, the configuration of the City Council will change to an eleven member council, with the Mayor to be elected at large and the remainder of the council to be elected from ten single member districts. See APPENDIX A – “GENERAL INFORMATION REGARDING THE CITY – General Information”.

Appointed Officials

Marc A. Ott.....	City Manager
Mike McDonald	Deputy City Manager
Robert Goode	Assistant City Manager
Sue Edwards	Assistant City Manager
Bert Lumbreras	Assistant City Manager
Anthony Snipes.....	Assistant City Manager
Rey Arellano	Assistant City Manager
Elaine Hart, CPA	Chief Financial Officer
Greg Canally	Deputy Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Karen Kennard	City Attorney
Jannette S. Goodall.....	City Clerk

BOND COUNSEL

Andrews Kurth LLP
Austin, Texas

DISCLOSURE COUNSEL TO THE CITY

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

FINANCIAL ADVISOR

Public Financial Management, Inc.
Austin, Texas

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Austin, Texas

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	<p>The City of Austin, Texas (the “City”), is a political subdivision located in Travis, Williamson and Hays Counties, operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1953, as amended. The City operates under the Council/Manager form of government where the mayor and six councilmembers are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.</p> <p>As a result of an amendment to the Austin City Charter approved at an election held November 2012, all current terms of the City Council will expire in November 2014. In November 2014, the configuration of the City Council will change to an eleven member council, with the Mayor to be elected at large and the remainder of the council to be elected from ten single member districts. See APPENDIX A – “GENERAL INFORMATION REGARDING THE CITY – General Information”.</p> <p>For further information about the City see APPENDIX A – “GENERAL INFORMATION REGARDING THE CITY”.</p>
The Taxable Bonds	<p>The Taxable Bonds are being issued in the principal amount of \$10,000,000* pursuant to the general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, elections held by the City (see “DEBT INFORMATION – Authorized General Obligation Bonds”), and an ordinance passed by the City Council of the City (see “TAXABLE OBLIGATION INFORMATION – Authority for Issuance”).</p>
The Taxable Certificates ...	<p>The Taxable Certificates are being issued in the principal amount of \$9,600,000* pursuant to the general laws of the State of Texas, particularly Subchapter C, Chapter 271, Texas Local Government Code and an ordinance passed by the City Council of the City (see “TAXABLE OBLIGATION INFORMATION – Authority for Issuance”).</p>
Security	<p>Each series of the Taxable Obligations constitutes a direct obligation of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City in an amount sufficient to provide for payment of principal of and interest on all ad valorem tax debt. The Taxable Certificates are additionally secured by and payable from a limited pledge of the surplus revenues (not to exceed \$1,000) of the City’s solid waste disposal system (see “TAXABLE OBLIGATION INFORMATION - Security”).</p>
Redemption of Taxable Obligations	<p>The City reserves the right, at its option, to redeem the Taxable Obligations having stated maturities on and after September 1, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see “TAXABLE OBLIGATION INFORMATION – Optional Redemption of the Taxable Obligations”).</p>
Tax Matters	<p>Interest on the Taxable Obligations is not excludable from gross income. See “TAX MATTERS FOR THE TAXABLE OBLIGATIONS”.</p>

*Preliminary; subject to change.

**Concurrent Issuance
of General Obligation
Debt**

The City sold its Public Improvement Bonds, Series 2014 in the aggregate principal amount of \$_____, Certificates of Obligation, Series 2014 in the aggregate principal amount of \$_____, and Public Property Finance Contractual Obligations, Series 2014 in the aggregate principal amount of \$_____ (collectively, the “Tax-Exempt Obligations”) on August 28, 2014, which are expected to be delivered on October 2, 2014.

Payment Record.....

The City has not defaulted since 1900 when all bonds were refunded at par with a voluntary reduction in interest rates.

Selected Financial Information

Fiscal Year Ended	Estimated City Population (1)	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Tax Collections
2006	714,237	\$52,349,642,297	\$ 73,295	\$943,312	\$1,320.73	1.80%	99.85%
2007	732,381	60,512,328,889	82,624	869,974	1,187.87	1.44%	99.83%
2008	746,105	68,736,790,926	92,128	907,667	1,216.54	1.32%	99.70%
2009	770,296	76,752,007,737	99,640	1,065,565	1,383.32	1.39%	99.57%
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.89	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,629	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	853,020	88,548,568,973	103,806	1,113,392	1,305.24	1.26%	99.78% (3)
2015	872,481	98,732,872,327(4)	113,163	1,156,948(5)	1,326.04(5)	1.17%(5)	N/A

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

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

(3) Estimated Collections as of June 30, 2014 based on the July 2013 Certified Tax Roll tax levy.

(4) Certified taxable value for the 2014 tax year.

(5) Includes the Obligations.

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OFFICIAL STATEMENT

Relating to

\$10,000,000*

CITY OF AUSTIN, TEXAS

Public Improvement Bonds, Taxable Series 2014

\$9,600,000*

CITY OF AUSTIN, TEXAS

Certificates of Obligation, Taxable Series 2014

INTRODUCTION

This Official Statement, which includes the cover page, the summary statement and the appendices, provides certain information regarding the issuance by the City of Austin, Texas (the “City”) of its \$10,000,000* Public Improvement Bonds, Taxable Series 2014 (the “Taxable Bonds”) and its \$9,600,000* Certificates of Obligation, Taxable Series 2014 (the “Taxable Certificates”). The Taxable Bonds and Taxable Certificates are collectively referred to as the “Taxable Obligations”. The Taxable Bonds and the Taxable Certificates are being offered separately by the City, and delivery of each issue is not contingent upon the delivery of the other issue. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Taxable Bonds (the “Taxable Bond Ordinance”) and the ordinance authorizing the issuance of the Taxable Certificates (the “Taxable Certificate Ordinance”) except as otherwise indicated. The Taxable Bond Ordinance and the Taxable Certificate Ordinance are collectively referred to as the “Taxable Ordinances”.

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

TAXABLE OBLIGATION INFORMATION

Authority for Issuance

The capital improvements to be financed with the proceeds of the Taxable Bonds were authorized at elections held on various dates, and passed by a majority of the participating voters in the City (see “DEBT INFORMATION – Authorized General Obligation Bonds”). The City is authorized to issue the Taxable Bonds by voter authorization pursuant to Chapter 1331, Texas Government Code, and by the Taxable Bond Ordinance, the adoption of which is pursuant to the City Charter adopted by voters on January 31, 1953, as amended. Proceeds from the sale of the Taxable Bonds will be used to finance various capital improvements and to pay costs of issuance of the Taxable Bonds.

The Taxable Certificates are being issued pursuant to the general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the “Certificate of Obligation Act”), and the Taxable Certificate Ordinance passed by the City Council. Proceeds from the sale of the Taxable Certificates will be used to finance various capital improvements and to pay costs of issuance of the Taxable Certificates.

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*Preliminary; subject to change.

General

Each series of Taxable Obligations is dated as of September 1, 2014 (the “Dated Date”) and shall bear interest on the unpaid principal amounts from such date, at the per annum rates shown on the inside cover page for each series of Taxable Obligations. Interest on the Taxable Obligations will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Taxable Obligations will be payable on March 1, 2015, and on each September 1 and March 1 thereafter until maturity or prior redemption. Principal is payable, upon presentation, at the Designated Payment/Transfer Office of the Paying Agent/Registrar (see “Paying Agent/Registrar”). Interest is payable by the Paying Agent/Registrar to the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below) and shall be paid by the Paying Agent/Registrar by check mailed by United States mail, first class postage prepaid, to the address of such person as it appears on the registration books of the Paying Agent/Registrar on or before each interest payment date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the bondholder. The Taxable Obligations are issued only as fully registered obligations in denominations of \$5,000 or any integral multiple thereof within a maturity and a series.

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

The record date for the interest payable on any interest payment date is the 15th day of the month next preceding such interest payment date, as specified in the Taxable Ordinances. In the event of a nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (the “Special Record Date”) will be established by the Paying Agent/Registrar, in accordance with the provisions of the Taxable Ordinances, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest, which shall be at least 15 days after the Special Record Date, shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of Taxable Obligations appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Security

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

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter, referred to as the “Charter”, which also limits the City’s ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. See “TAX INFORMATION – Tax Rate Limitation”.

Remedies

If the City defaults in the payment of principal, interest, or redemption price on either series of the Taxable Obligations when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in either of the Taxable Ordinances, the registered owners may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Taxable Obligations if there is no other available remedy at law to compel performance of the Taxable Obligations or the Taxable Ordinance authorizing the issuance of such Taxable Obligations, and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Taxable Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Taxable Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of either series of the Taxable Obligations upon any failure of the City to perform in accordance with the terms of the Taxable Ordinances, or upon any other condition and accordingly

all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Taxable Obligations may not be able to bring such a suit against the City for breach of the Taxable Obligations or covenants contained in the Taxable Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property.

The City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9 and such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Taxable Obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Taxable Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

Defeasance of Taxable Obligations

Each of the Taxable Ordinances provides for the defeasance of each of the Taxable Obligations when the payment of such series of the principal of the Taxable Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Taxable Obligations. Each of the Taxable Ordinances provides that “Defeasance Securities” means any securities now or hereafter permitted by law, including (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. There is no assurance that the ratings for any Defeasance Security will be maintained by any particular rating category.

Book-Entry-Only System

The City has elected to utilize the book-entry-only system of The Depository Trust Company, New York, New York (“DTC”), as described under this heading. The City is obligated to timely pay the Paying Agent/Registrar the amount due under the Taxable Ordinances. See “- Paying Agent/Registrar”. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Taxable Obligations 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 City believes this information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Taxable Obligations, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Taxable Obligations), or redemption or other notices, to the beneficial owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on

file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Taxable Obligations. The Taxable Obligations will be issued as fully-registered Taxable Obligations registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Taxable Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Taxable Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Taxable Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Taxable Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Taxable Obligations, except in the event that use of the book-entry system for the Taxable Obligations is discontinued.

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

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

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

All payments on the Taxable Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Taxable Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

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

Paying Agent/Registrar

The initial Paying Agent/Registrar for each series of Taxable Obligations is Wilmington Trust, N.A., Dallas, Texas. Interest on and principal of the Taxable Obligations will be payable, and transfer functions will be performed at the corporate trust office designated to the City by the Paying Agent/Registrar (the "Designated Payment/Transfer Office"). In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Taxable Obligations 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 Taxable Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Taxable Obligations by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Taxable Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. An Obligation may be assigned by the execution of an assignment form thereon or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation will be delivered by the Paying Agent/Registrar, in lieu of the Taxable Obligations being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee. New Taxable Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount and series as the Taxable Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Taxable Obligations.

Limitation on Transfer of Taxable Obligations Called for Redemption

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

Optional Redemption of the Taxable Obligations

The City reserves the right, at its option, to redeem the Taxable Obligations having stated maturities on and after September 1, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2024, 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 Taxable Obligations 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 Taxable Obligations are in book-entry-only form) shall determine by lot or other customary random selection method the Taxable Obligations, or portions thereof, within such maturity and series to be redeemed.

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 Taxable Obligation 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 Taxable Ordinances governing their issuance. If a Bond or a Certificate (or a portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond or Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Bond or Certificate shall cease to accrue from and after the redemption date of the Bond or Certificate, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

TAX INFORMATION

Ad Valorem Tax Law

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City may create one or more tax increment financing districts (“TIF”) within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the “frozen values” to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the “frozen” value are not available for general city use but are restricted to paying or financing “project costs” within the TIF. The City may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has adopted criteria for granting tax abatements which establish guidelines regarding the number of jobs to be created and the amount of new value to be added by the taxpayer in return for the abatement. The City has entered into several such abatement agreements in recent years.

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

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Tax Valuation

January 1, 2014 Appraised Valuation (1)		\$116,470,243,654
Less Local Exemptions to Assessed Values: (2)		
Residential Homestead over 65	\$ 2,240,780,366	
Homestead 10% Increase Cap	2,476,806,773	
Disabled Veterans	217,051,106	
Agricultural and Historical Exemptions	640,791,855	
Disability Exemption	159,611,390	
Other Exemptions	10,973,855,987	
Freeport Exemption	<u>1,028,473,849</u>	<u>17,737,371,327</u>
January 1, 2014 Net Taxable Assessed Valuation (1)		<u>\$ 98,732,872,327</u>

- (1) 2014 Certified Appraised Value includes \$4,588,390,963 in property in the appeals process.
- (2) Exemptions or adjustments to assessed valuation granted in 2014 include (a) exemptions of \$70,000 for homestead property of property owners who are over 65 years of age or disabled; (b) exemptions for residence homestead property exceeding a 10 percent increase in valuation from the previous year; (c) exemptions for property of disabled veterans or certain surviving dependents of disabled veterans; (d) certain adjustments to productive agricultural lands; (e) exemptions to the land designated as historically significant sites by certain public bodies; (f) exemption of freeport property detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication of exported finished goods from Texas.

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Statement of Debt (As of September 30, 2014)

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

Public Improvement Bonds (1)	\$963,730,000	
Certificates of Obligation (1)	159,860,000	
Contractual Obligations (1)	110,395,000	
Mueller Contract Revenue Obligations	37,395,000	
The Obligations (2)	160,870,000	
The Taxable Obligations (2)	19,600,000	
Assumed MUD Bonds (3)	<u>9,194,994</u>	
Total		\$1,461,044,994
Less Self-Supporting Debt:		
Assumed MUDs	\$ 9,194,994	
Mueller Contract Revenue Obligations	37,395,000	
Airport (4)	131,369	
Austin Energy (4)	676,160	
City Hall (4)	13,325,896	
Code Compliance (4)	859,147	
Convention Center (4)	17,864,441	
Financial Services (4)	19,098,127	
Fleet Management (4)	3,034,876	
Golf (4)	1,090,068	
One Texas Center (4)	4,429,953	
PARC - Zilker Park (4)	450,076	
Solid Waste (2) (4)	65,390,649	
Transportation (2) (4)	24,315,477	
Waller Creek (2) (4)	93,924,119	
Water and Wastewater (2) (4)	12,774,519	
Watershed Protection (2) (4)	<u>20,710,161</u>	
Total Self-Supporting		\$ 324,665,032
Interest and Sinking Fund (5)		15,323,212
Self-Supporting General Fund Payments (6)		<u>7,664,467</u>
Net Debt (6)		<u>\$1,113,392,283</u>
Ratio Total Debt to 2014 Net Taxable Assessed Valuation		1.65%
Ratio Net Debt to 2014 Net Taxable Assessed Valuation		1.26%

2014 Population (Estimate) – 853,020 (7)
Per Capita Net Taxable Assessed Valuation – \$103,805.97
Per Capita Net Debt Outstanding – \$1,305.24

- (1) Excludes the Obligations and Taxable Obligations.
- (2) The Obligations will be sold on August 28, 2014, and are expected to be delivered on October 2, 2014. The Taxable Obligations will be sold on September 9, 2014, and are expected to be delivered on October 2, 2014. Preliminary; subject to change. See also “DEBT INFORMATION - Concurrent Issuance of General Obligation Debt”.
- (3) Represents bonds of the Northwest Austin MUD#1 annexed by the City.
- (4) Airport, Austin Energy, Austin Water, Code Compliance, City Hall, Convention Center, Financial Services, Fleet Management, Golf, One Texas Center, , PARC, Solid Waste, Transportation, Waller Creek, and Watershed Protection represent a portion of the City's Outstanding Public Improvement Bonds, Certificates of Obligation and/or Contractual Obligations. Debt service for Airport, Austin Energy, Austin Water, Convention Center, Code Compliance, Financial Services, Golf, One Texas Center, Solid Waste, Transportation, and Watershed

Protection is paid from revenue of the respective enterprises. The City plans to continue to pay these obligations from each respective enterprise. Fleet Management and One Texas Center are internal service funds that generate revenue through charges to user departments.

- (5) Represents estimate of cash plus investments at cost on September 30, 2014.
- (6) Various general fund departments have issued debt which is supported by a transfer into the debt service fund from the issuing department. These departments budget the required debt service which reduces the debt service tax requirement.
- (7) Source: City of Austin Planning/Growth Department. This figure does not include areas annexed for limited purposes.

Revenue Debt (As of July 31, 2014)

In addition to the above, on a pro forma basis, the City had outstanding \$30,561,469 Combined Utility Systems Revenue Bonds payable from a first lien on the combined net revenue of the Electric System and the Water and Wastewater System and \$148,104,711 Combined Utility System Revenue Bonds payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System; \$1,095,765,000 Electric Utility Obligations payable from a separate lien on the net revenues of the Electric Utility System; \$2,303,590,000 Water and Wastewater Obligations payable from a separate lien on the net revenue of the Water and Wastewater System, and \$164,351,000 Combined Utility Systems Commercial Paper payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System.

The City also has outstanding \$310,445,000 Airport System Revenue Bonds payable from net revenues of the City's Airport System. The City also has outstanding \$149,215,000 in Convention Center Bonds, payable from hotel/motel occupancy and rental car tax collections.

Obligations Subject to Annual Appropriation

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

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

\$18,265,000 in Tax Increment Contract Revenue Bonds, to be backed by tax increment revenues generated from taxation of real property within the boundaries of the Zone from taxing units in the Zone. It is anticipated that said bonds will be delivered in October 2014.

Valuation and Funded Debt History

Fiscal Year Ended	Estimated City Population (1)	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Tax Collections
9-30	Population (1)	Valuation	Valuation	Tax Debt (2)	Tax Debt	Valuation	Collections
2006	714,237	\$52,349,642,297	\$ 73,295	\$943,312	\$1,320.73	1.80%	99.85%
2007	732,381	60,512,328,889	82,624	869,974	1,187.87	1.44%	99.83%
2008	746,105	68,736,790,926	92,128	907,667	1,216.54	1.32%	99.70%
2009	770,296	76,752,007,737	99,640	1,065,565	1,383.32	1.39%	99.57%
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.89	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,629	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	853,020	88,548,568,973	103,806	1,113,392	1,305.24	1.26%	99.78% (3)
2015	872,481	98,732,872,327(4)	113,163	1,156,948(5)	1,326.04(5)	1.17%(5)	N/A

- (1) Source: City of Austin Department of Planning and Development based on full purpose area as of April 1.
- (2) Excludes general obligation debt issued for enterprise funds and general fund departments which transfer-in from Operating Budget.
- (3) Estimated Collections as of June 30, 2014 based on the July 2013 Certified Tax Roll tax levy.
- (4) Certified taxable value for the 2014 tax year.
- (5) Projected. Includes the Obligations.

Tax Rate, Levy and Collection History

Fiscal Year Ended	Total Tax Rate	Distribution			% Current Collections	% Total Collections
9-30	Rate	General Fund	Interest and Sinking Fund	Tax Levy	Collections	Collections
2006	\$0.4430	\$0.2841	\$0.1589	\$231,908,915	99.55%	99.85%
2007	0.4126	0.2760	0.1366	249,673,869	99.61%	99.83%
2008	0.4034	0.2730	0.1304	277,284,215	99.14%	99.70%
2009	0.4012	0.2749	0.1263	307,929,055	99.03%	99.57%
2010	0.4209	0.2950	0.1259	340,762,917	98.97%	99.22%
2011	0.4571	0.3262	0.1309	354,798,046	99.13%	99.42%
2012	0.4811	0.3551	0.1260	381,126,366	99.27%	99.27%
2013	0.5029	0.3821	0.1208	418,888,224	99.36%	99.36%
2014	0.5027	0.3856	0.1171	445,133,656	99.27% (1)	99.78% (1)
2015 (2)	0.4798	0.3680	0.1118	473,720,321	N/A	N/A

- (1) Estimated collections as of June 30, 2014 based on the July 2013 Certified Tax Roll tax levy.
- (2) Preliminary, subject to change pending adoption of the tax rate, expected to occur on or about September 10, 2014.

Ten Largest Taxpayers

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>January 1, 2013 Taxable Assessed Valuation</u>	<u>% of Total Taxable Assessed Valuation</u>
Samsung Semiconductor LLC	Manufacturing	\$2,478,991,304	2.51%
Parkway Properties LLC	Commercial	747,257,757	0.76%
Columbia/St Davids Healthcare	Commercial	455,730,685	0.46%
Circuit of the Americas LLC	Commercial	289,137,087	0.29%
IBM Corporation	Manufacturing	245,745,471	0.25%
IMP Capital II Riata LP	Commercial	236,598,167	0.24%
Finley Company	Commercial	217,426,375	0.22%
Riata Holdings LP	Commercial	201,136,903	0.20%
HEB Grocery Company	Commercial	196,985,175	0.20%
G&I VII Barton Skyway LP	Commercial	<u>195,691,483</u>	<u>0.20%</u>
TOTAL		<u>\$5,264,700,407</u>	<u>5.33%</u>

Source: Travis Central Appraisal District.

Property Tax Rate Distribution

	<u>Fiscal Year Ended September 30</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>
General Fund	\$.3262	\$.3551	\$.3821	\$.3856	\$.3680
Interest and Sinking Fund	<u>.1309</u>	<u>.1260</u>	<u>.1208</u>	<u>.1171</u>	<u>.1118</u>
Total Tax Rate	\$.4571	\$.4811	\$.5029	\$.5027	\$.4798

- (1) Preliminary, subject to change pending adoption of the tax rate, expected to occur on or about September 10, 2014.

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Net Taxable Assessed Valuations, Tax Levies and Collections

Fiscal Year Ended	Valuation	Real Property		Personal Property		Net Taxable	Total	% Current	% Total
<u>9-30</u>	<u>Date</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Collections</u>
2006	1-1-05	\$46,492,828,677	88.81%	\$5,856,813,620	11.19%	\$52,349,642,297	\$231,908,915	99.55%	99.85%
2007	1-1-06	53,724,137,471	88.78%	6,788,191,418	11.22%	60,512,328,889	249,673,869	99.61%	99.83%
2008	1-1-07	61,455,307,904	89.41%	7,281,483,022	10.59%	68,736,790,926	277,284,215	99.14%	99.70%
2009	1-1-08	68,790,111,385	89.63%	7,961,896,352	10.37%	76,752,007,737	307,929,055	99.03%	99.57%
2010	1-1-09	72,029,659,502	94.21%	8,147,372,223	10.66%	80,960,540,976	340,762,917	98.97%	99.22%
2011	1-1-10	70,024,297,956	90.83%	7,072,966,278	9.17%	77,619,349,384	354,798,046	99.13%	99.42%
2012	1-1-11	70,283,821,626	88.72%	8,935,959,253	11.28%	79,219,780,879	381,126,366	99.27%	99.27%
2013	1-1-12	73,663,555,699	88.44%	9,630,980,794	11.56%	83,294,536,493	418,888,224	99.36%	99.36%
2014	1-1-13	79,198,359,444	89.44%	9,350,209,529	10.56%	88,548,568,973	445,133,656	99.27% (1)	99.78% (1)
2015	1-1-14	88,957,781,717	90.10%	9,775,090,610	9.90%	98,732,872,327	473,720,321 (2)	N/A	N/A

(1) Estimated collections through June 30, 2014 based on the July 2013 Certified Tax Roll tax levy.

(2) Preliminary, subject to change pending adoption of the tax rate, expected to occur on or about September 10, 2014.

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Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which also limits the City's ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes.

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

Tax Procedures

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

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

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

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

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

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DEBT INFORMATION (a)

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Estimated Direct and Overlapping Funded Debt Payable From Ad Valorem Taxes (As of 9-30-13) (in 000's)

Expenditures of the various taxing bodies within the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties within the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the date stated above, and such entities may have programs requiring the issuance of substantial amounts of additional bonds the amount of which cannot be determined. The following table reflects the estimated share of overlapping funded debt of the major taxing bodies in the area.

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated % Applicable</u>	<u>Overlapping Funded Debt</u>
Austin, City of (1)	\$1,113,392	100.00%	\$1,113,392
Austin Community College	85,259	68.34%	58,266
Austin Independent School District	772,691	94.37%	729,188
Northwest Travis County Road District #3	600	99.84%	599
Round Rock Independent School District	664,400	33.49%	222,508
Travis County	632,325	70.76%	447,433
Del Valle Independent School District	222,135	70.71%	157,072
Eanes Independent School District	136,275	31.80%	43,335
Leander Independent School District	1,334,709	11.58%	154,559
Manor Independent School District	188,815	75.07%	141,743
Pflugerville Independent School District	306,575	37.17%	113,954
Williamson County	794,002	10.95%	<u>86,943</u>

TOTAL DIRECT AND OVERLAPPING FUNDED DEBT \$3,268,992

Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation (2) 3.69%

Per Capita Overlapping Funded Debt (3) \$3,832.26

(1) Includes the Taxable Obligations and Tax-Exempt Obligations. Excludes general obligation debt reported in proprietary funds. Preliminary, subject to change. See also "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt."

(2) Based on assessed valuation of \$88,548,568,973 provided by the Travis Central Appraisal District, Williamson County Appraisal District and Hays Central Appraisal District.

(3) Based on 2014 estimated population of 853,020.

Source: 2013 City of Austin Comprehensive Annual Financial Report ("CAFR").

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

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Authorized General Obligation Bonds

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>	<u>Amount</u>	<u>Bonds Being</u>	<u>Unissued</u>
	<u>Authorized</u>	<u>Authorized</u>	<u>Previously</u>	<u>Issued</u> (1)	<u>Balance</u>
			<u>Issued</u>		
Brackenridge 2000	10-22-83	\$ 50,000,000	\$ 40,785,000	\$ -	\$ 9,215,000
Park Improvements	09-08-84	9,975,000	9,648,000	-	327,000
Cultural Arts	01-19-85	20,285,000	14,890,000	-	5,395,000
Transportation	11-07-06	103,100,000	103,100,000	-	-
Drainage Improvements	11-07-06	145,000,000	145,000,000	-	-
Park Improvements	11-07-06	84,700,000	83,700,000	1,000,000	-
Cultural Arts	11-07-06	31,500,000	27,500,000	-	4,000,000
Affordable Housing	11-07-06	55,000,000	55,000,000	-	-
Central Library	11-07-06	90,000,000	26,800,000	20,000,000	43,200,000
Public Safety Facility	11-07-06	58,100,000	53,100,000	-	5,000,000
Mobility Transportation	11-02-10	90,000,000	75,305,000	14,695,000	-
Mobility Transportation	11-06-12	143,299,000	11,895,000	40,210,000	91,194,000
Open Space	11-06-12	30,000,000	20,000,000	10,000,000	-
Parks & Recreation	11-06-12	77,680,000	550,000	7,310,000	69,820,000
Public Safety Facility	11-06-12	31,079,000	1,500,000	6,720,000	22,859,000
Health & Human Service Facility	11-06-12	11,148,000	235,000	1,705,000	9,208,000
Cultural Arts	11-06-12	13,442,000	820,000	2,980,000	9,642,000
Affordable Housing	11-05-13	<u>65,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>55,000,000</u>
		\$1,109,308,000	\$669,828,000	\$114,620,000	\$324,860,000

(1) Bonds to be issued for Affordable Housing projects are anticipated to be sold as taxable obligations. See “DEBT INFORMATION – Anticipated Issuance of General Obligation Debt”.

The City may also incur non-voted debts payable from or secured by its collection of ad valorem taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations and leases for various purposes.

Concurrent Issuance of General Obligation Debt

The City sold its Public Improvement Bonds, Series 2014 in the aggregate principal amount of \$_____, Certificates of Obligation, Series 2014 in the aggregate principal amount of \$_____, and Public Property Finance Contractual Obligations, Series 2014 in the aggregate principal amount of \$_____ (collectively, the “Tax-Exempt Obligations”) which August 28, 2014, and are expected to be delivered on October 2, 2014.

Funded Debt Limitation

No direct funded debt limitation is imposed on the City under current State law or the City’s Home Rule Charter (see – “Tax Rate Limitations”).

FISCAL MANAGEMENT

The Capital Improvements Plan and Capital Budget

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

The City Manager considers the Planning Commission’s recommended plan to propose a Capital Budget to the City Council. The Capital Budget contains requested appropriations for new projects, additional appropriations for previously approved projects and any requests to revise prior year appropriations. Unlike the Operating Budget, which

authorizes expenditures for only one fiscal year, Capital Budget appropriations are multi-year, lasting until the project is complete or until changed by the City Council.

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

2014-2015 Capital Budget

The 2014-2015 five-year Capital Improvement Program (CIP) plan was reviewed by the Planning Commission and the Bond Oversight Committee. Public input was received at a public hearing held by the Planning Commission and the Bond Oversight Committee. The plan estimates city-wide capital spending in 2014-2015 of \$576.4 million in enterprise funds and \$233.7 million in general government funds.

The first year of the five-year plan was used to determine the new appropriations required for inclusion in the 2014-2015 Proposed Capital Budget. Total new proposed appropriation for General Government CIP Funds is \$169.0 million and total new proposed appropriation for Enterprise CIP Funds is \$472.8 million. Appropriation by department is listed below.

Summary of 2014-2015 Proposed Capital Budget (millions):	
Austin Energy	\$167.9
Austin Water Utility	0.9
Aviation	240.9
Austin Resource Recovery	3.0
Watershed Protection	31.4
Convention Center	<u>28.7</u>
Enterprise Appropriations	\$472.8
Building Services	\$6.9
Communications & Technology Management	29.0
Economic Development	3.4
Emergency Medical Services	0.1
Financial & Administrative Services	1.7
Fire	7.0
Health and Human Services	4.0
Library	15.2
Neighborhood Housing & Community Development	10.0
Parks & Recreation	32.3
Planning & Development Review	2.3
Police	3.2
Public Works and Austin Transportation	40.4
Transportation	<u>13.5</u>
General Government Appropriations	\$169.0
TOTAL PROPOSED NEW APPROPRIATIONS	<u>\$641.8</u>

Operating Budget

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

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

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2014–2015 Budget (Amounts are in thousands)

The 2014-2015 operating budget is expected to be adopted on September 10, 2014, and was prepared in accordance with guidelines provided by the City Council. The proposed budget includes a total tax rate of \$0.4798 per \$100 assessed valuation, which is based on the 2014 certified tax roll. The following is a summary of the proposed 2014-2015 General Fund Budget.

Beginning Balance, October 1, 2014 (Budget Basis) (000's omitted)		
<u>Summary of Budgeted General Fund Resources</u>		
Revenue:		
General Property Taxes	\$354,402	
City Sales Tax	198,310	
Other Taxes	9,325	
Gross Receipts/Franchise Fees	36,634	
Miscellaneous	<u>106,981</u>	
Total Revenue		\$705,652
Transfers In:		
Electric Revenue	\$105,000	
Water Revenue	38,755	
Water Infrastructure Inspection	<u>1,200</u>	
Total Transfers In		<u>144,955</u>
Total General Fund Resources		<u>\$850,607</u>
<u>Summary of Budgeted General Fund Requirements</u>		
Departmental Appropriations:		
Administrative Services	\$ 19,675	
Urban Growth Management	35,557	
Public Safety	594,434	
Public Health and Human Services	62,793	
Public Recreation and Culture	<u>106,927</u>	
Total Departmental Appropriations		\$819,386
Transfers Out		\$29,025
Other Requirements		<u>2,196</u>
Total General Fund Requirements		<u>\$850,607</u>
Use of Beginning Balance		0
Ending Balance		<u>0</u>
One-Time Critical Equipment		\$ 29,016
Transfer to/from Budget Stabilization Reserve		<u>\$(29,016)</u>
Adjusted Ending Balance		<u>0</u>
<u>Budgeted Reserve Requirements</u>		
Emergency Reserve	\$ 40,000	
Contingency Reserve	7,194	
Property Tax Reserve	4,500	
Budget Stabilization Reserve Fund	<u>68,000</u>	
Total Budgeted Reserve Requirements		<u>\$119,694</u>

Deficit Budgeting

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

Accounting System

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

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

Short-Term Borrowing

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

INVESTMENTS

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

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by a combination of cash and the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and that otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in

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

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

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

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

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield and maturity; and also that address the quality and capability of investment personnel. The policy includes a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each funds’ investment. Each Investment Strategy Statement must describe the investment objectives for the particular fund using the following priorities: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority of the City Council or the Chief Financial Officer of the City.

Additional Provisions

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

Current Investments

As of June 30, 2014, the City's investable funds were invested in the following categories.

<u>Type of Investment</u>	<u>Percentage</u>
U. S. Treasuries	10%
U. S. Agencies	50%
Money Market Funds	3%
Local Government Investment Pools	37%

The dollar weighted average maturity for the combined City investment portfolios is 330 days. The City prices the portfolios weekly utilizing a market pricing service.

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GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE

(Amounts are in thousands)

	Fiscal Year Ended September 30				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Revenues:</u>					
Taxes (1)	\$356,064	\$387,061	\$409,344	\$448,537	\$498,605
Franchise Fees	33,276	34,964	32,904	32,578	35,040
Fines, Forfeitures and Penalties	19,100	18,692	18,131	15,784	16,971
Licenses, Permits and Inspections	20,531	15,716	18,653	22,664	28,669
Charges for Services	33,655	33,394	44,464	44,147	49,579
Interest and Other	<u>10,456</u>	<u>8,059</u>	<u>5,096</u>	<u>4,414</u>	<u>6,027</u>
Total Revenues	\$473,082	\$497,886	\$528,592	\$568,124	\$634,891
<u>Expenditures:</u>					
Administration	\$ 11,966	\$ 11,768	\$ 12,229	\$ 12,674	\$ 13,926
Urban Growth Management	19,682	17,535	34,299	38,419	44,934
Public Safety	389,518	398,930	422,092	447,944	473,980
Public Services and Utilities	365	363	14	-	-
Public Health	37,133	37,464	39,230	41,991	48,232
Public Recreation and Culture	59,988	60,040	72,189	71,753	81,893
Transportation, Planning and Sustainability (3)	-	-	-	5	9
Nondepartmental Expenditures	<u>52,197</u>	<u>69,456</u>	<u>74,291</u>	<u>83,875</u>	<u>87,126</u>
Total Expenditures	\$570,849	\$595,556	\$654,344	\$696,661	\$750,100
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	\$ (97,767)	\$ (97,670)	\$(125,752)	\$(128,537)	\$(115,209)
<u>Other Financing Sources (Uses):</u>					
Transfers from Other Funds	121,936	130,233	141,448	144,208	145,764
Transfers to Other Funds	<u>(20,698)</u>	<u>(16,014)</u>	<u>(9,487)</u>	<u>(19,761)</u>	<u>(13,626)</u>
Net Other Financing Sources	\$101,238	\$114,219	\$131,961	\$124,447	\$132,138
Excess (Deficiency) of Total Revenues and Other Services Over Expenditures and Other Uses	\$ 3,471	\$ 16,549	\$ 6,209	\$ (4,090)	\$ 16,929
Fund Balances at Beginning of Year	<u>88,690</u>	<u>92,161</u>	<u>128,044</u>	<u>134,253</u>	<u>130,163</u>
Fund Balances at End of Year (2)	<u>\$ 92,161</u>	<u>\$108,710</u>	<u>\$134,253</u>	<u>\$130,163</u>	<u>\$147,092</u>

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

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

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

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CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES

Municipal Sales Tax

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

<u>Fiscal Year</u> <u>Ended 9-30</u>	<u>Per Capita</u> <u>Sales and Use Tax</u>	<u>(in 000's)</u> <u>Sales and Use Tax</u>	<u>% of</u> <u>Ad Valorem Tax Levy</u>
2006	\$196.75	\$139,289	60.06%
2007	211.43	153,098	61.32%
2008	207.00	154,445	55.70%
2009	182.51	139,795	45.40%
2010	185.87	144,710	42.47%
2011	187.58	151,125	42.59%
2012	199.99	164,193	43.08%
2013	209.35	176,198	42.06%
2014 (1)	221.41	188,867	42.43%
2015 (2)	227.29	198,310	41.86%

(1) Estimate.

(2) Estimate used in FY 2015 Proposed Budget.

Transfers from Utility Funds

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

<u>Fiscal Year</u> <u>Ended 9-30</u>	<u>(in 000's)</u> <u>Transfers</u>	<u>% of General</u> <u>Fund Requirements</u>
2006	\$ 97,658	20.3%
2007	106,471	20.0%
2008	115,629	19.8%
2009	121,505	20.9%
2010	129,967	21.5%
2011	134,263	20.8%
2012	136,919	19.8%
2013	139,548	18.5%
2014 (1)	142,909	18.0%
2015 (2)	143,755	16.9%

(1) Estimate.

(2) Estimate used in FY 2015 Proposed Budget.

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ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Position

The Enterprise Funds account for the activities of the City which render services on a user charge basis to the general public. Set forth on pages B-30 and B-31 of APPENDIX B, attached hereto, is a summary of the revenues, expenses, transfers and net position of the City's enterprise funds for the year ended September 30, 2013.

THE SYSTEMS

The City owns and operates an Electric Utility System (also referred to in this document as "Austin Energy") and a Water and Wastewater System (also referred to in this document as the "Austin Water Utility" or the "Water and Wastewater Utility") which provide the City, adjoining areas of Travis County and certain adjacent areas of Williamson County with electric, water and wastewater services. The City owns all the facilities of the Water and Wastewater System. The City jointly participates with other electric utilities in the ownership of coal-fired electric generation facilities and a nuclear powered electric generation facility. Additionally, the City individually owns gas/oil-fired electric generation facilities, which are available to meet Electric Utility System demand. The Electric Utility System had approximately 1,673 full-time regular employees as of September 30, 2014. The Water and Wastewater System had approximately 1,157 full-time regular employees as of the same date.

STRATEGIC PLANS, GOALS AND POLICIES

Strategic Plan

In December 2003, the City Council approved a strategic plan for Austin Energy. The plan identified three strategies to position Austin Energy for continued success.

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

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

Third, an Energy Resource strategy directs Austin Energy to seek cost-effective renewable energy and conservation solutions to meet customers' new energy needs before resorting to traditional fossil fuel sources. In keeping with the risk management approach, Austin Energy has developed a Resource, Generation and Climate Protection Plan to 2020 discussed further in the next section.

Austin Energy Resource, Generation, and Climate Protection Plan to 2020

In February 2007, the City Council passed Resolution 20070215-023, directing the City Manager to develop, implement, and report to the City Council annually upon the implementation and progress of policies, procedures, and targets as necessary to make Austin the leading city in the nation in the effort to reduce and reverse the negative impacts of global warming. Soon thereafter, the Austin Climate Protection Program was created to implement this resolution and help the City build a more sustainable community.

The Austin Climate Protection Program has worked with all 23 departments to create a tailored climate protection plan to ensure that departmental operations were reducing greenhouse gas emissions from energy, water, waste, purchasing, education and transportation. Austin Energy developed the Resource, Generation, and Climate Protection Plan to 2020 (the "Plan") to meet these objectives for utility operations. The City Council adopted the Plan on April 22, 2010, as a resource planning tool that brings together demand and energy management options over the planning horizon.

Developing the Plan involved extensive analysis of the expected risks, costs, and opportunities to meet the future demand for electricity services. The goals outlined in this document are based on Austin Energy's current understanding

of technology and of national, state and local energy policies. The primary goals of the Plan are by 2020 to achieve 800 MW in energy efficiency, 35% renewable energy generation, and CO₂ emissions 20% below 2005 levels.

The Plan is designed to be flexible and dynamic. As circumstances change, the City must maintain the flexibility to modify elements to respond to a range of factors, including economic conditions, customer load, fuel prices and availability, infrastructure build-out, technological development, law and regulations, policy direction, and customer needs. Therefore, as conditions change, the Plan will be adapted and modified to manage risk, maintain system and service reliability, achieve policy goals, and meet customer demand for excellence in all aspects of service. As each significant implementation step is undertaken through contracts, purchases or other arrangements, Austin Energy's recommendations to the City Council will be supported by assessment of impacts on all customers and by charting the progress each step will make toward achieving the goals outlined in this Plan.

Austin Energy will review the Plan annually and issue a report on performance against goals. Austin Energy will reassess the Plan in a public forum every two years, the first of which took place in 2012. Every major resource decision and Plan change will be taken before the City Council for review and authorization. The Plan demonstrates that customers and the community can indeed expect equitable, economic, and environmentally responsible electric services.

Goals Summary

Austin Energy has adopted the following changes and additions to its current resource planning goals, with a target of meeting these goals by 2020:

- Increase the energy efficiency goal from 700 MW to 800 MW
- Increase the renewable energy goal from 30% to 35%
- Increase the solar component of the renewable energy goal from 100 MW to 200 MW including 100 MW of local solar, at least half of which will come from customer based systems.
- Establish a CO₂ reduction goal of 20% below 2005 level

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

Coal/Nuclear. The Plan recognizes current ownership levels in the South Texas Nuclear Power Plant ("STP") and the Fayette Power Plant ("FPP"). Plan implementation would effectively reduce by about 24% the amount of energy Austin Energy receives from the FPP by 2020 to meet customer load. That reduction figures prominently in the Austin Energy goal to reduce its greenhouse gas emissions within the planning horizon by 20% from 2005 levels.

Natural Gas. The Plan calls for the build out of the gas-fueled Sand Hill Energy Center to add 200 megawatts of combined cycle capacity. This is in addition to the recently completed installation of 90 MW of peaking units at the facility.

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

Wind. The majority of the Austin Energy renewables goal will be met through wind-generated power. As of September 30, 2013, wind generation totals 850.9 MW of capacity. Austin Energy has executed additional wind contracts for 700.0 MW of capacity which will begin commercial operation in 2015 and 2016. The Plan that was updated in 2012 calls for total wind capacity by 2020 of 1,137 MW.

Solar. Installed solar capacity will increase from 30 MW to 200 MW by 2020. In February 2009, the City Council approved a 25-year contract under which Austin Energy now purchases the annual output of a 30 MW solar farm located near Webberville on Austin Energy property in Travis County, Texas. That project commenced commercial operation in December 2011 and is one of the nation's largest solar projects. On October 24, 2013, the City Council passed a resolution to amend the existing Austin Energy Resource, Generation and Climate Protection to 2020 to

specify that 50% of the previously adopted 200 MW goal will be local solar, and at least 25% of the 200 MW goal will be local customer-owned solar.

On June 27, 2013, the City Council passed Resolution 20130627-066, directing the City Manager to develop a comprehensive plan to eliminate coal from Austin Energy's (AE) portfolio by 2015-18 including options for retirement, sale and further reduction and replacement of generation facilities. A presentation to the City Council on February 4, 2014 included an update on this resolution. The presentation noted that eliminating FPP from Austin Energy's portfolio has near term financial impacts, regulatory and contractual implications, regardless of replacement strategy. The report also noted that all elimination options result in large impacts to customer rates and cash reserves, but did recommend establishing a target retirement date of 2025 for FPP and continue with the current plan to reduce FPP output starting in 2020. Future actions to build, acquire, replace or remove resources will be presented to City Council in September 2014. On February 25, 2014, Austin Energy officially commenced a public process to update the Resources, Generation and Climate Protection Plan to 2020 and expects to present the updated plan to the City Council before the end of the calendar year.

Financial Policies

In a constantly changing electric utility industry, Austin Energy continues to follow strong financial policies aimed at maintaining financial integrity while allowing for flexibility to respond to market and regulatory challenges. Some of the more significant financial policies reviewed and approved annually by the City Council during the budget process are:

- Current revenue, which does not include the beginning balance, will be sufficient to support current expenditures (defined as “structural balance”). However, if projected revenue in future years is not sufficient to support projected requirements, the ending balance may be budgeted to achieve structural balance.
- Debt Service coverage of a minimum of 2.0x shall be targeted for the Electric Utility Bonds. All short-term debt, including commercial paper, and non-revenue obligations will be included at 1.0x.
- A Strategic Reserve Fund shall be created and established, replacing the Debt Management Fund. It will have three components:
 - An Emergency Reserve with a minimum of 60 days of non-power supply operating requirements.
 - Up to a maximum of 60 days of additional non-power supply operating requirements set aside as a Contingency Reserve.
 - Any additional funds over the maximum 120 days of non-power supply operating requirements may be set aside in a Rate Stabilization Reserve.
- The Emergency Reserve shall only be used as a last resort to provide funding in the event of an unanticipated or unforeseen extraordinary need of an emergency nature, such as costs related to a natural disaster, emergency or unexpected costs created by Federal or State legislation. The Emergency Reserve shall be used only after the Contingency Reserve has been exhausted. The Contingency Reserve shall be used for unanticipated or unforeseen events that reduce revenue or increase obligations such as extended unplanned plant outages, insurance deductibles, unexpected costs created by Federal or State legislation, and liquidity support for unexpected changes in fuel costs or purchased power which stabilize fuel rates for Austin Energy customers. In the event any portion of the Contingency Reserve is used, the balance will be replenished to the targeted amount within two years. A Rate Stabilization Reserve shall be created and established, replacing the Competitive Reserve in FY 2011-2012, for the purpose of stabilizing electric utility rates in future periods. The Rate Stabilization Reserve may provide funding for: (1) deferring or minimizing future rate increases, (2) new generation capacity construction and acquisition costs and (3) balancing of annual power supply costs (net power supply/energy settlement cost). The balance shall not exceed 90 days of net power supply costs. Funding may be provided from net revenue available after meeting the General Fund Transfer, capital investment (equity contributions from current revenue), Repair and Replacement Fund, and 45 days of working capital.
- The General Fund Transfer shall not exceed 12% of Austin Energy's three-year average revenues, calculated using the current year estimate and the previous two years' actual revenues from the City's CAFR.

A decommissioning trust shall be established external to the City to hold the proceeds for moneys collected for the purpose of decommissioning the STP. An external investment manager may be hired to administer the trust investments.

- A Non-Nuclear Plant Decommissioning Fund shall be established to fund plant retirement. The amount set aside will be based on a decommissioning study of the plant site. Funding will be set aside over a minimum of four years prior to the expected plant closure.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Rate Regulation

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

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

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

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

ERCOT Wholesale Market Design

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

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

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

Federal Rate Regulation

Austin Energy is not subject to Federal statutes and regulation in the establishment of rates, the issuance of securities or the operation, maintenance or expansion of Austin Energy. Austin Energy submits various reports to Federal Energy Regulatory Commission (“FERC”).

Austin Energy is not subject to FERC’s jurisdiction under sections 205 and 206 of the Federal Power Act. Nevertheless, Austin Energy participates in a stakeholder organization established under State law that is similar to the Regional Transmission Organizations envisioned in FERC Order No. 2000. ERCOT is a stakeholder organization that includes stakeholders from all segments of the Texas electric market. ERCOT is responsible for the management and oversight of the day-to-day operations of the transmission network and wholesale market settlement. Under PURA, the PUCT has specific responsibilities to oversee ERCOT operations and market participant compliance with ERCOT Protocols.

Pursuant to the Energy Policy Act of 2005, municipal entities are now subject to certain FERC authority on reliability. On July 20, 2006, FERC certified the North American Electric Reliability Corporation (“NERC”) as the nation’s Electric Reliability Organization responsible for developing and enforcing mandatory electric reliability standards under FERC’s oversight. On April 19, 2007, FERC approved the Delegation Agreement between the NERC and the Texas Reliability Entity, Inc. (“TRE”) that governs the responsibilities of the TRE as the Regional Entity responsible for overseeing the NERC reliability standards in the ERCOT region. Austin Energy has established compliance programs in its Energy Markets; transmission systems planning, operations and reliability; and Information Technology and Telecommunications units to examine the requirements for compliance with the standards and to evaluate and implement any needed changes to systems and procedures. This process is verified through external audits involving the TRE.

Environmental Regulation - General

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

Environmental Regulation Related to Air Emissions

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

The United States Environmental Protection Agency (“USEPA”) in 2013 proposed New Source Performance Standards (“NSPS”) that set Greenhouse Gas (“GHG”) limits on any newly built power plants. That rule is not expected to impact Austin Energy. The USEPA continues to gather stakeholder input to meet its June 2014 deadline for proposing a GHG NSPS for all existing power plants. The proposal is expected to provide directives to states on what to consider in setting a limit for existing plants and possibly ensure that some level of emissions reduction is achieved. However, unlike the new source NSPS, the details of how utilities can comply are expected to be left mostly up to individual states. For Austin Energy, this means working with the Texas Commission on Environmental Quality (“TCEQ”) and other ERCOT utilities after the guidelines are proposed in June.

Mercury and Air Toxics Standards (MATS)

Published in February 2012, USEPA's final MATS rule sets new emissions limits for mercury and other toxic air emissions from coal and oil-fired electric utility boilers to be achieved by 2015. For Austin Energy, this rule applies to the Fayette Power Project units 1 & 2. The flue gas desulphurization ("FGD") units or "scrubbers" that were put in operation in 2011 remove a significant portion of the air toxics to below the new limits. Although the scrubbers remove some mercury, some additional "add-on" equipment will be necessary to enhance the removal of mercury in existing emissions control equipment to below the new limit. Austin Energy and co-owner Lower Colorado River Authority ("LCRA") are proceeding with the engineering and planning phase of installing that equipment. A preliminary estimate of Austin Energy's share of that capital expense is approximately \$8 million. With the scrubbers already in operation, Austin Energy and LCRA are well-positioned to comply with the MATS rule.

Maintenance Start-up and Shutdown Permits

In 2011, Austin Energy and all owners of large electric generating units in Texas applied to the TCEQ for permits to cover routine Maintenance, Start-up and Shut-down emissions ("MSS"). Amended permits that account for MSS emissions have been issued to all Austin Energy facilities.

Cross-State Air Pollution Rule and Clean Air Interstate Rule

Austin Energy's large facilities have been complying with the Clean Air Interstate Rule ("CAIR"), a cap-and-trade program for annual NO_x and SO₂ emissions, since 2009. The USEPA finalized a court-mandated replacement for CAIR in 2011, called the Cross-State Air Pollution Rule ("CSAPR"), with compliance to begin in 2012 for annual NO_x, annual SO₂ and ozone season NO_x emissions in 23 eastern- and mid-U.S. states, including Texas. A federal court stayed CSAPR in late 2011 pending judicial review of the rule and in August 2012, the court vacated CSAPR holding that the USEPA had exceeded its authority in the way it apportioned cleanup responsibilities among the affected states. The USEPA appealed to the Supreme Court and in May 2014 won a reversal of the lower court decision to vacate the rule. It is now up to the lower court to reinstate CSAPR but it is not yet clear what the ultimate compliance requirements will be and when utilities will need to begin to comply. Austin Energy continues to comply with CAIR, the CSAPR predecessor, until the case is resolved, and Austin Energy continues to hold enough CAIR allowances for compliance in the foreseeable future.

On April 29, 2014, the United States Supreme Court ruled in *Environmental Protection Agency v. EME Homer City Generation, L.P.* (572 U.S. ____ (2014)) that the USEPA reasonably exercised its authority under the federal Clean Air Act in adopting CSAPR that had been vacated by lower federal court decisions. Specifically, the United States Supreme Court held that the federal Clean Air Act does not require states be giving a second opportunity to file a State Implementation Plan, that USEPA is not required to disregard costs and consider exclusively each upwind state's physically proportionate responsibility for each downwind air quality problem, and that USEPA's cost-effective allocation of emission reductions among upwind states is a permissible and equitable interpretation of the federal Clean Air Act. The United States Supreme Court remanded this case and an accompanying case to the lower federal courts for further proceedings consistent with its opinion. Austin Energy continues to comply with CAIR, the CSAPR predecessor, until the cases are resolved and CSAPR, or a new rule supplementing or replacing CSAPR, is put in place.

Proposed revisions to the federal ozone National Ambient Air Quality Standard

In 2009 USEPA sought to revise the federal ozone national ambient air quality standards (NAAQS). However, despite proposing a more stringent standard in 2010, in 2011, the Obama Administration elected to incorporate the 2010 proposal into the subsequent review cycle, expected in 2014. A more stringent ozone NAAQS, such as USEPA proposed in 2010, has the potential to require emissions reductions at the state and local levels which may impact Decker Power Plant. The USEPA is expected to propose a revised NAAQS in December 2014.

Environmental Regulation Related to Hazardous Wastes and Remediation

The USEPA proposed a rule in 2010 that would set new requirements for the storage of Coal Combustion Residuals ("CCRs") and potentially reclassify those CCRs as a hazardous waste when stored in a landfill. The Fayette Power Project, like all coal burning plants, generates CCRs such as fly ash, bottom ash and gypsum. FPP currently recycles the majority of their CCR for beneficial use, such as for road base or as cement substitutes, with the remaining fractions

stored onsite in a landfill for possible future use (recycle rates depend on market demand for the product). In 2011, Austin Energy and LCRA completed a project to permanently close a “wet” ash pond where ash slurry had previously been sent for dewatering before recycle, and converted ash handling to a dry system; the costs of the USEPA’s proposed retrofit requirements for that ash pond would be avoided in the future since it is no longer active. A hazardous classification would result in new liability to Austin Energy and LCRA and likely costs to upgrade or design compliant landfills at the facility. The EPA did not propose a hazardous classification for CCRs that are recycled for beneficial use, only stored; however, a hazardous classification could also result in reduced demand for CCRs and therefore greater volumes that would need to be stored in new onsite landfills. Austin Energy is in a similar position to all coal plants in the United States that burn coal and produce CCRs. The final rule is expected to be released in December 2014.

Environmental Regulation Related to Water

Final 316(b) cooling water intake structure standards.

USEPA has proposed a cooling-water intake rule that could require use of “best available technology” to mitigate the impact on aquatic life of power plants’ drawing in water to cool generators. USEPA is expected to finalize the regulation in May 2014 (EPA had not released a final rule as of May 15, 2014). Austin Energy is similarly positioned to all other major utilities with once-through cooling. The rule could impose significant costs on the Decker Power Plant and FPP if intake structure retrofits are needed. The rule could affect more than 400 power plants that employ once-through cooling and could require significant retrofits to cooling water intake structures. However, Austin Energy will not know what the impact will be to its facilities, if any, until a final rule is released.

Proposed national power plant wastewater effluent standards.

The proposed rule would apply to wastewater discharges from steam generating electric facilities through incorporation into National Pollution Discharge Elimination Systems (“NPDES”) permits issued by USEPA or authorized states. The proposal considered a number of regulatory options for each of seven waste streams common to steam generating units: flue gas desulfurization (“FGD”) wastewater, fly ash transport water, bottom ash transport water, combustion residual leachate, flue gas mercury control (“FGMC”) wastewater, gasification wastewater, and nonchemical metal cleaning wastes. It is likely that electric generating units (“EGUs”) will be subject to several different standards based on which waste streams they possess, leading to significant increases in costs. Final rule is expected in 2015.

Environmental - Other

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

Nuclear Regulation

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

STP is protected by provisions of the Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities even though the statutory protections for many non-commercial reactors are different. The Price-Anderson Act expires on December 31, 2025. The limit of liability under the Price-Anderson Act for licensees of nuclear power plants remains at \$13.6 billion per unit per incident. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is \$127,318 million per unit, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at \$18.96 million per year per reactor for each nuclear incident. The City and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests in STP. For purposes of the assessments, STP has two licensed reactors. The participants have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC, in accordance with the financial protection requirements of the Price-Anderson Act.

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

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

The owners of STP currently maintain \$2.75 billion of nuclear property insurance, which is above the legally required amount of \$1.06 billion, but is less than the total amount available for such losses (\$2.75 billion is the maximum amount available for purchase from Nuclear Electric Insurance Limited ("NEIL")). Nuclear property insurance consists of \$1.5 billion in primary property damage insurance and \$1.25 billion of excess property damage insurance, both subject to a retrospective assessment being paid by all members of NEIL. In the event that property losses as a result of an accident at any nuclear plant insured by NEIL exceed the accumulated funds available to NEIL, a retrospective assessment could occur. The maximum aggregate assessment under current policies for both primary and excess property damage insurance is \$54.45 million during any one policy year. This number changes annually and is calculated as 10 times the current premium for each policy.

The NRC regulations set forth minimum amounts required to demonstrate reasonable financial assurance of funds for decommissioning of nuclear reactors. Beginning in 1990, each holder of an operating license is required to submit to the NRC a bi-annual report indicating how reasonable assurance would be provided. The City provides the required report on its share of STP to the NRC which is based on the minimum amount for decommissioning, excluding waste disposal, as required by the NRC regulations of \$105 million per unit (January 1986 dollars). This minimum is required to be adjusted annually in accordance with the adjustment factor formula set forth in the regulations. The 2008 report provided by the City based reasonable assurance on the minimum amount (January 1986 dollars) as adjusted by the adjustment factor formula set forth in the regulations. The City has established an external irrevocable trust for decommissioning with JPMorgan Chase Bank, N.A. The City has been collecting for its share of anticipated decommissioning activities, which may begin as early as 2027, through its rates since Fiscal Year 1989. The decommissioning trust market value on September 30, 2013 was \$190,055,611.01. For Fiscal Year 2014, Austin Energy estimates that it will continue to collect approximately \$5 million for decommissioning expense. In 2007 dollars, the minimum amount for decommissioning the City's share of STP is \$221 million. See "INVESTMENTS – Legal Investments" in this document.

Events Affecting the Nuclear Industry

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

The first NRC order requires all U.S. plants to better protect portable safety equipment put in place after the 9/11 terrorist attacks and to obtain sufficient equipment to support all reactors and spent fuel pools at a given site simultaneously. The ISG for this order endorses the industry's updated guidance for dealing with a scenario that knocks out all of a plant's alternating current electric sources. The updated approach includes the use of backup power supplies for devices that would burn off accident-generated hydrogen before it could accumulate to explosive levels. The staff concludes the updated approach will successfully implement the first NRC order. The ISG is available in the

Agencywide Document Access and Management System (“ADAMS”) under accession number ML12229A174; the associated industry document is available under accession number ML12242A378.

The second NRC order applies only to U.S. boiling-water reactors that have “Mark I” or “Mark II” containment designs. Mark I reactors must improve installed venting systems that help prevent core damage in the event of an accident; Mark II reactors must install these venting systems. The ISG for this order provides more detailed technical information on the vents, as well as how vent designs and operating procedures should avoid, where possible, relying on plant personnel taking actions under hazardous conditions. The second ISG is available in ADAMS under accession number ML12229A475.

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

THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its home rule charter. Currently the City Council is comprised of a Mayor and six council members elected at-large for three-year staggered terms. As a result of an amendment to the Austin City Charter approved at an election held November 2012, all current terms of the City Council will expire in November 2014. In November 2014, the configuration of the City Council will change to an eleven member council, with the Mayor to be elected at large and the remainder of the council to be elected from ten single member districts. See APPENDIX A – “GENERAL INFORMATION REGARDING THE CITY - Governance”.

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

City Manager – Marc A. Ott

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

Chief Financial Officer – Elaine Hart, CPA

Ms. Elaine Hart received her B.B.A. in Accounting from The University of Texas at Arlington. Her career with the City spans more than 20 years, including over 10 years in public power. Ms. Hart served as Interim Chief Financial Officer for two months before being appointed to the position of Chief Financial Officer in April 2012. Prior to her appointment as Chief Financial Officer, she served as Senior Vice President Finance and Corporate Services for Austin

Energy, the municipally-owned electric utility. During her tenure at the City (service not continuous), she has also served in other financial capacities, including the City's Chief Financial Officer in the late 1980s, Assistant Finance Director, City Controller and Deputy City Auditor. Ms. Hart also has private sector auditing, accounting and consulting experience.

Services Provided by the City

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

Employees

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

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

Annexation Program

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

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

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

Some of the areas which may be considered for annexation will include developed areas for which water, sewer, and drainage services are being provided by utility districts created for such purposes. Existing utility districts, as well as new districts that may be created from time to time, may issue bonds for their own improvements. Such bonds are generally

payable from the receipts of ad valorem taxes imposed by the district and, in some cases, are further payable from any net revenues derived from the operation of its water and sanitary sewer systems. State law generally requires that if a city is annexing a district, the district must be annexed in its entirety. Upon annexation by a city, a district is dissolved and the city assumes the district's outstanding bonds and other obligations and levies and collects ad valorem taxes on taxable property within the corporate limits of the city sufficient to pay the principal of and interest on such assumed bonds.

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

The City Charter and the State's annexation laws provide the City with the ability to undertake two types of annexation. "Full purpose" annexation, discussed above, annexes territory into the City for all purposes, including the assessment and collection of ad valorem taxes on taxable property. The second type of annexation is known as "limited purpose" annexation by which territory may be annexed for the limited purposes of "Planning and Zoning" and "Health and Safety." Territory so annexed is subject to ordinances achieving these purposes: chiefly, the City's zoning ordinance, building code, and related ordinances regulating land development. Taxes may not be imposed on property annexed for limited purposes; municipal services are not provided; and residents of the area are restricted to voting only in City elections for City Council and Charter amendments. The City believes that limited purpose annexation is a valuable growth management tool. Since 1999 the City has annexed over 11,000 acres of territory for limited purposes. Strategic Annexation Programs are developed annually. These programs prioritize areas to be considered for annexation, usually at the end of the calendar year, to minimize the fiscal impact to the City.

<u>Calendar Year</u>	<u>Full Purpose Acres (1)</u>	<u>Limited Purpose Acres</u>
2004	1,114	7,030
2005	1,914	1,234
2006	351	621
2007	2,466	1,266
2008	2,262	14
2009	295	984
2010	1,129	2,495
2011	726	0
2012	3,387	3,818
2013	3,484	594

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

Recent Annexation

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

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

In 2011, the remaining portion of Ribelin Ranch, which consists of undeveloped wildlife habitat preserve land, was converted from limited to full purpose annexation status. In addition, the City annexed a commercial and industrial area

as well as a partially developed single-family residential subdivision for full purposes. The TAV for these areas was approximately \$20,510,145.

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

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

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

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

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

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

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

Future Annexation

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

Pension Plans

There are three contributory defined benefit retirement plans for the Municipal, Fire, and Police employees. State law requires the City to make contributions to the funds in an amount at least equal to the contribution of the employee group.

The following describes the contributions in place as of March 31, 2014. Municipal employees contribute 8.0% and the City contributes 18.0% of payroll. The Firefighters (who are not members of the Social Security System) are scheduled to contribute 17.2% of payroll through September 30, 2014; 17.7% of payroll from October 1, 2014 through September 30, 2015; 18.2% of payroll from October 1, 2015 through September 30, 2016; and 18.7% of payroll on or after October 1, 2016; the City contributes 22.05%. The Police Officers contribute 13.0% and the City contributes 21.63% of payroll.

The contributions to the pension funds are designed to fund current service costs and to amortize the unfunded actuarial accrued liability. As of December 31, 2013, the amortization period of the unfunded actuarial accrued liability for the City of Austin Employees Retirement System (“COAERS”) was 26.0 years and for the Police Officer’s Fund was 28.9 years. As of December 31, 2013 the amortization period of the unfunded actuarial accrued liability for the Fire Fighters Fund was 10.51 years.

As of December 31, 2013, the actuarial accrued liability for the COAERS was \$2,909,900,000 and the funded ratio was 70.4%. The actuarial accrued liability for the Police Officers’ Fund as of December 31, 2013 was \$911,044,154 and the funded ratio was 66.4%. The actuarial accrued liability for the Firefighters’ Fund as of December 31, 2013 was \$808,771,153 and the funded ratio was 91.8%.

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

See APPENDIX B – “Annual Financial Report – Note 7” for additional information on the City’s Pension Plans.

Other Post-Employment Benefits

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

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

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree’s life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium. The estimated pay-as-you-go cost of providing medical and life benefits was \$26.9 million for 3,945 retirees in 2013 and \$24.2 million for 3,731 retirees in 2012. As of September 30, 2013, the net OPEB obligation is \$598.7 million.

See APPENDIX B – “Annual Financial Report – Note 8” for additional information about the City’s OPEB.

Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund’s operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately \$10.1 million for claims and damages at the end of fiscal year 2013. Employee injuries are covered by the Workers’ Compensation Fund, and health claims are protected by the Employee Benefits Fund.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of the Official Statement within the various tables (except for “- Estimated Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes”) and in APPENDIX B. The City will update and provide this information as of the end of each fiscal year within six months after the end of each fiscal year. The City will provide the updated information to the MSRB through its Electronic Municipal Markets Access (“EMMA”) information system.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the “Rule”), promulgated by the United States Securities and Exchange Commission (the “SEC”). The 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 by that time, the City will provide audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City’s current fiscal year 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 Taxable Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Taxable Obligations, or other material events affecting the tax status of the Taxable Obligations; (7) modifications to rights of holders of the Taxable Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Taxable Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the

name of the Paying Agent/Registrar, if material. (Neither the Taxable Obligations nor the Taxable Ordinances make any provision for debt service reserves or liquidity enhancement.) The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data by the time required by the Ordinances.

As used in clause 12 above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and 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 Taxable Obligations, the City will file all required information and documentation with the MSRB in electronic format and accompanied by such identifying information as prescribed by and in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Taxable Obligations 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 Taxable Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Taxable Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Taxable Obligations in the primary offering of the Taxable Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

Except as described in this paragraph, during the last five (5) years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. The City did not file its unaudited or audited financial statements for the fiscal year ending September 30, 2011 by the required deadline of March 31, 2012. The audited financial statements of the City for such fiscal year were filed on April 2, 2012. Annual financial information and operating data of the City were filed by the required time in accordance with the City’s continuing disclosure agreements in the above-cited year in which the audited financial statements were filed after March 31. The City has filed an event

notice in connection with the late filing. In addition, multiple rating changes occurred with respect to certain obligations of the City between 2009 and 2013, and the City did not file event notices with respect to certain of such rating changes. The City has filed event notices with respect to the current ratings of certain of its outstanding obligations. Also, the City inadvertently omitted several tables from the annual financial information and operating data filing for the March 31, 2013 continuing disclosure report relating to certain obligations of the City. The City filed the omitted information on May 14, 2014. The City has implemented procedures to ensure timely filing of all future financial statements and event notices.

TAX MATTERS FOR THE TAXABLE OBLIGATIONS

General

The following is a general summary of United States federal income tax consequences of the purchase and ownership of the Taxable Obligations. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached in this Official Statement. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Taxable Obligations in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, broker-dealers, and persons who have hedged the risk of owning the Taxable Obligations). The summary is therefore limited to certain issues relating to initial investors who will hold the Taxable Obligations as "capital assets" within the meaning of section 1221 of the Code, and acquire such Taxable Obligations for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the Taxable Obligations who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and the discussion below is not binding on the IRS.

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

Stated Interest on the Taxable Obligations

The stated interest on Taxable Obligations will be included in the gross income, as defined in section 61 of the Code, and in the net investment income, for purposes of the 3.8% Medicare tax imposed by section 1411 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when paid or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Disposition of Series Taxable Obligations

A beneficial owner of Taxable Obligations will generally recognize gain or loss on the redemption, sale or exchange of a Taxable Obligation equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Taxable Obligation. Generally, the beneficial owner's adjusted tax basis in a Taxable Obligation will be the beneficial owner's initial cost, increased by any original issue discount previously included in the beneficial owner's income to the date of disposition and reduced by any amortized bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Series Taxable Obligation.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the Taxable Obligations who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" with respect to current or accrued interest on the Series Taxable Obligations or with respect to proceeds received from a disposition of Taxable Obligations. This withholding applies if such beneficial owner of Taxable Obligations: (i) fails to furnish to the

payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

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

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

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

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

Reporting of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners with respect to Taxable Obligations will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Series 2013B Bond for U.S. federal income tax purposes.

OTHER RELEVANT INFORMATION

Ratings

The Taxable Obligations have received ratings of "AAA" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AAA" by Fitch Ratings, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). The presently outstanding ad valorem tax-supported debt of the City is rated "AAA" by S&P, "AAA" by Fitch and "Aaa" by Moody's. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price of the Taxable Obligations. Except as provided under "CONTINUING DISCLOSURE OF INFORMATION – Disclosure Event Notices". The City will undertake no responsibility to notify the owners of the Taxable Obligations of any such revisions or withdrawal of ratings.

Litigation

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

Electric Utility System Litigation

The City has been named in a multi-party lawsuit stemming from the September 4, 2011 wildfire that damaged a number of properties in the Steiner Ranch community. Plaintiff, Ronya Aigner, Individually and as Heir of the Estate of Kevin Lee Aigner, filed suit on November 2, 2012. Plaintiff alleges that the City caused the fire, which allegedly led to the death of Kevin Aigner, a Travis County Constable, who suffered a stroke while working in the Steiner Ranch area six days after the fire. Over 20 insurance companies representing hundreds of property owners intervened in the lawsuit and also alleged that the City caused the fire through its allegedly improper maintenance and operation of power lines. An additional personal injury claimant intervened in the lawsuit alleging that the fires aggravated an individual's pre-existing tourette's syndrome condition. Five underinsured plaintiffs have also intervened. The City has filed a motion challenging jurisdiction that is currently on appeal in the Third Circuit Court of Appeals. The carriers presented property damage claims, including under-insured claims of approximately \$15 million. The individual plaintiffs have not provided detailed damage claims yet. The trial court ruled against the City. The City is appealing and asserting sovereign immunity as a defense. The City is uncertain as to when the appeal will be heard.

Registration and Qualification

The sale of the Taxable Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Taxable Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained in the Securities Act of Texas; nor have the Taxable Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Taxable Obligations under the securities laws of any jurisdiction in which the Taxable Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Taxable Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Legal Matters

The delivery of each series of the Taxable Obligations is subject to the approval of the Attorney General of Texas to the effect that such Taxable Obligations are valid and legally binding obligations of the City payable from sources and in the

manner described in this Official Statement and in the respective Ordinances and the approving legal opinions of Bond Counsel. The forms of Bond Counsel's opinions are attached in Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Taxable Obligations is contingent upon the sale and delivery of the Taxable Obligations. The legal opinions of Bond Counsel will accompany the Taxable Obligations deposited with DTC or will be printed on the definitive Taxable Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Haynes & Boone, LLP, Counsel for the Underwriters. The legal fee of such firm is contingent upon the sale and delivery of the Taxable Obligations.

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

The legal opinions to be delivered concurrently with the delivery of the Taxable Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed in those opinions. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Financial Advisor

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

Independent Auditors

The financial data listed as fiscal year 2014 has been derived from the unaudited internal records of the City. The City's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may differ from the audited financial statements when they are released.

The financial statements of the City included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the period indicated in their report.

Underwriting

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

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 Taxable Obligations if any Taxable Obligations 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. The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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 the Taxable Ordinances adopted by the City Council on August 28, 2014.

/s/

Mayor

City of Austin, Texas

ATTEST:

/s/

City Clerk

City of Austin, Texas

APPENDIX A

General Information Regarding the City

The following information has been presented for informational purposes only.

General Information

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor and six Councilmembers. Currently, the Mayor and Councilmembers are elected at large for three-year staggered terms with a maximum of two consecutive terms. The City Manager, appointed by the City Council, is responsible to them for the management of all City employees and the administration of all City affairs.

With the passage of amendments to the City Charter at an election held on November 6, 2012, several changes to the City Council will take place beginning with the November 2014 election. The City Council will expand from 7 to 11 members (10 who are residents of specific geographic districts, with the mayor elected citywide); elections will move from May to November in even-numbered years; and Council terms will lengthen from 3 years to 4. The City Auditor oversaw the process which resulted in selection of a 14-member Independent Citizens Redistricting Commission (the "Commission"). The Commission received extensive public input before certifying the final redistricting plan and delivering it to City Council in November 2013. Additional information may be found at <http://www.austintexas.gov/news/city-launches-website-assist-residents-single-member-districts> and http://www.austinredistricting.org/wp-content/uploads/2013/11/Austin_Final-Plan.pdf.

Austin, the capital of Texas, is the fourth largest city in the state (behind Houston, Dallas, and San Antonio) and the eleventh largest in the nation with a September 2013 population of 841,649, according to the City's estimates. Over the past ten years, Austin's population has increased by approximately 23.1% or 158,098 residents. Geographically, Austin consists of approximately 321 square miles. The current estimated median household income for Austin residents is \$49,227 according to Claritas, a Nielsen company. Austin's per capita income is estimated to be \$45,581 based on analysis of the Bureau of Economic Analysis information.

Austin is nationally recognized as a great place to live due in part to its diverse and eclectic population, as well as its promotion of a year-round outdoor active lifestyle. Austin draws its special character from its physical setting along the Balcones Escarpment, a city wedged between coastal plains and dramatic cliffs, canyons and juniper-carpeted rolling hills; it sits on the edge of the Chihuahuan desert existing as a physical and cultural oasis where talented, entrepreneurial, hard-working people are drawn from all over the world. Austin's quality of life has become its biggest economic development engine, and the City's diverse demographic structure serves to support and enrich its quality of life.

The City of Austin is fortunate to offer a host of broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with approximately 45% of adults 25 years of age or older holding a bachelor's or advanced degree, compared to 28.5% for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area, which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), the fifth largest public university in the nation, is known as a world-class center of education and research and was ranked 46th nationally and 16th among public universities in the 2014 U.S. News and World Report survey of undergraduate programs.

THE ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Local Economy

The Austin metropolitan area is consistently recognized among the most inventive, creative, wired, educated, fit, and loved cities in which to live and work. In February 2014, Forbes confirmed Austin's popularity as the City topped its list of America's Fastest-Growing Cities for the fourth year in a row. The City's demographer estimates that about 110 people move to the Austin metro area every day. The Austin metropolitan area is booming and the trends reflect it. From job growth to population growth to real estate, the trends are positive and are expected to continue in this manner into the near future.

In 2013, the Austin metropolitan area ranked number 1 in the Milken Institute Best-Performing Cities Index, which ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The index “was designed to measure objectively which U.S. metropolitan areas are promoting economic vitality based on job creation and retention, the quality of new jobs, and other criteria.”

The Texas economy continues to be strong. In September 2013, Forbes listed Texas as #2 in the list of Best States for Job Growth. Forbes has indicated that Texas is the only state “that ranks in the top five for both current economic climate and growth prospects.” Moody’s Analytics economic research firm expects employment to expand 3% annually through 2017 as Texas attracts businesses because of its regulatory environment, low taxes, and skilled workforce.

Employment - Virtually all Texas metro areas had more jobs in December 2013 than in December 2012. Texas’ employment growth at 2.3% continues to outpace the nation at 1.6%, and the Austin metro area is growing faster than both, at 2.8%. Austin’s unemployment rate was at 4.5% in December 2013, down from 5.0% in December 2012. The State and National unemployment rates in December 2013 were 6.0% and 6.7%, respectively.

Over the last four years, the Austin metro area has created more than 105,000 new jobs. This growth has been shared by all levels of wage earners. In 2013 and 2014 Forbes listed the area at or near the top of several lists including: “Best U.S. Cities for Future Job Growth”; “Cities Creating the Most Tech Jobs” (over 41% 2001 – 2013); “Cities Creating the Most Middle Class Jobs” (7.6% since 2007); and “Blue Collar Hot Spots” (10% since 2010).

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

Economic Development - The City’s economic development efforts have greatly contributed to job growth. In 2013, the City executed economic development contracts with National Instruments and Visa, Inc., resulting in 1,794 new full-time jobs and capital investment of \$107.3 million. In early 2014, City Council approved additional agreements which will result in 1,247 new full-time jobs. The combined economic impact of such agreements since the beginning of 2012 is over 7,700 direct jobs and \$476 million in capital investment.

Over the next several years a new medical school will be constructed at the University of Texas at Austin. The Board of Regents for the University of Texas System approved the creation of the Dell Medical School and pledged funds for its construction as well as for faculty recruitment and continuing support. The University is partnering with the Seton Healthcare Family, who will build a new teaching hospital that will replace University Medical Center Brackenridge, and Central Health (the Travis County Healthcare District) who will purchase services from the medical school for the population it serves. The plan is supported by a broad cross-section of the community including the voters who in November 2012 approved a proposition for Central Health to increase property taxes by \$.05 per \$100 of assessed value to help fund these initiatives. In January, the first Dean of the medical school was selected and the school is scheduled to accept its first class in 2016. An economic analysis by TXP, Inc. estimates the economic impact of the school to be almost \$1 billion in direct annual spending and 6,900 direct jobs.

Tourism - Austin continues to be a destination for both business and recreational activities. Austin is known around the world as the “Live Music Capital of the World” with over 250 live music venues. In March 2014, South by Southwest (SXSW) hosted its 27th annual festival, conference, and trade show, providing a unique convergence of original music, independent films, and emerging technologies. According to an economic impact analysis prepared by Greyhill Advisors, SXSW was responsible for injecting more than \$218 million into the Austin economy. In October 2013, the Austin City Limits Music Festival expanded to two weekends, increasing opportunities for attendance and compounding the economic impact which was estimated at \$102 million for the prior year.

The region’s tourism industry got a boost in the fall of 2012 with the completion of the Circuit Of The Americas™ (COTA) complex and Austin’s first ever United States Formula One™ Grand Prix race (F1). Three-day attendance for the F1 races in 2012 and 2013 exceeded 265,000 and 250,000, respectively. The COTA site is a state-of-the-art motorsports and entertainment venue constructed in southeast Travis County. In addition to being the first purpose-built Grand Prix facility in the United States, the complex houses a 40,000 square foot conference/media center, a 5,500 square foot medical center, and an amphitheater with 17,000 seating capacity. The facility operates throughout the year,

showcasing events such as F1, Australian V8 Supercars, MotoGP, American LeMans series, Motocross, motorsport clubs, concerts, and foot and bicycle races. In 2013, despite stiff competition from several other cities, the COTA facility in Austin competed for and was chosen as the location of ESPN's summer X Games. Austin will host this extreme sports and concert event for four years beginning in the summer of 2014. The COTA site was annexed by the City in 2013, resulting in an increase in the City's property tax base, sales tax revenues, and mixed beverage taxes.

The growing local economy in Austin relies on quality air service to foster business, government, and leisure travel. During 2013 Austin Bergstrom International Airport ("ABIA"), set a new record for annual traffic for the third consecutive year, a 6% increase over the previous year's record. For the first time, over 10 million passengers passed through ABIA, enjoying over 1,100 live music performances and 59 tons of brisket. Three new carriers inaugurated services at ABIA during the year; and in March 2014, British Airways offered the first transatlantic air service between London and Austin, facilitating connections with over 70 countries throughout Europe, Africa, the Middle East and Asia. To accommodate this growth, City Council recently approved the first step of a seven gate expansion project at ABIA.

Hotel occupancy is strong with 2013 city-wide occupancy rates at 72.5% and with downtown rates at 77%. As a result, hotel motel tax revenues continue to grow and in 2013 were 20% greater than the previous year. High occupancy rates have also spurred construction of new hotels in Austin, including JW Marriott, Westin, and Hotel Van Zandt, which will add in excess of 1,600 rooms downtown, an increase of over 25%. In addition the Fairmont Austin is in the final stages of permitting and is planned to have over 1,000 rooms.

Real Estate - All sectors of the real estate market are performing well. In 2013, building inspections almost doubled over 2012. Austin area home sales for 2013 were up 19% over 2012 and as of the end of December the market featured 2.0 months of housing, a historical low. As a result, the median price for a single family home is up about 9% over the previous year from \$205,000 to \$223,890. However, according to the National Association of Home Builders, Austin is in the mid-range of the major Texas cities when looking at overall housing affordability, which factors median family income into the equation. Multifamily occupancy rates are near 97%, rents per square foot are at an all-time high of \$1.21, and absorption over the year was almost 4,600 units. Occupancy is expected to remain stable in the 95% to 96% range despite the more than 9,000 new units scheduled for delivery in 2014. The office market is also strong with an average occupancy rate of almost 89% at the end of 2013. Further evidence of the strength of the office market is the sale of over six million square feet of office space in the second half of 2013.

Sales Taxes - Sales tax revenue has shown positive growth over the past four fiscal years. Fiscal year 2013 experienced a robust 7.3% increase over fiscal year 2012, which was an 8.6% increase over 2011.

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

America's Top Boomtown <i>Bloomberg</i> – April 2013	#1 Top 10 Cities to be a Moviemaker <i>MovieMaker</i> – March 2013	#1 Top 15 Aspirational Cities <i>The Daily Beast</i> – July 2013
#1 Best Cities for Job-seekers <i>NerdWallet</i> – January 2014	#1 Hottest U.S. Startup Scene <i>GoodApril.com</i> – July 2013	# 8 Best Run Cities in America <i>24/7 Wall St.</i> - January 2014
#7 World's 20 Most Dynamic Cities <i>City Momentum Index</i> Jones Lang LaSalle - January 2014	#1 Metro Areas with Most Economic Momentum Going Into 2014 <i>Forbes</i> – December 2013	#4 Best Big Cities for Women in the Workforce <i>NerdWallet</i> – May 2013
10 Up and Coming Cities for Entrepreneurs (International) <i>Forbes</i> – September 2013	Holiday Hotspots: Where to go in 2014 (International) <i>The Guardian</i> – January 2014	#1 2013 Small Business Friendliness Survey <i>Thumbtack.com</i> – June 2013

Major Initiatives

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

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

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

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

Being “best managed” means everyone in the organization is providing the best service possible to the community. The City is launching a city-wide customer service initiative, one of the City Manager's top priorities for the organization, to ensure that the provision of City services results in a positive customer experience for our citizens in addition to their service requests being met.

Imagine Austin - Austin residents share a sense of community pride and a determination that the City's vision is not just a slogan, but a reality for everyone who lives here. In 2012, after an extensive public process, the City Council unanimously voted to adopt Imagine Austin, the City's comprehensive plan for Austin's future. The plan defines where the City is today and where we want to go, setting a context to guide decision-makers for the next 30 years. The resulting plan adheres to 6 core principles established by our citizens:

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

Implementing this vision will take many incremental steps over time. Cross-departmental and cross-jurisdictional action teams have been created for these areas and the 2014 budget and capital plan included funding to support these principles. Further, a number of the initiatives discussed below also directly support Imagine Austin.

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

- Groundbreaking for the construction of a new 198,000 square-foot central library in May 2013. This “library for the future” will have advanced sustainable features and is expected to be completed in 2016;
- Extensive improvements to Shoal Creek in the Seaholm area to improve streambank stabilization, and complete the gap in the existing trail, facilitating bicycle and pedestrian use;
- Construction of a mixed-used development that will involve renovation and reuse of the historical and

- architecturally-significant Seaholm power plant. The offices of athenahealth, with whom the City recently executed an economic development incentive agreement, will be located in this development.
- Kick-off of the redevelopment of the Green Water Treatment Plant site with the sale and transfer of the first portion of the site to the development team who will construct a 38-floor mixed-use tower, including affordable living units. The first phase of this project also includes completion of the street grid in the district to enhance connectivity to Seaholm.

In 2014, the City will finalize construction of the Waller Creek Tunnel Project on the eastern edge of downtown. This mile-long stormwater bypass tunnel will address problems of flooding, erosion, and water pollution along lower Waller Creek. By taking nearly 28 acres of downtown land out of the 100-year floodplain, the project is expected to spur redevelopment and revitalization in the area. In addition, the City partnered with the Waller Creek Conservancy to create the Waller Creek District, a mile and a half long, 28 acre masterpiece park, along Waller Creek which spans from the mouth of Lady Bird Lake north to the University of Texas. The District, with construction now in progress, will include walking and bicycle paths, a 7,000 seat iconic event structure, specialized children's areas, meditation gardens and lattice bridges that provide connectivity across a creek which will now be turned into a healthy ecosystem.

Several miles from downtown, the City continues its public/private partnership to redevelop the site of the previous airport, Mueller. This 700 acre, vibrant, mixed-use urban village includes residential neighborhoods, retail, and office spaces, extensive parks, and trails. The development, which is sustainable, transit-oriented, and offers affordable housing opportunities, is about one-third complete and has a current assessed value of over \$450 million. Demand for housing at Mueller has been high due to its proximity to downtown and many amenities.

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

In 2013, Austin received a perfect score for its online transparency of economic development subsidies according to Good Jobs First, a Washington D.C.-based non-profit research center on economic development accountability. Last fall the City's government broadcasting channel was one of four nationally that received the "Excellence in Programming" award, from The National Association of Telecommunications Officers and Advisors "for actively supporting community programming's role in building stronger, more connected communities."

Innovation - In September 2013, the City's website, AustinTexas.gov was selected by Government Technology and the Center for Digital Government to receive a "Best of the Web" award in the city portal category. The first place award was given based on innovation, functionality, productivity, and performance and for having "...demonstrated the ability to adapt to the changing technology landscape, while creating first-class public and business services." The City also received a 2013 Driving Digital Government Award for the Austin Infrastructure Management, Mapping, Planning and Coordination Tool which provides key coordination of the mapping of infrastructure projects to identify possible conflicts and opportunities for collaboration reducing the City's infrastructure repair and rehabilitation costs.

Climate Protection - The City of Austin has long been a national leader in the climate protection arena through the efforts of City leaders, the city-owned electric utility, (Austin Energy), and the participation of customers from residential to other governmental entities and private businesses. As a result of these efforts and partnerships, Austin Energy led all public power utilities in the country for sales of renewable energy in 2012. In 2012, Austin became the first large city in America to power all of its city-owned buildings 100% with renewable energy, a goal set five years earlier. As a result, Austin received an EPA 2013 Climate Leadership Award for its achievement of this goal. The award recognizes high-quality leadership in response to climate change. Austin Energy also received the EPA's 2013 Energy Star Partner of the year Award for Sustained Excellence for outstanding contributions to energy efficiency for the ninth year in a row and was cited as having saved a combined 25 million kilowatt-hours of electricity annually through its energy efficiency programs. Finally Austin Energy won the International City/County Management Association, (ICMA) 2013 Program Excellence Award for Community Sustainability (for a large city) for its Green Building Program that promotes construction of more sustainable and eco-friendly homes and buildings.

FINANCIAL INFORMATION

Internal Controls

City management is responsible for establishing, implementing, and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

Financial Policies

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

Long-term Financial Planning

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

In addition, the City annually prepares a five-year Capital Improvement Project (CIP) Plan that outlines all capital projects in progress, those that will be implemented in the five-year horizon, and related funding sources. The City is currently developing a ten-year CIP Strategic Plan to look further into the future than the annual process. This plan, which should be complete within the next year, will focus on implementing Imagine Austin as well as other intersecting City initiatives and priorities through capital projects, and will improve the transparency of the City's long-term infrastructure plans.

On November 6, 2012, Austin voters approved a \$307 million general obligation bond program that includes transportation and mobility projects, as well as projects for open space and watershed protection, parks and recreation, public safety, health and human services, and library, museum and cultural arts facilities. This bond program will be overseen by the Council-appointed Bond Oversight Committee, which is charged with ensuring efficiency, equity, timeliness, and accountability in the implementation of the program. Additionally on November 5, 2013, voters approved \$65 million in general obligation debt for affordable rental and ownership housing as well as preservation of existing affordable housing stock.

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

Budgetary Control

The annual operating budget is proposed by the City Manager and approved by the City Council after public discussion. Annual budgets are legally required for the General Fund, debt service funds, and certain special revenue funds. While not legally required, annual budgets are also adopted for the enterprise and internal service funds. Annual updates to the

Capital Improvements Program budgets follow a similar process. Multi-year budgets are adopted for capital projects and grant funds.

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. As demonstrated by the statements and schedules included in the City's 2013 CAFR, the City continues to meet its responsibility for sound financial management. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS".

Budgetary Information

The 2014 Budget was developed in a manner true to the City's unwavering commitment to openness, transparency, and public engagement. The City's Budget is organized around activities and services. The budget development process integrates the City's finances with business planning, performance measurement, and resident input, thereby elevating budget discussions to meaningful conversations about outcomes that impact our residents. Input was gathered and evaluated to address the many issues, concerns, and priorities identified by Austin's citizens, employees, and Councilmembers. The result was a budget built around the ideals of livability, affordability and inclusivity that dictate the operations of our City government and form the basis of the budget.

The structurally balanced fiscal year 2014 Approved Budget totals \$3.3 billion and includes \$799.8 million for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services to the citizens of Austin. The 2014 budget was approved with a decrease to the property tax rate of .02 cents, from 50.29 to 50.27 cents per \$100 of taxable value. The approved tax rate balances the tax impact to property owners with the need to invest in our community and continue providing the outstanding services Austinites have come to expect.

Included in the approved budget are moderate pay increases for non-sworn employees and police officers of 1.5%. In addition non-sworn employees will receive an annual salary adjustment at mid-year of \$750. The budget also includes increases associated with step and longevity pay for sworn police personnel as required in the approved terms of the labor contract executed in June 2013. Labor contract negotiations with the firefighters are ongoing and adjustments to the budget may be required once the contract is completed; however, as agreed to in the expiring contract, funding was included to support a 1% annual increase to their retirement system. In November 2012, the citizens of Austin approved adoption of the Emergency Medical Services Personnel Civil Service Law. The first contract under this new law was finalized in September 2013 and is effective for the 2014 fiscal year. The approved contract provides for a pay increase of 1.5% as well as the costs associated with the creation of a step pay system for emergency medical services personnel.

The City's largest enterprise department, Austin Energy, is the eighth largest municipal-owned electric utility in the United States in terms of customers served. Austin Energy serves more than 420,000 customers within a service territory of approximately 437 square miles in the Greater Austin area. The approved budget for fiscal year 2014 is \$1.36 billion in annual revenues, including transfers. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources to meet the City Council goal of 35% renewable resources by 2020.

The City's second largest enterprise activity is the Austin Water Utility, which provides water and wastewater services to almost 218,000 customers within Austin and surrounding areas. The fiscal year 2014 budget projects revenues of \$544.9 million. Growth in revenue is the result of projected customer growth as well as a combined system-wide rate increase of 4.9% in consideration of mandatory restrictions as a result of the continued drought.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit that publishes a Comprehensive Annual Financial Report that meets the GFOA program standards. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2012 CAFR. The City has received this award for 6 consecutive

years. The certificate is valid for a period of one year only. City management believes that this 2013 CAFR conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA for review.

The City also received the GFOA Distinguished Budget Presentation award for the 2013 budget as well as a 2013 Certificate of Excellence in Performance Measurement from the ICMA.

Employment by Industry in the Austin Metropolitan Area (a)

Employment Characteristics

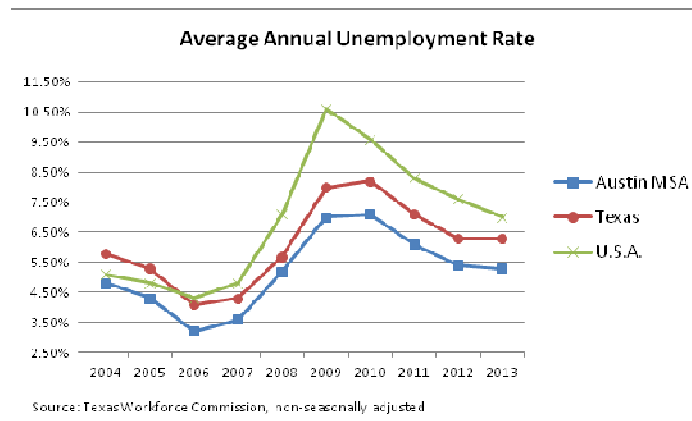
	<u>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>	
<u>Industrial Classification</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>
Manufacturing	49,500	6.5%	47,300	6.2%	49,500	6.5%	47,300	6.2%	51,200	6.0%
Government	167,900	22.1%	170,500	22.2%	167,900	22.1%	170,500	22.2%	164,100	19.3%
Trade, transportation & utilities	152,500	20.1%	134,200	17.5%	152,500	20.1%	134,200	17.5%	151,500	17.8%
Services and miscellaneous	304,000	40.0%	333,200	43.5%	304,000	40.0%	333,200	43.5%	394,000	46.2%
Finance, insurance and real estate	43,900	5.8%	42,300	5.5%	43,900	5.8%	42,300	5.5%	45,400	5.3%
Natural resources, mining & construction	<u>42,000</u>	<u>5.5%</u>	<u>39,000</u>	<u>5.1%</u>	<u>42,000</u>	<u>5.5%</u>	<u>39,000</u>	<u>5.1%</u>	<u>46,100</u>	<u>5.4%</u>
Total	<u>759,800</u>	<u>100.0%</u>	<u>766,500</u>	<u>100.00%</u>	<u>759,800</u>	<u>100.0%</u>	<u>766,500</u>	<u>100.00%</u>	<u>852,300</u>	<u>100.00%</u>

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

Source: Texas Labor Market Review, November 2013, Texas Workforce Commission.

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Average Annual Unemployment Rate



Note: Information is updated periodically; data contained in this document is latest provided.
Source: Texas Labor Market Review, November 2013, Texas Workforce Commission.

City Sales Tax Collections (In Millions)

Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-09	\$10.864	1-1-10	\$10.215	1-1-11	\$11.492	1-1-12	\$12.189	1-1-13	\$13.126	1-1-14	\$15.123
2-1-09	14.289	2-1-10	15.921	2-1-11	16.149	2-1-12	16.923	2-1-13	18.079	2-1-14	19.112
3-1-09	10.528	3-1-10	10.736	3-1-11	11.117	3-1-12	11.762	3-1-13	13.324	3-1-14	13.782
4-1-09	9.724	4-1-10	10.290	4-1-11	10.312	4-1-12	11.838	4-1-13	12.727	4-1-14	13.803
5-1-09	12.612	5-1-10	14.145	5-1-11	14.022	5-1-12	15.239	5-1-13	15.962		
6-1-09	11.213	6-1-10	11.533	6-1-11	11.941	6-1-12	12.949	6-1-13	12.869		
7-1-09	10.752	7-1-10	11.569	7-1-11	11.924	7-1-12	13.168	7-1-13	14.699		
8-1-09	13.495	8-1-10	12.799	8-1-11	14.387	8-1-12	15.371	8-1-13	16.088		
9-1-09	10.673	9-1-10	11.427	9-1-11	11.307	9-1-12	14.220	9-1-13	14.119		
10-1-09	11.037	10-1-10	11.562	10-1-11	13.385	10-1-12	13.960	10-1-13	14.644		
11-1-09	12.419	11-1-10	13.347	11-1-11	13.873	11-1-12	14.570	11-1-13	16.187		
12-1-09	11.165	12-1-10	11.216	12-1-11	12.004	12-1-12	14.373	12-1-13	14.192		

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

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

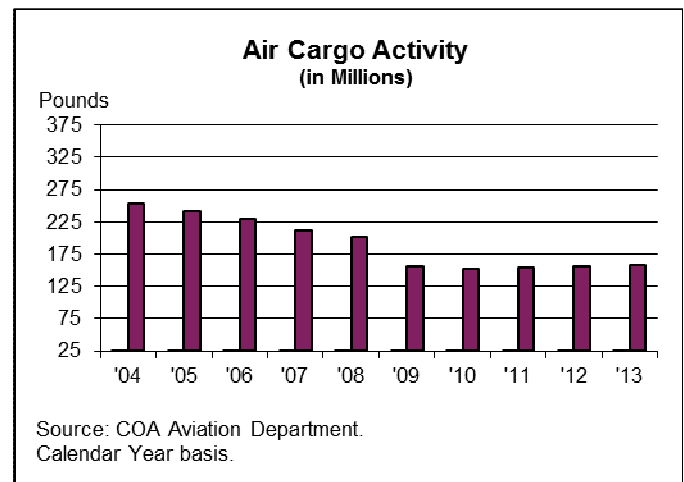
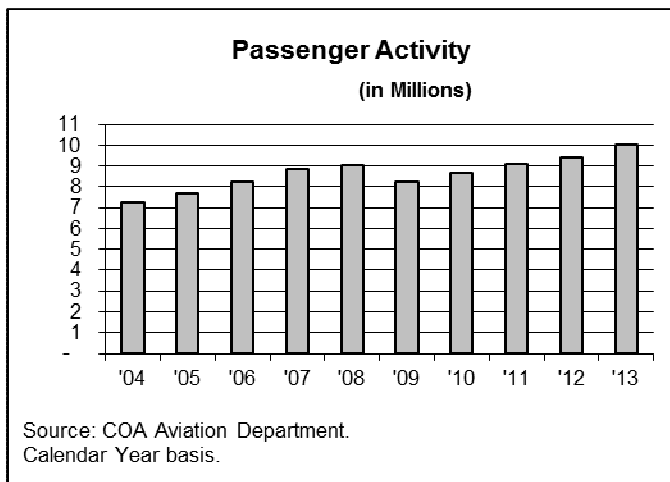
Source: City of Austin, Budget Office.

Ten Largest Employers (As of September 30, 2013)

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
State Government	State Government	36,948
The University of Texas at Austin	Education	24,183
Dell Computer Corporation	Computers	14,000
Seton Healthcare Network	Healthcare	12,609
City of Austin	City Government	12,372
Austin Independent School District	Education	11,465
HEB Grocery	Grocery/Retail	11,277
Federal Government	Government	10,500
St. David's Healthcare Partnership	Healthcare	7,950
IBM Corporation	Computers	6,500

Source: 2013 Comprehensive Annual Financial Report.

Transportation



Austin-Bergstrom International Airport

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

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

Other Forms of Transit

Rail facilities are furnished by Union Pacific and Longhorn Railway Company. Amtrak brought passenger trains back to the City in January 1973, as one of the infrequent stops on the Mexico City-Kansas City route. Bus service is provided by Greyhound and Kerrville Bus-Coach USA.

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

Demographic and Economic Statistics - Last Ten Years

<u>Year</u>	City of Austin <u>Population</u> (1)	Area of Incorporation <u>(Square Miles)</u> (1)	Population <u>MSA</u> (2)	Income (MSA) (thousands <u>of dollars</u>) (2)	Median Household Income <u>MSA</u> (3)	Capita Personal Income <u>MSA</u> (2)	Unemployment <u>Rate (MSA)</u> (4)
2004	683,551	291	1,423,161	\$46,134,871	\$39,227	\$32,417	5.1%
2005	695,881	294	1,464,563	51,058,588	40,335	34,863	4.5%
2006	714,237	296	1,528,958	56,105,872	40,888	36,695	4.2%
2007	732,381	297	1,577,856	59,924,200	42,263	37,978	3.7%
2008	746,105	298	1,633,870	65,153,669	46,340	39,877	4.4%
2009	770,296	302	1,682,338	64,383,075	47,520	38,270	6.8%
2010	778,560	306	1,727,661	67,582,224	48,460	39,118	7.1%
2011	805,662	308	1,780,708	74,168,909	46,689	41,651	6.8%
2012	821,012	319	1,834,303	78,695,523	46,436	42,902	5.8%
2013	841,649	321	1,912,746 (6)	84,931,866 (5)	49,227	44,403 (5)	5.3%
2004-2013 Change	23.13%	10.31%	34.40%	84.09%	25.49%	36.97%	

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

- (1) Source: City Demographer, City of Austin, Neighborhood Planning and Zoning Department based on full purpose area as of September 30.
- (2) Source: Bureau of Economic Analysis for all years except 2013 which will not be available until after first quarter 2014.
- (3) Source: Claritas, a Nielson Company.
- (4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30.
- (5) Data not available for 2013. Figures are estimated.
- (6) Source: PFM CBK – CBSA 2013.

Connections and Permits

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

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

Housing Units

The average rent for a two-bedroom apartment in the Austin area was \$1,190 per month, with an occupancy rate of 96.9% in December 2013, per Capitol Market Research.

Residential Sales Data

<u>Year</u>	<u>Number of Sales</u>	<u>Total Volume</u>	<u>Average Price</u>
2004	22,567	\$4,487,464,528	\$198,900
2005	26,905	5,660,934,916	210,400
2006	30,284	6,961,725,607	229,900
2007	28,048	6,910,962,480	246,400
2008	22,440	5,470,518,171	243,800
2009	20,747	4,924,240,373	237,300
2010	19,872	4,906,445,110	246,900
2011	21,208	5,336,642,011	251,600
2012	25,521	6,786,966,004	266,000
2013	30,419	8,714,544,439	286,500

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

Source: Real Estate Center at Texas A&M University.

City-Wide Austin Office Occupancy Rate

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

Source: Oxford Commercial.

Education

The Austin Independent School District had an enrollment of 85,363 for the 2013/2014 school year. The District includes 128 campus buildings.

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

Source: Austin Independent School District.

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

The University of Texas at Austin had a total enrollment of 52,059 for the fall semester of 2013 and is a major research university with many nationally ranked academic programs at the graduate level. It is also known for its library collections and research resources. The present site has expanded more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Pickle Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

Tourism

The impact of tourism on the Austin economy is significant. There are more than 271 hotels available within the Austin Metropolitan Area and year-to-date occupancy through February 2014 is 66.6%.

Existing City convention and meeting facilities include a Convention Center, which is supported by hotel/motel occupancy tax collections and revenues of the facility, and the Lester E. Palmer Events Center with 70,000 square feet of exhibit space. Other facilities in Austin include the Frank Erwin Center, a 17,000-seat arena at The University of Texas, the Texas Exposition and Heritage Center, the Austin Music Hall, and The Long Center for the Performing Arts. The Texas Exposition and Heritage Center offers a 6,000 seat arena and 20,000 square feet of banquet/exhibit hall facilities. The Austin Music Hall has a concert seating capacity of 3,000 and 32,000 square feet of exhibit space. The Long Center for the Performing Arts, a \$77 million venue, opened in March 2008. The Center contains two theaters: the 2,300-seat Michael and Susan Dell Hall and the flexible 240-seat Debra and Kevin Rollins Studio Theater. This venue belongs to the City, while a private nonprofit entity operates the building. The Austin City Limits Live at The Moody Theater is a state-of-the-art, 2,700+ person capacity live music venue that also serves as the home of the KLRU-TV produced PBS program Austin City Limits, the longest running music series in American television history. The venue hosts 60-100 concerts a year. Additionally, the University of Texas Darrel K. Royal-Texas Memorial Stadium was recently expanded to a seating capacity of 100,119.

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APPENDIX B

Audited Financial Statements

APPENDIX C

Forms of Bond Counsel's Opinions