

New Issue: Book-Entry-Only System

Ratings: Moody's: " " (outlook)

S&P: " " (outlook)

Kroll: " " (outlook)

(See "OTHER RELEVANT INFORMATION – Ratings")

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, except for any period during which a Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" to such a "substantial user," each within the meaning of section 147(a) of the Code and (ii) interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining a taxpayer's alternative minimum tax liability. See "TAX MATTERS" for a discussion of the opinions of Bond Counsel.

CITY OF AUSTIN, TEXAS

\$, ,000*

Airport System Revenue Bonds, Series 2022 (AMT)

Dated: May 1, 2022; Interest to accrue from Date of Initial Delivery

Due: November 15, as shown on the inside cover page

The \$, ,000* City of Austin, Texas Airport System Revenue Bonds, Series 2022 (AMT) (the "Bonds"), are limited special obligations of the City of Austin, Texas (the "City"), issued pursuant to an ordinance adopted by the City Council of the City on April 7, 2022 (the "Ordinance"). In the Ordinance, the City Council has delegated the authority to sell the Bonds to an Authorized Officer (as defined in the Ordinance), subject to the parameters set forth in the Ordinance.

The proceeds of the Bonds will be used for the purposes of (i) designing and constructing improvements to Austin-Bergstrom International Airport ("ABIA" or the "Airport"), as more fully described in "DESCRIPTION OF THE 2022-2028 PROJECT" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCE" and "APPLICATION OF BOND PROCEEDS" in this document.

Interest on the Bonds is calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from the Date of Initial Delivery (as defined below), and is payable on November 15, 2022 and semiannually thereafter on May 15 and November 15 of each year until maturity or prior redemption. The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System" in this document.

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

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

Potential Investors must read this entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Bonds is subject to certain investment considerations. See "CERTAIN INVESTMENT CONSIDERATIONS" in this document.

The Bonds are offered for delivery when, as and if issued, subject to receipt of the opinions of the Attorney General of the State of Texas and Bracewell LLP, Bond Counsel for the City. See "APPENDIX D – FORM OF BOND COUNSEL'S OPINION" in this document. Certain legal matters will be passed upon for the City by McCall, Parkhurst & Horton LLP, as disclosure counsel to the City, and for the underwriters listed below (the "Underwriters") by their counsel, Haynes & Boone, LLP. It is expected that the Bonds will be available for initial delivery to the Underwriters through the facilities of DTC on or about May 18, 2022 (the "Date of Initial Delivery").

Morgan Stanley
Loop Capital Markets

Ramirez & Co., Inc.
Raymond James

*Preliminary, subject to change.

\$, ,000*
CITY OF AUSTIN, TEXAS
Airport System Revenue Bonds, Series 2022 (AMT)

MATURITY SCHEDULE
Base CUSIP No. 052398 ⁽¹⁾

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield ⁽²⁾	CUSIP Suffix ⁽¹⁾
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\$ _____ % Term Bonds maturing November 15, 20____, priced to yield _____%⁽²⁾, CUSIP Suffix _____ ⁽¹⁾

(Interest to accrue from the Date of Initial Delivery)

- ⁽¹⁾ CUSIP numbers have been assigned to the Bonds by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the City, the Financial Advisors or the Underwriters are responsible for the selection or the correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark 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 CUSIP Services.
- ⁽²⁾ Initial yield priced to November 15, 20____, the first optional call date. See “DESCRIPTION OF THE BONDS – Redemption of the Bonds” in this document.

* Preliminary, subject to change.

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

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

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

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

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.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. These descriptions and summaries do not purport to be complete and all descriptions, summaries and references are qualified in their entirety by reference to this Official Statement in its entirety and to each document, copies of which may be obtained from the City or from PFM Financial Advisors LLC, 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.

Certain statements contained in this Official Statement, including the appendices, are not historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed in this document will be achieved, and actual results may differ materially from the forecasts described in this document. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The City specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except to the extent expressly required by the City’s continuing disclosure agreement described in this document. See “CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements” in this document.

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

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

References in this document to website addresses are not hyperlinks, and information and representations contained on such websites are not included in or incorporated into this Official Statement. This Official Statement is not to be construed as a contract between the City and Bondholders.

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CITY OF AUSTIN, TEXAS

Elected Officials

	<u>Term Expires Jan. 5</u>
Steve Adler	Mayor 2023
Natasha Harper-Madison	Councilmember District 1 2023
Vanessa Fuentes.....	Councilmember District 2 2025
Sabino “Pio” Renteria	Councilmember District 3 2023
José “Chito” Vela.....	Councilmember District 4 2025
Ann Kitchen	Councilmember District 5 2023
Mackenzie Kelly	Councilmember District 6 2025
Leslie Pool	Councilmember District 7 2025
Paige Ellis	Councilmember District 8 2023
Kathryne B. Tovo.....	Councilmember District 9 2023
Alison Alter	Councilmember District 10 2025

Appointed Officials

Spencer Cronk	City Manager
Veronica Briseño	Assistant City Manager
Ed Van Eenoo.....	Chief Financial Officer
Diana Thomas	Deputy Chief Financial Officer
Kimberly Olivares	Deputy Chief Financial Officer
Anne Morgan	City Attorney
Myrna Rios	City Clerk

BOND COUNSEL

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Austin, Texas

DISCLOSURE COUNSEL FOR THE CITY

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Dallas and Austin, Texas

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PFM Financial Advisors LLC
Austin, Texas

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Austin, Texas

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OFFICIAL STATEMENT

relating to
CITY OF AUSTIN, TEXAS
\$, ,000*

Airport System Revenue Bonds, Series 2022 (AMT)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the appendices to this Official Statement, is to set forth information concerning the City of Austin, Texas (the “City”), the Airport System (as defined in the Ordinance, as defined below), and the City’s Airport System Revenue Bonds, Series 2022 (AMT) (the “Bonds”). The Bonds are limited special obligations of the City issued pursuant to an ordinance adopted by the City on April 7, 2022, authorizing the issuance of the Bonds (the “Ordinance”). Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinance. The definitions of certain terms used in the Ordinance and in this Official Statement are included in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Selected Definitions” in this document.

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

The Bonds, together with the Currently Outstanding Revenue Bonds, are secured by and payable from a first lien on the Net Revenues of the Airport System. Under certain circumstances, the Ordinance permits the issuance of Additional Revenue Bonds that rank on a parity with the Currently Outstanding Revenue Bonds. The Bonds are being issued as Additional Revenue Bonds. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Additional Revenue Bonds” in this document. As defined in the Ordinance, the “Currently Outstanding Revenue Bonds” include the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019 Bonds, the Series 2019A Bonds and the Series 2019B Bonds. For a description of the outstanding principal balances of the Currently Outstanding Revenue Bonds, see “OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Outstanding Revenue Bonds” in this document. The Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds are referred to in the Ordinance as the “Revenue Bonds,” and the Ordinance, each Ordinance pursuant to which the Currently Outstanding Revenue Bonds were issued and any ordinance pursuant to which any Additional Revenue Bonds are issued, are collectively referred to as the “Revenue Bond Ordinances.”

COVID-19 Pandemic

General

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic (the “Pandemic”). Since then, many state and local governments in the United States have issued “stay at home” or “shelter in place” orders that severely restrict movement and limit social, business and other activities to essential functions. Most of these restrictions and limitations have been removed in the United States. However, the COVID-19 outbreak and resulting restrictions severely disrupted, and continue to disrupt, the economies of the United States and other countries. Business failures, worker layoffs and consumer and business bankruptcies have occurred and may continue.

The Pandemic has adversely affected domestic and international travel and travel-related industries and therefore airports have been acutely impacted by reductions in passenger volumes and number of flights, as well as by the broader economic shutdown resulting from the COVID-19 outbreak. Airlines have reported unprecedented reductions in passenger volumes and, although passenger traffic has improved since the initial outbreak, expect these lower passenger volumes to continue for the foreseeable future. In response, airlines have reduced flights in an attempt to match seat capacity to the decreased demand for air travel. Domestic leisure air travel has begun to recover slowly in the United States at many airports; however, business and international travel have been slow to recover.

The Delta, and more recently, the Omicron variants of COVID-19 significantly increased the number of cases in the United States and throughout the world. Although Delta and Omicron have subsided in the United States, it is uncertain how the Omicron or other variants will impact domestic and international air service, passenger levels and revenue assumptions at ABIA in FY 2022 and beyond. ABIA's FY 2022 Budget was developed prior to the increase in cases due to the Delta and Omicron variants. However, ABIA management believes that it has sufficient federal relief money available to offset potential negative impacts from these and any new variants.

Summary of U.S. Government Relief for Airports and the Airport

The United States government and the Federal Reserve Board have taken statutory and regulatory actions and implemented other measures to mitigate the broad disruptive effects of the COVID-19 outbreak on the U.S. economy. There have been three relief bills passed by Congress and signed by the President into law since COVID-19 began (collectively called "Federal Relief Proceeds").

The Coronavirus Air, Relief, and Economic Security Act (CARES or "CARES Act") was signed into law on March 27, 2020. The CARES Act provided \$10 billion of assistance to U.S. commercial airports. The Airport received a grant for [\$] of CARES Act funds that may be used for debt service and expenses.

The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) was signed into law on December 27, 2020. CRRSAA included approximately \$2 billion of financial relief for airports. The Airport received [two] grants under this legislation. The first grant for [\$] can be used for debt service and operating expenses. The second grant of [\$] is to be used to provide financial relief to in-terminal concessionaires, on-airport rental car companies and on-airport parking operations.

The American Rescue Plan Act of 2021 (ARPA) was signed into law on March 11, 2021, totaling approximately \$8 billion for airports. The Airport received [two] grants under this legislation. The first grant of [\$] is for debt service and operating expenses. The second grant of [\$] is to be used to provide financial relief to in-terminal concessionaires. These proceeds must be obligated by September 30, 2024.

The following table summarizes Federal Relief Proceeds received, the utilization and expected utilization of these proceeds. The Airport has used Federal Relief Proceeds to pay for debt service and to provide concessionaire relief as shown in the table below. [Discuss how CRRSAA funds were used to assist concessionaires – flowing through rate base, billing credits, MAG relief, etc. Is an estimated end date of rent relief known?]

The following table shows that the Airport budgets to have [\$] of Federal Relief Proceeds available at the end of Fiscal Year 2022. These remaining funds could be applied to Fiscal Year 2022, if necessary, if passengers and passenger related revenues fall below the Fiscal Year 2022 budget.

	Debt Service	Concessions	Total
Federal Relief Proceeds Available			
CARES			
CRRSAA			
ARPA			
Total Federal Relief Available			
Projected Uses			
FY20 Actual			
FY21 Actual			
FY22 Projected			
Available for future use			
Total Projected Uses			

Summary of Airport Actions Taken in Response to COVID-19

The Airport has taken many actions to mitigate the impact of COVID-19 on the airlines, concessionaires and rental car companies. These initiatives included cost reductions, deferring capital projects, deferring airline charges and providing rent and expense relief for concessionaires and rental car companies. [Describe generally how Federal Relief Funds were used.]

Impact of COVID-19 on Passengers and Operations

The following table shows passengers enplaned by month from January 2020 through March 2022 compared to the same months in 2019:

	2019	2020	2021	2022
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				

[Add discussion of suspended routes and added routes since the beginning of the pandemic]

Airport Liquidity and Financial Position

As of September 30, 2021, the Airport had \$____ million in unrestricted and discretionary reserves, including the Operation and Maintenance Reserve account. Based upon \$____ million in operating expenses (excluding depreciation), the Airport's days of cash on hand ("DCOH") was ____ at the end of Fiscal Year 2020-21 (September 30, 2021). By comparison, the Airport had \$____ million in unrestricted and discretionary reserves at the end of Fiscal Year 2018-19 and, based on \$____ million in operating expenses that Fiscal Year, the Airport had DCOH of ____ at the end of Fiscal Year 2018-19. As of April 30, 2022, the Airport's DCOH is approximately [____] based upon an estimated [\$____] million in unrestricted and discretionary reserves and budgeted Fiscal Year 2022 operating expenses (excluding depreciation) of [\$____] million .

In addition, the Airport maintains significant restricted reserves, including [\$____] million in PFC fund balance and [\$____] million in CFC reserves as of April 30, 2022.

Forward-Looking Statements and Projections

The statements and information under this heading "INTRODUCTION - COVID-19 Pandemic" contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The Airport cannot predict: (i) the duration or extent of the Pandemic or the occurrence of another outbreak or pandemic; (ii) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services to and from the Airport, or whether airlines will cease operations at the

Airport or shut down in response to such restrictions or warnings; (iii) what effect Pandemic-related restrictions or warnings may have on air travel, including to and from the Airport, and costs and revenues of the Airport System, including the Revenues; (iv) whether and to what extent the Pandemic may and continue to disrupt the local, state, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact construction, costs, sources of funds, schedule or implementation of the Airport System's capital improvement program or other operations of the Airport; (v) the extent to which the Pandemic or another outbreak or pandemic, or the resultant disruption to the local, state, national or global economy, may result in changes in demand for air travel, including long-term changes in consumer behavior, or may have an impact on the airlines or concessionaires serving the Airport or the airline and travel industry, generally; (vi) whether or to what extent the Airport System may or continue to provide deferrals, forbearances, adjustments or other changes to the Airport System's contracts with airlines and the concessionaires; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Airport.

Prospective investors should assume that the restrictions and limitations related to the Pandemic and the current upheaval in the air travel industry and the national and global economies may persist and possibly increase at least over the near term and recovery may be prolonged, thereby adversely impacting Revenues. Future outbreaks, pandemics or events outside the Airport System's control may further reduce demand for travel, which in turn could cause a continued decrease in passenger activity at the Airport and continued declines in Revenues.

Estimates, Forecasts and Projections

The estimates, forecasts and projections contained in this document reflect management's expected course of action from the date hereof through Fiscal Year 20__ and, in management's judgment, fairly present the Airport's expected financial results during such period based on the facts known to it as of the date hereof. However, any estimate, forecast or projection is subject to uncertainties; some assumptions might not be realized and unanticipated events and circumstances might occur. Therefore, differences between projected and actual results should be expected and those differences might be material and adverse to the Airport. None of the City, the management of the Airport System or any person acting on either of their behalf makes any warranty, express or implied, with respect to the information, assumptions or projections contained in this document. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" in this document.

Amendments to Revenue Bond Ordinances

The Ordinance includes amendments to the Ordinance and the existing Revenue Bond Ordinances. By acceptance of the Bonds, each Owner of a Bond (i) irrevocably and specifically consents to and approves amendments to the Ordinance and the existing Revenue Bond Ordinances described below, (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact to evidence such Owner's specific consent to and approval of the amendments described below, and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for such Owner. The amendments described below were so approved by the Owners of the Series 2019A Bonds and the Series 2019B Bonds, but have not been approved by the Owners of any other Currently Outstanding Revenue Bonds.

The amendments are as follows: amend the definition of "Debt Service Reserve Fund Surety Bond" in Section 2.01 of the Ordinance and the Revenue Bond Ordinances pursuant to which the Currently Outstanding Revenue Bonds were issued as shown below (deletions shown as strikethrough and additions underlined):

"Debt Service Reserve Fund Surety Bond" means any surety bond, letter of credit, line of credit or insurance policy having a rating in the highest respective rating categories by Moody's and Standard & Poor's issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance; provided that, at the time of delivery to the City, either the long-term unsecured debt of the issuer of the Debt Service Reserve Fund Surety Bond or the obligations insured, secured or guaranteed by such issuer are rated "Aa3" or higher by Moody's or "AA-" or higher by Standard & Poor's.

The amendments described above require the consent of the Owners of not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding. Upon the issuance of the Bonds, the percentage of holders of the Currently Outstanding Revenue Bonds and the Bonds who have consented or will have been deemed to have consented to the amendments described above is approximately ____%.*

* Preliminary, subject to change.

See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Amendments to Revenue Bond Ordinances” and “ – Amendments – Consent of Owners” in this document.

PLAN OF FINANCE

The proceeds of the Bonds will be used for the purposes of (i) designing and constructing improvements to Austin-Bergstrom International Airport (“ABIA” or the “Airport”), as more fully described in “DESCRIPTION OF THE 2022-2028 PROJECT” in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs incurred in connection with the issuance of the Bonds. See “APPLICATION OF BOND PROCEEDS” in this document.

DESCRIPTION OF THE 2022-2028 PROJECT

The projects to be funded in part with the proceeds of the Bonds are described below. In addition, the City currently intends to issue Additional Revenue Bonds in four phases, commencing in 2024 and ending in 2028, in an aggregate principal amount estimated to be approximately \$1.45 billion, to finance projects described below and not financed in full with proceeds of the Bonds and other sources. The projects described below are collectively referred to in “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT” (the “Report”) and in this document as the “2022-2028 Project.” There is no assurance that all of the components of the 2022-2028 Project will be funded in the manner described in this paragraph, if and when the proposed issue of Additional Revenue Bonds, currently anticipated to commence in 2024, will occur, and whether the amount estimated to be issued as Additional Revenue Bonds will be sufficient to fund the balance of the costs of the 2022-2028 Project not funded with proceeds of the Bonds and other sources. Estimated project costs and funding sources for the 2022-2028 Project are shown in “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A – 2 – CAPITAL IMPROVEMENT PROGRAM – PROJECT FUNDING BY SOURCE.”

The projects to be funded with proceeds of the Bonds include: design and construction of a new baggage handling facility at the Airport; design and construction of improvements to the Barbara Jordan Terminal (the “Terminal” or the “North Terminal”) at the Airport, including holdrooms, passenger boarding bridges, and service infrastructure; design and construction of ground holding facilities for busing passengers at the east end of the Terminal; design of a future midfield Concourse B terminal; demolition of buildings and infrastructure on the airfield, and construction of cross-midfield taxiways, and tunnels for access to the future midfield Concourse B terminal at the Airport; upgrades to the utility infrastructure on the airside and the South Campus of the Airport; demolition of buildings and related infrastructure to remove potential hazards and make room for construction on the airfield; design of a new passenger conveyance and utility tunnel to the future midfield Concourse B from the Terminal; and other miscellaneous improvements around the Airport. The estimated aggregate amount of the projects to be financed with proceeds of the Bonds is set forth in the Report of the Airport Consultant. See “REPORT OF THE AIRPORT CONSULTANT.”

A complete description of the projects comprising the 2022-2028 Project can be found in the Report of the Airport Consultant at “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – CAPITAL IMPROVEMENT PROGRAM.” See also, “THE AIRPORT SYSTEM – Airport Facilities” and “CAPITAL IMPROVEMENT PROGRAM” in this document.

APPLICATION OF BOND PROCEEDS

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

Sources:	
Principal Amount	
Original Issue Premium	
Total Sources	<hr/>
Uses:	
Deposit to the Project Account	
Deposit to Debt Service Reserve Fund	
Deposit to the Capitalized Interest Account	
Costs of Issuance ⁽¹⁾	
Total Uses	<hr/>

(1) Includes Underwriters' discount, rating agency fees and paying agent and legal expenses.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued in the aggregate principal amount and at the interest rates, and will mature in the amounts and on the dates, as set forth on the inside cover page of this Official Statement. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from their date of delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and will be payable on November 15, 2022, and on each May 15 and November 15 thereafter (each such date is referred to as an "Interest Payment Date") until maturity or prior redemption. The Bonds initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases by beneficial owners of the Bonds (the "Beneficial Owners") are to be made in book-entry form. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System" in this document.

Payment of the Bonds

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

Redemption of the Bonds

Optional Redemption

The City reserves the right, at its option, to redeem the Bonds maturing on and after November 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on November 15, 20__, or any date thereafter, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the City shall determine the maturities and amounts to be redeemed and,

if less than all of a maturity is to be redeemed, the Paying Agent/Registrar (or DTC, while the Bonds are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds, or portions thereof, within the maturity to be redeemed.

Mandatory Sinking Fund Redemption

The Bonds having a stated maturity of November 15 in the year 20__ (the “Term Bonds”), are subject to mandatory redemption in part prior to maturity at the redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption on November 15 in each of the years and in principal amounts as follows:

<div style="text-align: center;"> ____% Term Bond due November 15, 20__ </div>	
<u>Year</u>	<u>Principal Amount</u>

† Stated maturity.

At least 50 days prior to each mandatory redemption date of the Term Bond, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the stated applicable maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund; provided, that during any period in which ownership of the Term Bonds is determined only by a book entry at a securities depository for the Term Bonds, the particular Term Bonds shall be selected in accordance with the arrangements between the City and the securities depository.

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

Notice of Redemption

Not less than thirty (30) days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms and provisions relating thereto contained in the Ordinance. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of its redemption given, then on the redemption date the Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Bond shall cease to accrue from and after the redemption date of the Bond, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held by the Paying Agent/Registrar.

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

With respect to any optional redemption of Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of sufficient funds by the Paying Agent/Registrar on or before the date fixed for redemption, or on the satisfaction of any other prerequisites set forth in the notice of

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

Limitation on Transfer of Bonds Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, this limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

Defeasance of Bonds

The Ordinance provides that the City may discharge its obligation to the Owners of any or all of the Bonds to pay Debt Service, or any portion of the Debt Service, by (1) depositing with the Paying Agent/Registrar cash in an amount equal to the Debt Service of the Bonds to the date of maturity or redemption, or any portion of the Bonds to be discharged, or (2) depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of \$100,000,000 cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, the Bonds, or any portion thereof, will no longer be regarded to be Outstanding or unpaid.

“Defeasance Obligations” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (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, on the date the City Council adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (d) any other then authorized securities or obligations under applicable Texas law in existence on the date the City adopts or approves any proceedings authorizing the issuance of Refunding Revenue Bonds that may be used to defease obligations such as the Bonds. There is no assurance that the ratings for any Defeasance Obligation will maintain any particular rating category. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Discharge by Deposit” in this document.

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 Ordinance. See “DESCRIPTION OF THE BONDS - Paying Agent/Registrar” in this document. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Bonds are described in this Official Statement.

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative

of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

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

Paying Agent/Registrar

Interest on and principal of the Bonds will be payable, and transfer functions will be performed at the Designated Payment/Transfer Office designated to the City by the Paying Agent/Registrar, currently its Dallas, Texas corporate trust office. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office and any 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 the registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class postage prepaid, to the new registered owner or its designee. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System" above in this document for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS

Pledge of Net Revenues

The Bonds and the Currently Outstanding Revenue Bonds, together with any Additional Revenue Bonds (if and when issued), are secured by and payable from a first lien on the Net Revenues. The City covenants and agrees in the Revenue Bond Ordinances that Gross Revenues shall be deposited and paid into the special funds established and confirmed in the Revenue Bond Ordinances and shall be applied in order to provide for the payment of all Operation and Maintenance Expenses of the Airport System and to provide for the payment of Debt Service on the Revenue Bonds and Credit Agreement Obligations and the payment when due of Administrative Expenses. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Flow of Funds" below in this document.

“Gross Revenues” includes all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to all or any part of the Airport System, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Airport System, or otherwise, and includes, except to the extent expressly excluded below, all revenues received by the City from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation of the Airport System, interest and other income realized from the investment or deposit of amounts required to be transferred or credited to the Revenue Fund. “Gross Revenues” expressly excludes: (a) proceeds of any Revenue Bonds and Subordinate Obligations; (b) interest or other investment income derived from Revenue Bonds and Subordinate Obligation proceeds deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund; (c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies are received as payments for the use of the Airport System facilities; (d) any revenues derived from any Special Facilities (e.g., customer facility charges) which are pledged to the payment of Special Facilities Bonds; (e) insurance proceeds other than loss of use or business interruption insurance proceeds; (f) the proceeds of the passenger facility charge currently imposed by the City and any other per-passenger charge as may be lawfully authorized; (g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities; (h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes; (i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges are considered Gross Revenues; or (j) Other Available Funds transferred to the Revenue Fund as provided in the Revenue Bond Ordinances.

“Net Revenues” means that portion of Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System. Debt Service is payable prior to the payment of any Administrative Expenses. See “Flow of Funds” below. For the definitions of “Operation and Maintenance Expenses” and “Administrative Expenses,” see “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Selected Definitions” in this document.

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

As of the date of this Official Statement, there are no Credit Agreements or Credit Agreement Obligations in effect or outstanding, as applicable; however, the City may enter into Credit Agreements in the future. The City has reserved the right to issue, for any lawful Airport System purpose, obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS - Subordinate Obligations” below in this document. The City has issued, and reserves the right to issue, additional obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes (“General Obligation Airport Bonds”). General Obligation Airport Bonds may be paid from remaining Net Revenues only after the payment of all Revenue Bonds and Subordinate Obligations. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE - Funds and Flow of Funds” in this document. The City transferred Net Revenues to pay debt service on General Obligation Airport Bonds that matured in 2022. The City has no present intention of issuing any additional General Obligation Airport Bonds, but has reserved the right in the Revenue Bond Ordinances to do so in the future.

Use of Passenger Facility Charges

In the Revenue Bond Ordinances, the City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) \$4.50 derived from each passenger facility charge (“PFC”) so imposed and collected by the City for the payment of PFC-eligible debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the PFCs will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast

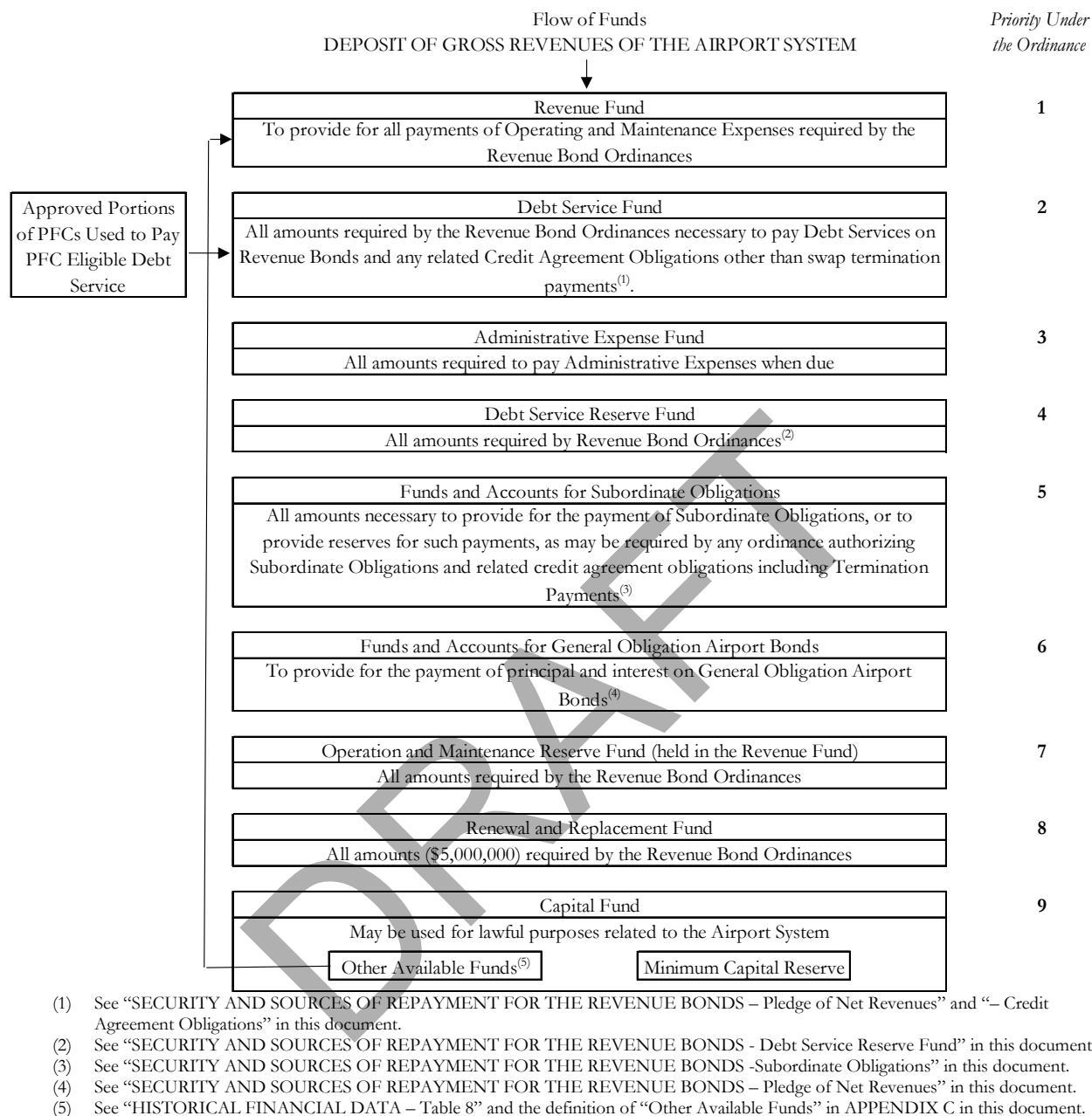
period as may be covered in the report from the Airport Consultant) to less than 125%. PFCs are currently being used to pay debt service on Revenue Bonds for PFC-eligible projects that have been approved by the Federal Aviation Administration ("FAA"). See "REGULATION – Passenger Facility Charges" in this document.

The City intends to seek approval from the FAA to use PFCs to pay a portion of the debt service on the Bonds. Upon approval, the City intends to set aside PFCs to pay PFC-eligible debt service on the Bonds in accordance with the covenant described above. The City is currently applying PFCs to portion of the debt service for Series []. See "CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval," "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit F" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Use of Passenger Facility Charges" in this document.

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

Flow of Funds

The Ordinance confirms special funds and accounts previously established, including the Revenue Fund and the other special funds and accounts described below, and provides that such special funds and accounts are to be maintained and accounted for so long as any Revenue Bond and related Credit Agreement Obligation remains Outstanding and Administrative Expenses remain unpaid. The Revenue Bond Ordinances require the City to deposit Gross Revenues as received into the Revenue Fund, and moneys in the Revenue Fund are required to be applied in the manner and order of priority set forth in the Revenue Bond Ordinances and described below. The Revenue Fund (including the Operation and Maintenance Reserve Fund), the Renewal and Replacement Fund, the Capital Fund and the Construction Fund (other than any Capitalized Interest Account in the Construction Fund) are maintained as separate funds or accounts on the books of the City and all amounts credited to the Funds and Accounts are maintained in an official depository bank of the City. The Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund are maintained at an official depository bank of the City or in a trustee bank designated by the City separate and apart from all other funds and accounts of the City. For descriptions of the special funds and accounts confirmed by the Ordinance and application of moneys in the Revenue Fund, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Funds and Flow of Funds" in this document.



Rate Covenant

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

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

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

Debt Service Reserve Fund

The Revenue Bond Ordinances establish a Debt Service Reserve Fund for the benefit of all Revenue Bonds and require that an amount equal to the Debt Service Reserve Fund Requirement be accumulated and maintained therein in accordance with the Revenue Bond Ordinances. The Revenue Bond Ordinances provide that the Debt Service Reserve Fund Requirement shall be computed and recomputed annually as a part of the City's budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with regulations promulgated under the Internal Revenue Code of 1986, as amended (the "Code"), exceed the least of (a) 10% of the stated principal amount of each issue of which the Revenue Bonds or Additional Revenue Bonds are a part, (b) the maximum annual principal and interest requirements of the issue or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that the additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code and the regulations promulgated under the Code from time to time.

Pursuant to the Revenue Bond Ordinances, Additional Revenue Bonds may only be issued if provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for additional payments into the Debt Service Reserve Fund sufficient to fund any an increase, if any, in the Debt Service Reserve Fund Requirement resulting from the issuance of such Additional Revenue Bonds. See "-Additional Revenue Bonds" below in this document.

The Revenue Bond Ordinances provide that the Debt Service Reserve Fund Requirement may be funded by depositing to the Debt Service Reserve Fund either (i) proceeds of the applicable Revenue Bonds or other lawfully appropriated funds or (ii) a Debt Service Reserve Fund Surety Bond. The City may substitute at any time a Debt Service Reserve Fund Surety Bond for the funded amounts in the Debt Service Reserve Fund and apply the funds released to any of the purposes for which the related Revenue Bonds were issued or to pay debt service on the related Revenue Bonds.

In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event the Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of that month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in the Debt Service Reserve Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below this amount or any Debt Service Reserve Fund Surety Bond

repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in amounts required to restore the Debt Service Reserve Fund to this amount and to pay reimbursement obligations within an 18 month period. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Funds and Flow of Funds – Debt Service Reserve Fund” in this document.

Upon the issuance of the Bonds, the aggregate Debt Service Reserve Fund Requirement will be approximately \$ *. The City will deposit a portion of the proceeds of the Bonds in the Debt Service Reserve Fund. Upon making this deposit, the Debt Service Reserve Fund will remain fully funded entirely with cash. See “APPLICATION OF BOND PROCEEDS” in this document.

Upon implementation of the amendments to the Ordinance and the Revenue Bond Ordinances described above in this document under “INTRODUCTION – Amendments to Revenue Bond Ordinances,” the definition of “Debt Service Reserve Fund Surety Bond” in Section 2.01 of the Ordinance and the Revenue Bond Ordinances will be amended to read as follows:

“Debt Service Reserve Fund Surety Bond” means any surety bond, letter of credit, line of credit or insurance policy issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance; provided that, at the time of delivery to the City, either the long-term unsecured debt of the issuer of the Debt Service Reserve Fund Surety Bond or the obligations insured, secured or guaranteed by such issuer are rated “Aa3” or higher by Moody’s or “AA-” or higher by Standard & Poor’s.

Remedies

If the City defaults in the payment of principal, interest or redemption price on the Bonds when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, or the City declares bankruptcy, the registered owners of the Bonds may seek a writ of mandamus to compel the City or City officials to carry out the City’s legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the courts, but may not be arbitrarily refused.

There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The City may exercise authority to issue obligations and enter into credit agreements pursuant to Chapter 1371, secured by the Net Revenues of the Airport System. In the proceedings authorizing the issuance of obligations or the execution and delivery of credit agreements, the City, in its sole discretion, may agree to waive sovereign immunity from suit or liability for the purposes of adjudicating a claim to enforce the obligation or credit agreement or for damages for breach of the obligation or credit agreement. However, the City has not waived the defense of sovereign immunity with respect to the Bonds under Chapter 1371. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the State legislature has effectively waived the City’s sovereign immunity from a suit for money damages outside of Chapter 1371, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants contained in the Ordinance. 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.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*,” and together with *Wasson I*, “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary

* Preliminary, subject to change.

function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

The City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenue, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce any other remedies available to the registered owners would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. See "CERTAIN INVESTMENT CONSIDERATIONS – Effect of a City Bankruptcy" in this document.

The Revenue Bond Ordinances provide that in the event of a payment default on any of the Bonds or a default in the performance of any duty or covenant provided by law or in the Revenue Bond Ordinances, the Owner or Owners of any of the Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Bonds, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Revenue Bond Ordinances, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds provided in the Revenue Bond Ordinances, and the application of such Gross Revenues in the manner required in the Revenue Bond Ordinances. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Particular Covenants" in this document.

Additional Revenue Bonds

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

The Revenue Bond Ordinances provide that the City may issue Additional Revenue Bonds payable from and secured on a parity with the Outstanding Revenue Bonds for any lawful Airport System purpose. However, the City may issue Additional Revenue Bonds only if, among other requirements, the following conditions are satisfied:

(a) The City Manager and the Aviation Director certify that, upon the issuance of such Additional Revenue Bonds, the City will not be in default under any term or provision of any Revenue Bonds then Outstanding or any ordinance pursuant to which any Revenue Bonds were issued unless the default will be cured by the issuance of the Additional Revenue Bonds;

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

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

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

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

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

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

The City will satisfy the requirements of paragraph (c) above in connection with the issuance of the Bonds.

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

In addition, Additional Revenue Bonds may only be issued if the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued provide for: (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds; and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by the Revenue Bond Ordinance authorizing such Additional Revenue Bonds. See "-Debt Service Reserve Fund" above in this document.

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

The Revenue Bond Ordinances further provide that the City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Project for which Revenue Bonds have previously been issued ("Completion Bonds"). Prior to the issuance of any series of Completion Bonds the City must provide:

(x) The certifications listed in paragraphs (a) and (b) above;

(y) a certificate of the consulting engineer engaged by the City to design the Project for which the Completion Bonds are to be issued stating that the Airport Project (defined below) has not materially changed in scope since the issuance of the most recent series of Revenue Bonds for such purpose (except as permitted in the applicable

ordinance authorizing the Revenue Bonds) and setting forth the aggregate cost of the Airport Project which, in the opinion of such consulting engineer, has been or will be incurred; and

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

"Airport Project" means the Airport or any other Airport System facility or project which is defined as an Airport Project in any ordinance authorizing the issuance of Additional Revenue Bonds for the purpose of financing the Airport Project.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Additional Bonds" in this document.

Credit Agreement Obligations

Pursuant to the Revenue Bond Ordinances, Credit Agreement Obligations are equally and ratably secured and are on a parity with Revenue Bonds; provided, that Termination Payments are payable as Subordinate Obligations.

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

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

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

As of the date of this Official Statement, the City does not have any Credit Agreements in effect or outstanding Credit Agreement Obligations, and does not currently intend to enter into a Credit Agreement or incur a Credit Agreement Obligation, but the City may enter into Credit Agreements in the future. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS - Contingent Payment Obligations" below in this document.

Contingent Payment Obligations

The City has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of the City to make payments contingent upon the occurrence or non-occurrence of certain future events, including events that are beyond the direct control of the City. These agreements include interest rate swap agreements and other similar agreements, letter of credit and line of credit agreements for advances of funds to the City in connection with its bonds and other obligations, and other agreements. See "Credit Agreement Obligations" above in this document. The contracts and agreements may provide for contingent payments that may be conditioned upon the credit ratings of the City and/or of the other parties to the contract or agreement, maintenance by the City of specified financial ratios, the inability of the City to obtain long-term refinancing for shorter-term obligations or liquidity arrangements, and other factors. The payments may be payable on a parity with debt service on the Bonds, including any

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

Subordinate Obligations

The City has reserved the right to issue or incur, for any lawful Airport System purpose, bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Bonds, Currently Outstanding Revenue Bonds, and any Additional Revenue Bonds. Although such obligations are referred to in the Ordinance as “Subordinate Obligations,” such obligations may bear any name or designation provided by the ordinance authorizing their issuance. Such Subordinate Obligations may be secured by any other source of revenues lawfully available for such purposes. The Revenue Bond Ordinances provide that Termination Payments in connection with Swap Agreements constitute Subordinate Obligations.

In connection with the issuance of its \$45,600,000 Austin-Bergstrom Landhost Enterprises, Inc. Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017, the City incurred a Subordinate Obligation, as further described in “OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Subordinate Obligation to Support Austin Airport Hotel Refinancing” in this document.

OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS

Outstanding Revenue Bonds

Seven series of Revenue Bonds are outstanding as of April 1, 2022: the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019 Bonds, the Series 2019A Bonds and the Series 2019B Bonds.

The Series 2013 Bonds are a fixed rate direct placement loan with Prosperity Bank with a final maturity of May 15, 2028. As of April 1, 2022, the outstanding principal amount of the Series 2013 Bonds was \$34,740,000. The Series 2013 Bonds were issued for the purposes of designing and constructing improvements to the Airport, making a deposit to the Debt Service Reserve Fund and paying certain costs of issuance.

The Series 2014 Bonds were publicly offered as fixed-rate bonds with a final maturity of November 15, 2044. As of April 1, 2022, the outstanding principal amount of the Series 2014 Bonds was \$244,495,000. The Series 2014 Bonds were issued for the purposes of designing and constructing improvements to the Airport, making a deposit to the Debt Service Reserve Fund, funding capitalized interest and paying certain costs of issuance.

The Series 2017A Bonds and the Series 2017B Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2046 for each series. As of April 1, 2022, the outstanding principal amount of the Series 2017A Bonds was \$185,300,000 and the outstanding principal amount of the Series 2017B Bonds was \$129,665,000. The Series 2017A Bonds and the Series 2017B Bonds were issued for the purposes of designing and constructing a new parking garage, expanding the passenger terminal, including the addition of new gates, and replacing or rehabilitating utility systems and other terminal infrastructure, making a deposit to the Debt Service Reserve Fund, funding capitalized interest and paying certain costs of issuance.

The Series 2019 Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2025. As of April 1, 2022, the outstanding principal amount of the Series 2019 Bonds was \$96,675,000. The Series 2019 Bonds were issued for the purposes of refunding outstanding Revenue Bonds and paying a termination payment with respect to an interest rate swap agreement executed in connection therewith, making a deposit to the Debt Service Reserve Fund, funding capitalized interest and paying certain costs of issuance.

The Series 2019A Bonds and the Series 2019B Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2049 for the Series 2019A Bonds and November 15, 2048 for the Series 2019B Bonds. As of April 1, 2022, the outstanding principal amount of the Series 2019A Bonds was \$16,975,000 and the outstanding principal amount of the Series 2019B Bonds was \$248,170,000. The Series 2019A Bonds and the Series 2019B Bonds were issued for the purposes of funding the terminal and apron expansion project that enlarged the adjacent aircraft parking apron and provided nine additional gates, the construction of a new parking garage with approximately 6,000 spaces, the purchase of the Lynxs Cargo Buildings, the construction of a new consolidated Maintenance Facility, and the construction of a new information technology building, making a deposit to the Debt Service Reserve Fund, funding capitalized interest and paying certain costs of issuance.

Special Facilities Bonds

The City has reserved the right to issue from time to time, in one or more series, Special Facilities Bonds as provided in the Ordinance to finance and refinance the cost of any Special Facilities, including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto, provided that such Special Facilities Bonds shall be payable solely from payments by Special Facilities lessees and/or other security not provided by the City. The Revenue Bond Ordinances provide that in no event will any Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. The City has issued and there is currently outstanding one series of Special Facilities Bonds, the City of Austin, Texas, Rental Car Special Facility Revenue Refunding Bonds, Taxable Series 2021 (the “Rental Car Special Facilities Bonds”). The Rental Car Special Facilities Bonds are payable only from certain pledged revenues, consisting of rental car daily usage fees charged and collected and to be charged and collected by concessionaire rental car companies using rental car facilities at the Airport pursuant to concession agreements, any contingent fees payable by concessionaires under such concession agreements, any amounts drawn under separate letters of credit delivered by concessionaires, rental payments for parking garage vehicle staging lanes and staging spaces required pursuant to such concession agreements and investment earnings on such revenues. The Net Revenues of the Airport System have not been pledged, and no other general or special revenues of the Airport System have been pledged, as security for the payment of the Rental Car Special Facilities Bonds. The Rental Car Special Facilities Bonds are not general obligations of the City. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Pledge of Net Revenues” and “AIRPORT REVENUES AND AGREEMENTS – Rental Car Company Agreements” in this document.

Subordinate Obligation to Support Austin Airport Hotel Refinancing

General

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

In 1999, ABLE issued: (1) senior lien Airport Hotel Bonds in the aggregate principal amount of \$38,785,000 secured by a senior lien pledge of hotel revenue, and (2) subordinate lien Airport Hotel Bonds in the aggregate principal amount of \$3,730,000 secured by a subordinate lien pledge of hotel revenue (collectively, the “Series 1999 Airport Hotel Bonds”). The Series 1999 Airport Hotel Bonds were limited obligations payable by ABLE solely from hotel revenue.

Between 2004 and 2018, the operation of the Airport Hotel did not generate sufficient cash flow to pay debt service on the Series 1999 Airport Hotel Bonds when due. The failure to pay debt service when due on the Series 1999 Airport Hotel Bonds was an event of default under the indenture authorizing the issuance of the Series 1999 Airport Hotel Bonds. In 2013, Austin-Bergstrom Acquisitions LLC, an independent entity not affiliated either with the City or ABLE, acquired a majority interest in the Series 1999 Airport Hotel Bonds.

Series 2017 Hotel Bonds

On November 1, 2017, ABLE issued its Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017, in the aggregate principal amount of \$45,600,000 (the “Series 2017 Hotel Bonds”), to effect the redemption and cancellation of the outstanding Series 1999 Airport Hotel Bonds, to finance improvements to the Airport Hotel, to fund a debt service reserve fund for, and to pay costs of issuance of, the Series 2017 Hotel Bonds. The Series 1999 Airport Hotel Bonds are no longer outstanding as of December 1, 2017, and all rights of the holders of the Series 1999 Airport Hotel Bonds have been extinguished. The Series 2017 Hotel Bonds are secured by a pledge of “Net Revenues,” which consist of gross revenues generated by the operation of the Airport Hotel, net of (1) operation and maintenance expenses, (2) administrative fees of the bond trustee, any consultant retained by ABLE in accordance with the proceedings authorizing the issuance of the Series 2017 Hotel Bonds, and ABLE, and (3) repair and replacement fund expenses, all as described in the proceedings authorizing the issuance of the Series 2017 Hotel Bonds. Further, in connection with the issuance of the Series 2017 Hotel Bonds, the City and ABLE entered into an agreement (the “Series 2017 Hotel Grant Agreement”) pursuant to which the City has agreed that, if there occurs a deficiency in the reserve fund securing the Series 2017 Hotel Bonds (the “Series 2017 Hotel Reserve Fund”) resulting from a reduction of the Series 2017 Hotel Reserve Fund to pay current debt service on the Series 2017 Hotel Bonds below the “Senior Debt Service Reserve Fund

Requirement” (defined in the Trust Indenture between ABLE and U.S. Bank Trust Company, National Association, as trustee, to mean (a) on November 1, 2017, the average annual principal and interest requirements for the Series 2017 Hotel Bonds and (b) on each Calculation Date (defined to mean October 1, 2022 and each fifth anniversary thereafter while the Series 2017 Hotel Bonds are outstanding), the Trustee shall provide to the City a reserve fund deficiency notice, and the City shall determine within 90 days after receipt of such deficiency notice whether surplus revenues held by the City under the terms of the Revenue Bond Ordinances (“Surplus Airport System Revenues”) are sufficient to replenish the Series 2017 Hotel Reserve Fund to the Senior Debt Service Reserve Fund Requirement. If Surplus Airport System Revenues are sufficient, the City will grant to ABLE, and shall transfer Surplus Airport System Revenues to the Trustee within 120 days of its receipt of the debt service reserve deficiency notice, in accordance with the terms of the Series 2017 Hotel Grant Agreement, for deposit to the credit of the 2017 Hotel Reserve Fund in an amount equal to such deficiency. The City’s obligation to make any grant payments pursuant to the Series 2017 Hotel Grant Agreement constitutes a Subordinate Obligation, and the sole source of money available to the City to make any such grant payment is Surplus Airport System Revenues. The Series 2017 Hotel Bonds have a final stated maturity date of October 1, 2036.

Grant Payments

Due to the Pandemic and its effect on the travel industry, ABLE did not generate sufficient revenues to cover the October 2020 debt service payment on the Series 2017 Hotel Bonds. Upon written notification from the Trustee of a deficit in the Series 2017 Hotel Reserve Fund, the City, in accordance with the provisions of the Series 2017 Hotel Grant Agreement, replenished the Series 2017 Hotel Reserve Fund to the full extent of the schedule set forth in the Series 2017 Hotel Grant Agreement. As of February 1, 2022, the City has provided \$4,834,116.14 in grant payments to ABLE to cover deficits in the Series 2017 Hotel Reserve Fund, as follows:

Series 2017 Hotel Bonds Debt Service Date	Grant Payment from the Airport
10/01/2020	\$ 1,561,040.73
04/01/2021	1,084,391.16
10/1/2021	<u>2,188,684.25</u>
Total	<u>\$ 4,834,116.14</u>

Currently, there exists sufficient funds in ABLE’s Debt Service Fund to cover the April 2022 debt service payment, but the City anticipates that it may receive a reserve fund deficiency notice with respect to a portion of the October 2022 debt service payment.

Operating Loan

In addition to the Series 2017 Hotel Grant Agreement, the City, acting through the Department of Aviation, and ABLE executed a loan agreement pursuant to the City’s authority under Chapter 380 of the Texas Local Government Code, in which the City agreed to loan an amount not to exceed \$2,600,000 to ABLE to cover Airport Hotel operating expense shortfalls and certain required administrative expenses resulting from the impact of the Pandemic. The City budget for the Fiscal Year ending September 30, 2021 appropriated \$2,600,000 from the Capital Fund to the Department of Aviation for such purpose. In connection with such loans, ABLE executed and delivered to the City a nonrecourse unsecured promissory note (the “Note”). The stated final maturity date of the Note is May 1, 2028. Under the loan agreement, a base amount of \$1,350,000 was set aside to cover past due invoices and near term operating cash shortfalls and the remaining \$1,250,000 is being held as a contingency line of credit in case of further economic downturns caused by the Pandemic. The full base amount of the loan of \$1,350,000 was provided to ABLE on August 9, 2021, but as a result of the recovery in hotel occupancy occurring earlier than anticipated, only \$824,599 was ultimately needed by ABLE to cover operating and administrative expense cash shortfalls. The remaining \$525,401 has been returned to the City and the \$824,599 remaining balance of the loan will be repaid by ABLE to the City in annual principal payments starting in 2025, or at the earliest possible date. The ability of ABLE to draw upon the contingency line of credit in the amount of \$1,250,000 and make any future requests for draws on the base amount expires on December 31, 2022. The City does not anticipate the need to make future advances to ABLE under the loan agreement, but if the need arises, it is expected the source of funds is expected to be the Capital Fund. The City’s obligation to make advances under this loan agreement does not constitute a Subordinate Obligation, and the City has no obligation to make such advances from Gross Revenues of the Airport.

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending September 30th	Outstanding Revenue Bonds	Plus: The Bonds			Total Debt Service
		<u>Principal</u>	<u>Net Interest</u> ⁽¹⁾	<u>Total</u>	
2022	\$ 73,517,738				\$ 73,517,738
2023	77,841,188				77,841,188
2024	77,675,513				77,675,513
2025	77,500,169				77,500,169
2026	77,307,600				77,307,600
2027	67,330,613				67,330,613
2028	72,654,344				72,654,344
2029	61,937,125				61,937,125
2030	61,903,250				61,903,250
2031	61,876,375				61,876,375
2032	61,862,750				61,862,750
2033	61,829,125				61,829,125
2034	61,807,125				61,807,125
2035	61,777,875				61,777,875
2036	61,742,750				61,742,750
2037	61,707,750				61,707,750
2038	61,673,500				61,673,500
2039	61,630,625				61,630,625
2040	61,599,250				61,599,250
2041	61,559,250				61,559,250
2042	61,520,500				61,520,500
2043	61,477,500				61,477,500
2044	61,429,625				61,429,625
2045	61,380,875				61,380,875
2046	41,610,500				41,610,500
2047	41,577,250				41,577,250
2048	17,599,125				17,599,125
2049	17,592,125				17,592,125
2050	17,399,375				17,399,375
2051	-				-
2052	-				-
2053	-				-
	<u>\$ 1,708,320,788</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
					<u>\$ 1,708,320,788</u>

(1) Interest is shown net of capitalized interest.

THE AIRPORT SYSTEM

The Airport primarily serves origin and destination (“O&D”) passengers. It is estimated that O&D passengers accounted for approximately 95% of enplaned passengers in the City’s fiscal year ended September 30, 2021 and the remaining 5% were connecting passengers. Approximately 99% of enplaned passengers in fiscal year 2021 were domestic passengers who live in or who were visiting the Airport System’s five-county service area and approximately 1% were international passengers. See “AIRPORT SERVICE REGION” and “AIRPORT ACTIVITY” in this document.

Airport Facilities

The Airport System is comprised of airport, heliport and aviation facilities or any interest therein owned, operated or controlled in whole or in part by the City and, as defined in the Revenue Bond Ordinances, includes Austin-Bergstrom International Airport (“ABIA” or the “Airport”), but expressly excludes any heliport or heliports operated by City departments other than the Department of Aviation and also excludes the Mueller Airport Property and the Austin consolidated rental car facility, which was constructed by the City with proceeds of special facility revenue bonds. ABIA is classified by the FAA as a medium hub airport and according to Airports Council International, ABIA is the 36th largest airport in the United States based on total passengers in calendar year 2020.

ABIA opened in 1999 at the site of the former Bergstrom Air Force Base, replacing Robert Mueller Municipal Airport. The 700-acre Mueller Airport site, approximately three miles from downtown Austin, has been redeveloped as a mixed-use urban community by the City under a public-private partnership agreement. The Mueller Airport property has no aviation facilities and is not part of the Airport System.

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

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

The Terminal is 964,000 square feet and contains four levels, including the expansion of the passenger terminal and addition of nine new gates.

Level 1, the baggage claim level, provides 149,000 square feet of space for baggage claim devices, lobby, and support facilities. The baggage claim level accommodates a 33,000-square-foot CBP facility for the processing of arriving international passengers.

Level 2, the apron level, provides 321,000 square feet of space for inbound and outbound baggage handling equipment and facilities, airline operations space, and other non-public areas. The apron level also provides a passenger holdroom for the ground-level loading of regional airline aircraft (Gate 13). The aircraft parking apron adjacent to the terminal provides approximately 96 acres for aircraft parking at the 34 terminal gates, as well as “remain overnight” parking positions.

Level 3, the concourse level, provides 393,000 square feet of space for airline check-in counters with lobby and queuing areas, airline offices, public circulation areas, passenger security screening facilities, concessions, passenger holdrooms, restrooms, and supporting facilities. The concourse provides 33 loading bridge-equipped aircraft parking positions (gates) capable of accommodating up to B-757-size aircraft in domestic service, one loading bridge-equipped gate (Gate 2) capable of accommodating widebody aircraft in international service and providing access to the CBP facility and to Gate 1 at the apron level.

Level 4, the mezzanine level, provides 94,000 square feet of space for Department of Aviation and other offices and for airline club rooms. Above the mezzanine level is a 7,000-square-foot penthouse level with mechanical rooms.

As described below in this document, the Airport also includes a second passenger terminal. The 30,000 square-foot South Terminal opened in April 2017. In March 2016, the City entered into a South Terminal concession and lease agreement with the parent company of LoneStar Airport Holdings, LLC for an initial 30-year term to redevelop and operate the South Terminal, as more fully described below. The South Terminal includes three aircraft gates, ticketing and check-in areas, a central passenger hold room, a TSA checkpoint, a baggage screening area, a baggage claim area, a food court and other passenger amenities. See “AIRPORT REVENUES AND AGREEMENTS – South Terminal Arrangements” below in this document.

Approximately 12,000 public and 1,500 employee parking spaces are provided on Airport property in the three-level parking Red Garage adjacent to the Terminal, a new Blue Garage, and in surface lots served by shuttle buses. The combined parking garages provide approximately 9,000 spaces for long-term, short-term, and valet public parking. The first level of the Red Garage is at the same level as the arrivals roadway and baggage claim level of the terminal. The third level of the Red Garage is at the same level as the departures roadway and concourse level of the terminal. The Blue Garage is adjacent to the CONRAC and the Red Garage and provides walking access to the Terminal via a walkway at the same level as the departures roadway.

The CONRAC garage provides 3,200 rental car spaces. The CONRAC garage was financed with the proceeds of Special Facilities Bonds payable primarily from customer facility charges (“CFCs”), and parking garage rental fees and concession fees. See “OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Special Facilities Bonds” above in this document and “AIRPORT REVENUES AND AGREEMENTS – Rental Car Company Agreements” below in this document.

Other facilities at the Airport include air cargo and general aviation facilities and facilities for Texas Department of Transportation flight services, Texas Air National Guard, an FAA terminal radar approach control facility, aviation support facilities (including fuel storage, maintenance, in-flight catering services and Department of Aviation operations, maintenance and engineering facilities), and non-aeronautical facilities.

AIRPORT MANAGEMENT

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

Jacqueline Yaft, Director of the Department of Aviation. Ms. Yaft is responsible for the City’s Department of Aviation. She has over 20 years of experience at some of the largest hub airports in the U.S., including the Los Angeles World Airports, Denver International Airport, and JFK International Airport. She has served in executive positions within operations management, airport safety and security compliance, and master plan implementation. At Los Angeles World Airports, she served as the Deputy Executive Director of Operations and Emergency Management and she led airport operations throughout a series of major infrastructure projects at Los Angeles International Airport. She received a Bachelor of Science degree in Aviation Management from Metropolitan State College of Denver and a Master of Business Administration degree from Embry-Riddle Aeronautical University. She is accredited as an International Airport Professional through the Global ACI-ICAO Airport Management Professional Accreditation Program.

Tracy Thompson, Esq., Airport Chief Officer, Administrative and External Affairs. Ms. Thompson is a licensed attorney in Texas and has more than 30 years of experience in airport management, airline management, and airport/aviation/transportation consulting practices. Prior to her position at ABIA, she held senior management and executive positions at American Airlines, Dallas Fort Worth International Airport, and Jacobs/LeighFisher. She has broad experience and expertise in the overall airport business management and revenue generation programs for airport operators. These programs include strategic business, financial and operating plans, airline affairs, regulatory and external stakeholder engagement and compliance matters, strategies for and negotiation of complex business initiatives. She also has coordinated major capital development programs, new airport commercial revenue initiatives, and airport programs related to internal business best practices and compliance. She earned B.B.A and J.D. degrees from Southern Methodist University and is a Certified Member of the American Association of Airport Executives.

Jamy Kazanoff, Assistant Director, Aviation Business Development & Customer Relations. Ms. Kazanoff is responsible for air service development for ABIA. She oversees the air service development and retention function and serves as the point of contact with Austin-area businesses and tourism stakeholder groups. She has been employed by the City’s Department of Aviation

for 28 years. Ms. Kazanoff has over 30 years of marketing and business development experience, serving in account executive positions with advertising agencies in the private sector. She is actively involved in ACI's International Air Service Committee, serving as Chairwoman in 2016. She is also active in ACI's Marketing and Communications Program, and a former Chairwoman for the group; the Austin Airport Task Force; and Austin Global Business Travel Association. She is a graduate of the University of Texas at Austin with a Bachelor of Journalism degree, Public Relations.

Brian L. Long, P.E., Airport Deputy Chief – Infrastructure. Mr. Long is responsible for leading the capital infrastructure management and delivery team and the asset management, purchasing and warehouse teams within the Development Program Area. He joined the City in May 2009 with Austin Water, the City's water and wastewater utility, before becoming the City's Capital Project Systems Officer in 2017, which led to his current position with ABIA at the beginning of 2020. His experience includes capital improvement program (CIP) management, business intelligence system integration, utility infrastructure engineering, asset management, GIS development, computer modeling, systems planning, infrastructure management, finance, and engineering & construction project, program and portfolio management. Prior to joining the City, he worked for the City of Houston, Lockwood, Andrews & Newnam, Inc., TxDOT, and other consulting firms. He earned his Bachelor of Science in Civil Engineering from the University of Texas at Austin and holds a Professional Engineer license.

Mukesh (Mookie) Patel, Chief Officer, Business and Finance. Mr. Patel has 27 years of airport, airline and consulting experience. He began his career at Kansas City International Airport as a property manager. His past experience includes capital program budget management for construction of Terminal 1 at JFK and International Terminal Building at SFO. He spent five years as an Airport Planner and Technology consultant and a decade working for Alaska Airlines in Seattle as a Corporate Real Estate/Airport Affairs Manager. Mr. Patel also spent time at Denver International Airport as the Senior Vice President for Airline and Commercial Affairs and is credited with driving the substantial airport gate expansion project business plan and administering the early operations of a new Westin Hotel. He also provided staff augmentation services to Alaska Airlines during the Alaska/Virgin merger on real estate transaction matters and prior to joining AUS was the Chief Aviation Administration Officer for the City of San Antonio Aviation Department. He is a Certified Member of the American Association of Airport Executives, a Certified Private Pilot and a graduate from Oklahoma State University with a BS in Aviation Management.

Rajeev Thomas, Deputy Chief - Finance. Mr. Thomas joined ABIA in 2017 and currently oversees the organization's financial short-term and long-term planning, development and monitoring of operating and capital budgets, accounting, securing funding, airline rate-setting and the airport's relationships with lending institutions, bondholders, and financial institutions. Prior to joining ABIA, he was a Finance Director with Charter Communications (Time Warner), Assistant Controller with a Instinet Corporation subsidiary and Motorola. He holds a Bachelor's degree in Finance from University of Illinois, Chicago and has 28 years of financial experience.

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

Ghizlane Badawi, Chief Operating Officer, Airport Operations. Mrs. Badawi is responsible for Airport operations, security, maintenance, strategic planning, talent acquisition, performance management, human resources and guest services. She has been employed by the City's Department of Aviation for over thirteen years, serving as Internal Auditor, Business Process Consultant Senior, Chief Administrative Officer, Deputy Chief Operating Officer and Assistant Director. Mrs. Badawi's previous work experience includes banking, insurance, auditing, consulting, information technology, sales, and customer service. She is an active member of the AAAE, ACI and Risk and Insurance Management Society ("RIMS"). She has a Bachelor of Business Administration and a Master of Business Administration. She has earned Aviation Safety and Security Certification from the Viterbi School of Engineering, University of Southern California, is a Certified Internal Controls Auditor, and has earned RIMS' certification as a Certified Risk Management Professional.

AIRPORT SERVICE REGION

Primary Service Region

The Airport's primary service region is the 4,220-square-mile, 5-county Austin-Round Rock-Georgetown Metropolitan Statistical Area (the "MSA"). According to the U.S. Department of Commerce, Bureau of the Census, the population of the MSA as of 2020 was 2,283,000. The Airport is primarily an O&D airport; approximately 95% of enplaned passengers (passengers boarding) at the Airport originated their air travel at the Airport and approximately 5% connected between flights during the City's fiscal year 2021. Approximately 53% of enplaned passengers live in the Airport's primary service region, and approximately 47% are visiting the service area. In general, the population and economy of an airport's service region are the primary determinants of passenger and cargo traffic through an O&D airport.

Nearby Airports

The Airport's secondary service region is defined by the location of (and airline service provided at) the nearest commercial service airports. The nearest airports classified as large or medium hub airports by the FAA are those serving San Antonio (a medium hub airport approximately 80 road miles to the southwest of the Airport), Houston (approximately 160 road miles to the east served by Houston Bush Intercontinental, a large hub, and Houston Hobby, a medium hub) and Dallas-Fort Worth (approximately 220 road miles to the north served by DFW International, a large hub, and Dallas Love Field, a medium hub).

AIRPORT ACTIVITY

Passenger enplanements for fiscal year 2020 were adversely impacted by the COVID pandemic, consistent with impacts on air travel throughout the United States. See "INTRODUCTION – COVID-19 Pandemic" in this document. Table 1 summarizes growth in the numbers of passenger enplanements at the Airport and the growth in enplanements per departures between the Airport's fiscal years 2012 and 2021. As shown in Table 1, passenger enplanements in fiscal year 2021 increased by 10.3% as compared to enplanements in 2020. For fiscal year 2022 (through March 1, 2022), enplaned passengers are up [] year to date from the same period in fiscal year 2021.

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

Fiscal Year	Enplaned Passengers	Annual Percent Increase (Decrease)	Aircraft Departures*				Passengers Enplaned per Departure
			Passenger Departures		Cargo Departures		
			Annual	Daily	Annual	Daily	
2012	4,662,738	3.0	48,372	133	2,915	8	91
2013	4,928,979	5.7	50,554	139	2,841	8	92
2014	5,275,464	7.0	51,877	142	2,866	8	96
2015	5,792,387	9.8	55,557	152	2,875	8	99
2016	6,180,464	6.7	56,349	154	2,936	8	104
2017	6,729,108	8.9	58,503	160	3,065	8	109
2018	7,739,811	15.0	65,000	178	3,067	8	119
2019	8,464,615	9.4	68,197	187	3,050	8	124
2020	4,723,544	(44.2)	46,830	128	3,246	9	101
2021	5,207,769	10.3	49,277	135	3,744	10	106

Note: Calculated percentages may not match those shown because of rounding.

*The format of the table has been changed from prior years to show the passenger and cargo aircraft departures separately. Due to the format change, starting in fiscal year 2018, passengers enplaned per departure is now calculated based on passenger departures only.

Table 2 presents, as of February 28, 2022, the U.S. and foreign-flag airlines providing scheduled passenger service, charter passenger service and all-cargo service at the Airport.

Table 2
List of Airlines

<u>Passenger Airlines</u>	<u>All-Cargo Airlines</u>
Aerovias de Mexico	ABX Air
Air Canada	Air Transport International
Alaska Airlines	Atlas Air
Allegiant Air (South Terminal)	Baron Aviation
American Airlines	Cargolux Airlines
British Airways	Federal Express
Delta Airlines	IFL Group Inc
Deutsche Lufthansa AG	Kalita Charters
Frontier Airlines (South Terminal)	Mountain Air Cargo
Hawaiian Airlines	Sun Country Airlines
JetBlue	Turkish Airlines
JSX Airline (Signature FBO)	United Parcel Services
KLM Royal Dutch Airlines	
Southwest Airlines	
Spirit Airlines	
Sun Country Airlines	
Swift Air	
United Airlines	
Virgin Atlantic Airways	

Note: Listed above are airlines with OAG scheduled, chartered or diversion operations with in the past year at the Airport or are scheduled to begin service within the next four months. Other charter operators may conduct operations at the Airport but not be included on the list above.

Source: City of Austin, Department of Aviation records.

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Table 3 presents the airlines' shares of enplaned passengers for fiscal years 2012-2021.

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

Airline	Share of enplaned passengers									
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Southwest	37.8 %	39.0 %	38.1 %	36.6 %	38.4 %	37.7 %	35.7 %	34.6 %	33.7 %	34.1 %
American	20.2	18.9	18.1	17.3	20.5	19.3	17.9	18.0	19.3	22.1
United	1.8	4.9	16.5	16.8	15.7	16.1	15.2	14.5	13.4	12.4
Delta	11.8	12.1	12.2	12.1	12.0	12.5	13.2	13.4	13.0	13.6
Spirit Airlines	-	-	-	-	-	-	-	3.2	6.0	4.9
Frontier ^(a)	2.3	1.7	1.8	2.8	2.5	3.3	6.4	5.5	4.2	2.0
Alaska Airlines	1.2	1.1	1.1	1.2	1.7	1.9	3.2	3.6	4.0	5.1
Jet Blue	6.2	6.4	5.6	4.8	4.5	4.4	3.8	3.3	3.2	3.6
Allegiant Air	-	-	0.6	1.0	1.3	1.8	1.9	1.2	1.1	1.6
British Airways	-	-	0.7	1.0	1.0	0.9	1.0	1.1	0.8	-
Deutsche Lufthansa	-	-	-	-	-	-	-	0.2	0.4	-
Air Canada	-	-	-	0.1	0.3	0.3	0.3	0.4	0.3	-
Aero Mexico ^(b)	-	-	-	-	-	0.2	0.3	0.3	0.3	0.1
Sun Country	-	-	-	-	-	-	0.1	0.2	0.2	0.2
Hawaiian Airlines	-	-	-	-	-	-	-	-	-	0.3
Norwegian Air UK	-	-	-	-	-	-	0.3	0.4	0.1	-
WestJet	-	-	-	-	-	-	-	0.1	-	-
Virgin America	-	0.3	0.9	1.8	1.6	1.2	0.3	-	-	-
Condor Airlines	-	-	-	-	0.1	0.1	0.1	-	-	-
VIA Airlines	-	-	-	-	-	-	0.1	0.1	-	-
Concesionaria Vuela Compania	-	-	-	-	-	-	0.1	-	-	-
Volaris	-	-	-	-	-	0.1	-	-	-	-
US Airways ^(c)	0.1	1.2	4.4	4.5	0.3	-	-	-	-	-
Transportes Aeromar	-	-	0.1	-	-	-	-	-	-	-
Continental ^(d)	8.1	2.6	-	-	-	-	-	-	-	-
	89.5 %	88.2 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Commuters ^(e)	10.5	11.8	-	-	-	-	-	-	-	-
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

*Airlines enplaning less than 0.1% of passengers not listed.

(a) Frontier declared bankruptcy in April 08; includes enplaned passengers both pre- and post-bankruptcy.

(b) Formerly America West; name change occurred during FY2007.

(c) Aero Mexico discontinued service during FY2008; resumed service during FY2016; declared bankruptcy in June 2020. Includes enplaned passengers both pre- and post-bankruptcy.

(d) Continental merged with United during FY2013.

(e) Prior to FY 2014, affiliates for Delta, United Airlines and US Airways were listed separately. Currently they are included with the mainline airlines.

Source: City of Austin, Department of Aviation records.

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Table 4 presents historical aircraft operations (landings and takeoffs) for fiscal years 2012 – 2021.

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

Fiscal Year	Air Carrier	Air Taxi/ Commuter	General Aviation	Military	Total Operations	Annual Increase / (Decrease)
2012	96,823	15,962	50,867	5,828	169,480	-5.9%
2013	101,006	16,979	52,582	6,698	177,265	4.6%
2014	103,710	17,289	51,231	6,994	179,224	1.1%
2015	112,079	15,830	54,401	7,771	190,081	6.1%
2016	114,150	16,194	51,231	10,435	192,010	1.0%
2017	120,242	15,181	52,709	9,830	197,962	3.1%
2018	132,334	17,198	48,742	9,774	208,048	5.1%
2019	139,470	16,296	43,820	8,697	208,283	0.1%
2020	97,567	13,909	36,444	4,916	152,836	-26.6%
2021	103,516	19,200	41,820	5,357	169,893	11.2%

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

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Table 5 presents historical aircraft landed weight (expressed in 1,000-pound units) for fiscal years 2012 – 2021. Landed weight, which is used to calculate landing fees, is recorded according to the aircraft’s certificated maximum gross landing weight, as determined by the FAA. Changes in landed weight affect the landing fee rates but under the airline agreements described below, increased landed weight does not increase landing fee revenue to the Airport but instead reduces the landing fee rate for the airlines. See “AIRLINE REVENUES AND AGREEMENTS – Passenger and Cargo Airline Agreements” below in this document.

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

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	Percent Increase (Decrease)
2012	5,394,633	420,904	5,815,537	1.0
2013	5,688,131	434,382	6,122,513	5.3
2014	5,958,437	433,629	6,392,066	4.4
2015	6,598,882	491,756	7,090,637	10.9
2016	6,940,667	481,109	7,421,776	4.7
2017	7,573,274	542,980	8,116,254	9.4
2018	8,756,890	528,280	9,285,170	14.4
2019	9,357,801	541,043	9,898,844	6.6
2020	6,437,026	577,166	7,014,192	(29.1)
2021	6,541,321	654,067	7,195,388	2.6

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

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AIRPORT REVENUES AND AGREEMENTS

As described below, in fiscal year 2021, approximately 51% of Airport revenues was derived from the Airport's agreements with the airlines for use by the airlines of the Airfield Area and for their use of exclusive, preferential and shared use space in the Terminal and aircraft loading positions on the Terminal apron. The Airfield Area, as defined in these agreements, includes the runways, taxiways and facilities at the Airport for the purpose of controlling and assisting arrivals, departures and operations of aircraft using the Airport. In general, rate-setting at the Airport for use of the Airfield Area is "residual" (the airlines have primary responsibility and risk for costs (including allocated debt service and coverage) and expenses and the benefit from non-airline revenues attributed to the Airfield Area). The Terminal and other non-Airfield Area parts of the Airport are "compensatory" (the City has the responsibility and risk) in connection with revenues and costs and expenses.

Passenger and Cargo Airline Agreements

Currently, there are seven airlines (the "Signatory Airlines") with a Use and Lease Agreement (collectively, the "Use and Lease Agreements") with the City. Collectively, the Signatory Airlines accounted for approximately 88% of enplaned passengers at the Airport in fiscal year 2021. The Use and Lease Agreements with five of the Signatory Airlines (American Airlines, Inc., Delta Airlines, Southwest Airlines, JetBlue, and United Airlines) have original expiration dates of September 30, 2021, but have been extended through September 30, 2022, pursuant to the first of two optional one year period extension terms.

Alaska Airlines and Spirit Airlines each executed Use and Lease Agreements with the City and became Signatory Airlines effective October 1, 2021. The expiration date of both of these Use and Lease Agreements is September 30, 2022. Because the effective date occurred at the start of fiscal year 2022, Alaska Airlines and Spirit Airlines are not included in the Signatory Airlines enplanements statistics for fiscal year 2021.

The City may elect to extend the Use and Lease Agreements from September 30, 2022 through September 30, 2023, if, as of June 30, 2022, the City receives individual written notifications from greater than 50% in number of the seven total Signatory Airlines requesting to extend the Use and Lease Agreements through September 30, 2023. The Airport and the Signatory Airlines have commenced discussions regarding new Use and Lease Agreements to be effective October 1, 2023.

All-cargo carriers and other passenger airlines that serve the Airport ("Non-Signatory Airlines") operate under Airline Use and Operating Agreements (the "Operating Agreements") that, with scheduled service, provide for use of the Airfield Area and the Terminal at the same rates as in the Use and Lease Agreements. An airline without a Use and Lease Agreement or Operating Agreement that lands at the Airport is charged a premium landing fee of twice the agreement rate.

Landing Fees

Landing fees for use of the Airfield Area are payable monthly and are calculated by multiplying the then-current landing fee rate by the total number of thousand pound units of the maximum gross landing weight of the Airline's aircraft making fee landings at the Airport during the prior month. Landing fee rates are calculated (A) by adding (i) direct and indirect operations and maintenance costs allocable to the Airfield Area; (ii) annual amortization charges attributed to the Airfield Area; (iii) debt service attributed to the Airfield Area on Revenue Bonds (net of PFCs) and on City general obligation bonds issued for the Airport, and 25% coverage of Revenue Bonds attributed to the Airfield Area; and (iv) the Airfield Area's prorated share of any fund deposits required by the Revenue Bond Ordinances; and (B) by subtracting fuel flowage fees paid separately by the airlines. The total requirement for the Airfield Area is then divided by the total of the Signatory Airlines' and Non-Signatory Airlines' forecast landed weights. The agreements with the airlines provide for a year-end adjustment to landing fee charges to take into account actual total landed weight, including non-signatory carriers' actual landed weight).

Airline Terminal Rent and Other Charges

Terminal rents, aircraft parking fees and other charges for exclusive, preferential and shared use of the Terminal and the Terminal apron and use of the CBP facility are calculated to take into account capital, operating, operating reserve and debt service (net of PFCs), debt service coverage and amortization costs allocated to the airline cost center and to Airline use. In addition to space rentals and apron parking fees, airline Terminal fees and charges include fees to cover attributed operating expenses and reserves for gate loading bridges and baggage makeup equipment.

Terminal Concession and Other Non-Airline Business Agreements

Non-airline Terminal revenue, parking and ground transportation revenue and other non-airline space and use leases and concession revenues at the Airport represented approximately 49% of the Airport's operating revenue in fiscal year 2021.

Terminal Concession Agreements

The City has concession lease agreements with non-airline entities that operate, provide services or occupy space in the Terminal. The City entered into twelve new concession agreements since the fiscal year (also referred to in this document as “FY”) ending September 30, 2018, including agreements with prime concessionaires, with 10-year terms. Two agreements began in the first half of FY18, five in the second half of FY19 and five more in the first half of FY20. The new concession agreements provide for the payment of rent and for payment of concession fees equal to the greater of (1) the minimum annual guaranteed (“MAG”) concession fee (generally, 85% of Concession Fees due for the immediately preceding full Contract Year -or (2) specified percentages of annual gross receipts (net of taxes and other items) from sales of different categories of products.

Due to the impacts of the Pandemic on the aviation industry, revenues from concessionaires and their ability to pay the contractually required MAG per their concession agreements were severely impacted in the second half of FY20 and first half of FY21. In an effort to assist with the financial impact, the Airport provided \$6.24M in MAG relief to the concessionaires in FY20 and \$5.98M in FY21, including earmarked funds for concessionaires in the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA).

Garage and Parking Agreements

The City receives revenue from approximately 18,000 public parking spaces at the Airport, consisting of parking spaces in Red Garage, the Blue Garage and surface lots, and also privilege fees from operators of approximately 6,400 off-site parking spaces. The Terminal parking garage and surface parking lots and the valet and shuttle services are managed by SP Plus Corporation pursuant to a five-year management contract that began in October 2016. The current contract is under the first option year of three – twelve month extension periods. Under the management contract, the operator is reimbursed for out-of-pocket expenses and receives a management fee. As noted below in Table 7, parking revenue is the largest component of the Airport’s non-airline revenues.

In addition to the parking garage and lots managed for the City by SP Plus Corporation, the City and Scott Airport Parking LLC entered into a 30-year public-private partnership arrangement for a multi-phased parking lot and pet hotel with a total of approximately 2,100 spaces on 64 acres of Airport property. That arrangement requires the developer to pay percentage rent of between 1% and 10% of parking revenue and the greater of a MAG or 1% to 10% of pet hotel gross revenues.

Rental Car Company Agreements

The City has concession agreements with each of the nine on-site Airport car rental companies that operate at the consolidated rental car facility (the “CONRAC”), and each of those nine companies is also a subtenant under the City’s master lease agreement with Austin CONRAC LLC. In addition to responsibilities related to the City’s bonds for the CONRAC, the concession agreements provide for payments by the rental car companies to the City of privilege fees in the amount of 10% of the rental car company’s gross receipts as defined in the concession agreement (or if greater, a Minimum Annual Guaranteed Concession Fee (“MAG”) equal to 85% of the concession fee due for the immediately preceding concession agreement year) for the privilege of operating at the Airport and also require payments of ground rental fees for storage and maintenance facilities.

As described above, the rental car companies also agree to collect CFCs from all rental car customers, and to hold in trust and pay the CFCs to the trustee for the Special Facilities Bonds and to make lease and other payments in connection with the Master Lease and financing of the Special Facilities Bonds.

Two concessionaires and lessees at the Austin CONRAC facility at the Airport filed for Chapter 11 bankruptcy protection in May 2020. The Hertz Corporation, which filed on May 22, 2020, operates the Hertz Car Rental, Dollar Car Rental, and Thrifty Car Rental franchises at the Airport. As of February 8, 2021, The Hertz Corporation assumed all its concession agreements and subleases and has since cured all pre- and post petition obligations. Advantage Holdco Inc., which filed on May 26, 2020, operated the Advantage Rent a Car and E-Z Rent a Car franchises at ABIA. The City is a creditor in the proceeding, and estimates its pre-petition claim to be \$44,438 and post-petition claim to be \$18,235. Advantage rejected both concession agreements and subleases and ceased operations at the Airport on June 30, 2020, making it unlikely that its obligation to the City will be fully recovered. The failure to receive the fees addressed in Advantage Holdco Inc.’s pre-petition claim by the City is not expected to impact the City’s ability to repay obligations payable from the fees pledged to their payment. The City also collects privilege fees from off-Airport rental car companies in the amount of 10% of the companies’ gross receipts as defined in the concession agreement (or if greater, a MAG equal to 85% of the concession fee due for the immediately preceding concession agreement year) for operating at the Airport.

The Pandemic greatly impacted the rental car company revenues and their ability to pay the contractually-required MAG per their respective concession agreements in the second half of FY20 and first half of FY21. In an effort to mitigate the financial impact of the Pandemic, the Airport provided \$2.34M in MAG relief to rental car concessionaires in FY20 and \$666K in FY21, including concessionaire relief funds from CRRSAA.

Ground Transportation

The City charges permit and access or trip fees for use of Airport and Terminal access roadways by taxis, shuttles, limousine services, charter service vehicles and transportation network companies.

General Aviation Agreements

The City has entered into 30-year leases with two fixed-base operators (“FBOs”) for the operation and management of general aviation hangar facilities and taxiways at the Airport. A third FBO is currently under construction. The City receives ground rent, which may be increased annually if the CPI increases, and also a fee for each gallon of fuel delivered to the FBO facility (“fuel flowage fees”).

South Terminal Arrangements

In March 2016, the City entered into a 30-year Lease and Concession Agreement (the “South Terminal Agreement”) with the parent company of LoneStar Airport Holdings LLC (the “Concessionaire”) to outsource the rehabilitation, development and operation of the South Terminal as a Limited Service Terminal, a terminal that is constructed and operated with fewer operational amenities (such as gates without passenger loading bridges) and that will support a lower cost structure. The South Terminal opened in April 2017.

In addition to completing and operating the South Terminal, the Concessionaire has agreed to pay to the City rent equal to the greater of (1) \$300,000 per year, increased by any increases in the CPI (“fixed rent”) or (2) variable rent equal to a percentage of annual lease year gross revenues, as defined in the South Terminal Agreement, based upon the number of originating enplaned passengers enplaning at the South Terminal during the lease year. The percentage for the calculation of variable rent ranges from 0% of gross revenue for 0-399,000 enplaned passengers to 20% of gross revenue for more than 1,299,999 enplaned passengers. In fiscal year 2021, there were 185,819 enplaned passengers at the South Terminal.

The South Terminal Agreement requires the Concessionaire to prepare an FAA-compliant leasing program and permits the Concessionaire to determine and to charge various fees to air carriers using the South Terminal and for aircraft parking, to provide fee incentives and in lieu of permitting rental car companies to enter into separate agreements with the Concessionaire, provides for City to share rental car revenue (not including CFCs) based upon the number of enplaned passengers at the South Terminal. The revenue sharing amounts (which are to be treated as “gross revenue” when calculating variable rent) are to be payable monthly.

Frontier Airlines and Allegiant Air have relocated from the Barbara Jordan Terminal to the South Terminal, freeing up gate space at the Barbara Jordan Terminal while allowing the two carriers to reduce their operating costs and potentially increase services at the Airport. As of January 2022, these two air carriers were scheduled to operate approximately 42 weekly departures.

To implement certain future projects consistent with the Airport Expansion Development Program for the Airport (see “DESCRIPTION OF THE 2022-2028 PROJECT – Master Plan Projects” in this document), terminating the South Terminal Agreement and razing the South Terminal will be necessary. On July 13, 2021, the Department of Aviation sent a memorandum (the “July 13 Memorandum”) to the City Council providing an update on the Airport Expansion and Development Program, which will require the closure and removal of the South Terminal. The July 13 Memorandum provided notice that the City intends to terminate existing leasehold interests in the South Terminal by July 2023, which date is within two years of the date the July 13 Memorandum was sent to the City Council. The costs of terminating, and acquiring any interests in, the South Terminal Agreement are included in the projected costs of the 2022-2028 Project described in the Report of the Airport Consultant.

See “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Attachment – Other Revenues – South Terminal” for a description of assumptions made by LeighFisher (the “Airport Consultant”) considering the impact the termination of the South Terminal Agreement may have on projected Gross Revenues of the Airport.

HISTORICAL FINANCIAL DATA

The City, as operator of the Airport System, currently accounts for its activities according to generally accepted accounting principles through an enterprise fund. Table 6 represents the historical operating results of the Airport enterprise fund for fiscal years 2017 through 2021 based on the audited financial statements of the City, as reported on by the City's independent auditors. The City's audited financial statements for the fiscal year ended September 30, 2021 are included as APPENDIX B in this document.

Table 6
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings/Net Position
City of Austin, Texas
Airport Fund

(Fiscal Year Ended September 30)
(in thousands)

	2017	2018	2019	2020	2021
Revenue					
User fees and rental	\$ 149,333	\$ 167,284	\$ 180,290	\$ 144,637	\$ 155,711
Operating revenues	<u>149,333</u>	<u>167,284</u>	<u>180,290</u>	<u>144,637</u>	<u>155,711</u>
Expenses					
Operating expenses before depreciation	102,885	118,126	131,754	136,824	121,776
Depreciation and amortization	<u>26,667</u>	<u>33,723</u>	<u>35,220</u>	<u>42,470</u>	<u>44,155</u>
Total operating expenses	<u>129,552</u>	<u>151,849</u>	<u>166,974</u>	<u>179,294</u>	<u>165,931</u>
Operating income before nonoperating revenues (expenses) and operating transfers	<u>19,781</u>	<u>15,435</u>	<u>13,316</u>	<u>(34,657)</u>	<u>(10,220)</u>
Nonoperating revenues (expenses)					
Interest and other revenues	3,907	7,542	14,296	8,435	-
Interest on revenue bonds and other debt	(30,058)	(33,318)	(33,793)	(40,209)	(39,973)
Interest capitalized during construction	1,893	-	-	-	-
Passenger facility charges	29,100	30,142	33,168	17,373	22,366
Cost (recovered) to be recovered in future years	-	-	-	-	-
Other nonoperating expenses	<u>(1,859)</u>	<u>(375)</u>	<u>(2,635)</u>	<u>23,111</u>	<u>25,161</u>
Total nonoperating revenues (expenses)	<u>2,983</u>	<u>3,991</u>	<u>11,036</u>	<u>8,710</u>	<u>7,554</u>
Income (loss) before contributions and transfers	22,764	19,426	24,352	(25,947)	(2,666)
Capital contributions	14,751	7,593	13,453	8,778	8,272
Transfers in	-	-	-	-	-
Transfers out	<u>(33)</u>	<u>(182)</u>	<u>(482)</u>	<u>(24)</u>	<u>(41)</u>
Change in net position	37,482	26,837	37,323	(17,193)	5,565
Total net position, beginning	<u>578,398</u>	<u>575,280</u> ⁽¹⁾	<u>602,117</u>	<u>639,440</u>	<u>622,247</u>
Total net position, ending	<u>\$ 615,880</u>	<u>\$ 602,117</u>	<u>\$ 639,440</u>	<u>\$ 622,247</u>	<u>\$ 627,812</u>

(1) As restated, due to the implementation of GASB Statement No. 75.

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The information in the following table was derived from financial information maintained by the City's Department of Aviation, which was prepared according to generally accepted accounting principles. Table 7 presents the Airport revenue detail for fiscal years 2017 through 2021. The City's audited financial statements for the fiscal year ended September 30, 2021 are included as APPENDIX B in this document.

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Airline Revenue					
Landing Fees	\$27,301	\$28,302	\$30,827	\$29,023	\$29,407
Terminal Rental & Other Fees	34,628	43,640	46,398	44,677	46,173
Total Airline Revenue	<u>\$61,929</u>	<u>\$71,942</u>	<u>\$77,226</u>	<u>\$73,700</u>	<u>\$75,580</u>
Non-Airline Revenue					
Parking	\$40,542	\$40,092	\$41,138	\$23,293	\$27,724
Other Concessions	28,175	32,044	35,427	23,890	28,408
Other Rentals and Fees	18,687	23,206	26,499	23,753	23,999
Total Non-Airline Revenue	<u>\$87,404</u>	<u>\$95,342</u>	<u>\$103,064</u>	<u>\$70,937</u>	<u>\$80,130</u>
Total Revenue	<u><u>\$149,333</u></u>	<u><u>\$167,284</u></u>	<u><u>\$180,290</u></u>	<u><u>\$144,637</u></u>	<u><u>\$155,711</u></u>

Source: City of Austin, Department of Aviation

Appendix A uses data calculated as per the Revenue Bond Ordinances, which may differ from amounts paid and/or presented in the City's Annual Comprehensive Financial Report ("ACFR").

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The information set forth in Table 8 was derived from financial information maintained by the City. The following table presents the historical debt service coverage information for the Outstanding Revenue Bonds for fiscal years 2017 through 2021. The amounts shown in Table 8 were determined in conformity with the requirements of the Ordinance and the Revenue Bond Ordinances. Pursuant to the terms of the Ordinance and the Revenue Bond Ordinances, “Gross Revenues,” “Operation and Maintenance Expenses,” “Administrative Expenses” and certain other amounts specified therein are not measured according to generally accepted accounting principles for purposes of the rate covenant and other provisions of the Ordinance and the Revenue Bond Ordinances. See the definitions of such terms in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE” in this document.

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

	2017	2018	2019	2020	2021
Gross Revenues	\$ 154,570	\$ 176,235	\$ 191,166	\$ 174,257	\$ 186,715
Other Available Funds ⁽¹⁾	4,830	5,469	6,107	7,446	11,178
Funds Available to Pay Debt Service	\$ 159,400	\$ 181,704	\$ 197,273	\$ 181,703	\$ 197,893
Operating Expenses ⁽²⁾	(94,139)	(108,045)	(118,610)	(118,053)	(101,963)
Net Available Revenue	\$ 65,261	\$ 73,659	\$ 78,663	\$ 63,650	\$ 95,930
Debt Service ⁽³⁾	\$ 19,319	\$ 21,875	\$ 24,429	\$ 29,783	\$ 44,710
Coverage	3.38	3.37	3.22	2.14	2.15

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

Source: The City of Austin.

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Historical Debt Service Coverage Information Contained in Audited Financial Statements

As described above, the amounts shown in Table 8 were determined in conformity with the requirements of the Ordinance and the Revenue Bond Ordinances. The debt service coverage reported in Note 6.c. on page 79 and in Table 17 of the statistical section of the audited financial statements include Other Available Funds as being 25% of the net debt service on the Revenue Bonds, after deducting the amount of PFCs used to pay debt service. Pursuant to the terms of the Ordinance and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of “Other Available Funds” in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE” and “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges” in this document.

Also see “APPENDIX B – AUDITED FINANCIAL STATEMENTS” in this document.

AIRLINE INFORMATION

Revenues of the Airport System may be affected by the ability of the airlines operating at ABIA, individually and collectively, to meet their respective obligations. Many of the airlines that serve the Airport (or their respective parent corporations) are subject to the information reporting requirements of the United States Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (the “SEC”). Certain information, including financial information, as of particular dates concerning each of the airlines operating at ABIA (or their respective parent corporations) is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20659, and at the SEC’s regional offices at 219 South Dearborn Street, Chicago, Illinois 60604; 26 Federal Plaza, New York, New York 10278; and 5757 Wilshire Boulevard, Suite 500 East, Los Angeles, California 90036-3648 and copies of such reports and statements can be obtained from the Public Reference Section of the SEC at the above address at prescribed rates. In addition, each airline operating at ABIA is required to file periodic reports of financial and operating statistics with the United States Department of Transportation (the “U.S. DOT”). Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the U.S. DOT at prescribed rates.

REGULATION

The City operates the Airport pursuant to an airport operating certificate issued annually by the FAA after an on-site review. In addition to this operating certificate, the Airport is required to obtain, and/or to comply with, other permits and/or authorizations from the FAA and other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants under the FAA’s grant programs. Federal law also governs certain aspects of rate-setting and restricts grants of exclusive rights to conduct an aeronautical activity at an airport that receives or has received federal grants and other property. All long-term facility planning is subject to the FAA’s approval; the Airport’s financial statements are subject to periodic review by the FAA; the City’s use of Airport revenues and any revenue generated from sales of aviation fuel are subject to review by the FAA; and the City’s use of PFC revenue and grant proceeds is also subject to FAA approval, audit and review. The City also is required to comply with the provisions of the federal Aviation and Transportation Security Act, other federal security statutes and the regulations of the Transportation Security Administration (the “TSA”). Security is regulated by the FAA and the TSA.

Rates and Charges and Revenue Use; Federal Statutes

Federal statutes and FAA regulations require that an airport maintain a rate structure that is as self-sustaining as possible and generally (with certain exceptions) limit the use of all revenue (including local taxes on aviation fuel and other airport-related receipts) generated by an airport receiving federal financial assistance to purposes related to the airport. The Federal Aviation Administration Authorization of 1994 as amended (the “FAA Act”) and the Airport and Airway Improvement Act of 1982 (the “AAIA”) and regulations provide that for all airports, with certain exceptions, the use of airport revenue (and taxes on aviation fuel) for purposes other than the capital or operating costs of the airport, the local airport system or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air

transportation of passengers or property is unlawful revenue diversion and provide for monetary penalties and other remedies in the event of violations.

The FAA Act, other federal statutes and FAA regulations also provide that, without air carrier approval, an airport may not include in its rate base debt service allocable to projects not yet completed and in service. In addition, the FAA Act, the AATA and regulations include provisions addressing the requirements that airline rates and charges set by airports receiving federal assistance be “reasonable,” and the FAA Act authorize the U.S. Secretary of Transportation to review rates and charges complaints brought by air carriers. During the pendency of a complaint, an airport is required to provide a surety bond, letter of credit or other form of security to ensure that the disputed portion of the fee is reimbursed to air carriers should the rates and charges be found to be unreasonable. To date, no rate complaints have been filed against the Airport. The FAA Act excludes certain fees from the airport fee-challenge process, including fees imposed pursuant to a written agreement with air carriers using airport facilities. It is the City’s understanding that so long as the Use and Lease Agreements are in effect, under most circumstances the fee-challenge provisions of the FAA Act will not affect the airline rates and charges set by the City.

Passenger Facility Charges

PFCs are fees collected from enplaned paying passengers to finance eligible, approved airport-related project costs, subject to FAA regulation. Airport operators are required to apply to the FAA for approval before imposing or using PFCs. The FAA has authorized the City to impose a PFC of \$4.50 per paying enplaned passenger, the maximum allowable under current law.

PFCs are imposed by the City, collected by the airlines from paying passengers enplaning at the Airport and remitted to the City (net of a handling fee, currently equal to \$0.11 for each PFC collected). The annual amount of PFCs collected by the City depends upon the number of passenger enplanements at the Airport and the timely remittance of PFCs by the airlines. No assurance can be given that PFCs will actually be received in the amounts or at the times contemplated by the City in its capital funding plans. In addition, the FAA may terminate or reduce the City’s authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that the City has violated certain provisions of federal law or the PFC or other federal regulations, or if the FAA determines that PFC revenue is not being used for approved PFC projects or that implementation of such projects did not begin within the time frames specified in the PFC statute or the PFC regulations. Future PFC applications may be denied if the FAA determines that the City violated any of its federal grant assurances or violated certain federal statutes and regulations applicable to airports. Amounts received or receivable under the PFC program are also subject to audit and adjustment by the FAA. The City has never been found in violation of or been notified by the FAA as being out of compliance with federal grant assurances or applicable federal statutes and regulations. See “SECURITY AND SOURCES OF REPAYMENT FOR THE revenue bonds – Use Passenger Facility Charges” and “Application of PFC Revenues” in APPENDIX A in this document.

The City has approval from the FAA to impose a PFC per eligible enplaned passenger at the Airport. The PFC was imposed at \$3.00 in 1995 and increased to \$4.50 (the maximum allowable under current law) in 2004. The cumulative amount of PFC approvals received by the City is \$831,089,379. Through December 31, 2021, cumulative PFC revenues, including investment earnings, totaled \$454,831,398. Under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of November 2034. The City has applied PFCs toward project costs on a pay-as-you-go basis and has set aside and applied PFCs toward the following year’s PFC-eligible Airport System Revenue Bond debt service, up to the maximum eligible amount. The City intends to continue such application of PFC revenues in accordance with the covenant of the City contained in the Ordinance. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges” in this document. Provided below is a table showing the City’s PFC revenues, including investment earnings, and the amount set aside for debt service on Revenue Bonds in fiscal years 2015-2021 for the payment of debt service due on Revenue Bonds during the next succeeding fiscal year.

Table 9
PFC Detail by Fiscal Year

Fiscal Year	PFC Revenues⁽¹⁾	Amount Set Aside and Applied Toward Debt Service⁽¹⁾⁽²⁾
2015	\$22,487,714	\$12,154,524
2016	\$24,399,643	\$11,915,324
2017	\$29,716,478	\$10,596,707
2018	\$31,499,633	\$17,751,536
2019	\$35,176,477	\$22,427,409
2020	\$18,776,099	\$23,239,282
2021	\$22,504,326	\$23,831,270

(1) This table uses data calculated as per the Revenue Bond Ordinances, which may differ from amounts paid and/or presented in the City's ACFR.

(2) The "Amount Set Aside and Applied Toward Debt Service" is an amount budgeted in the prior fiscal year for the payment of projected Debt Service in the ensuing Fiscal Year. At the conclusion of the following Fiscal Year, this number is updated to reflect the actual transfer to Debt Service.

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

The City intends to request approval from the FAA to use PFCs to pay a portion of the debt service on the Bonds. If approval is requested and received, the City intends to set aside PFCs to pay PFC-eligible debt service on the Bonds in accordance with the covenant of the City contained in the Ordinance. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges" and "CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval" in this document.

Federal and State Noise Regulation

State statutes and administrative regulations require all airports in the State to institute noise abatement programs under certain circumstances. The City instituted a noise abatement program, which has been in effect for approximately 20 years. The Airport noise program was originally established under Federal Aviation Regulation Part 150 and has been updated several times, most recently by an update completed and approved by the FAA in 2008.

The United States Congress enacted the Airport Noise and Capacity Act of 1990 ("ANCA") to balance local needs for airport noise abatement with the needs of the national air transportation system. ANCA established criteria and standards that are intended to ensure an airport operator does not impose local restrictions that negatively affect the national air transportation system. Airport management believes that the Airport is in material compliance with ANCA, and there is no pending litigation known to the City challenging noise levels of airborne aircraft.

The City, including the Airport, also is regulated by the federal Environmental Protection Agency and by the State in connection with various environmental matters, including the handling of deicing materials and airline fuels and lubricants, protection of wetlands and other natural habitats, disposing of stormwater and construction wastewater runoff and noise abatement programs.

CAPITAL IMPROVEMENT PROGRAM

The City continually develops and monitors a list of capital projects and assesses the timing of implementing these projects based on funding availability and needs. These projects are anticipated to be funded, all or in part, by the Bonds, Additional Revenue Bonds, Subordinate Obligations, Federal grants, PFCs, internally generated funds or other legally available sources. Four series of Additional Revenue Bonds are anticipated to be issued between 2024 and 2028 in the approximate aggregate principal amount of \$1.44 billion (in addition to the Bonds), subject to the requirements of the Revenue Bond Ordinances. Certain of the federal grants and PFCs which may be used to fund these projects either have not been applied for or the application for such sources is pending. See “CERTAIN INVESTMENT CONSIDERATIONS – Availability of Funding for the Capital Improvement Program” in this document.

A significant portion of the Capital Improvement Program is the Airport Expansion and Development Program (“AEDP”). The AEDP is intended to increase capacity at the Airport using a strategic approach, including the following key elements:

- Optimizing the Barbara Jordan Terminal (BJT) by adding new aircraft gates and making related passenger processing improvements
- Building a new centralized baggage handling system
- Building a new midfield Concourse B facility with 10 or more gates, including associated airfield infrastructure.

As noted in “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A,” a portion of the 2022-2028 Project is expected to be funded with Additional Revenue Bonds to be issued between 2024 and 2028, as described above. For purposes of the Report, the financing of any other projects is not included in the forecast period of the Report included in this document as APPENDIX A.

REPORT OF THE AIRPORT CONSULTANT

APPENDIX A, which is part of this Official Statement, contains the Report prepared by the Airport Consultant (the “Report”). The Report provides information regarding the Airport System, the 2022-2028 Project, historical and projected air traffic activity for the 2019-2028 fiscal year period, historical financial information and forecasts of financial results for the Airport System for the forecast period. As noted in the Report, the forecasts were based upon information and assumptions provided by or reviewed with and agreed to by Airport management and reflect Airport management’s expected course of action during the projection period and in Airport management’s judgment, present fairly the expected financial results of the Airport. The key factors and assumptions that are significant to the projections are set forth in the Report.

The Report should be read in its entirety for an understanding of the assumptions and rationale underlying the financial projections. As noted in the Report, any projection is subject to uncertainties. Some of the assumptions used to develop the projections will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the projected and actual results, and those differences may be material. See “CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements” and “-Assumptions in the Airport Consultant’s Report” in this document.

The following table provides the debt service coverage estimates and projections from the Report. See “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Financial Analysis – Exhibit G” in this document. Such table is qualified in its entirety by reference to the complete copy of the Report attached as APPENDIX A to this document. The information set forth in the following table was calculated in the same manner as the historical debt service coverage information set forth in Table 8 (prepared by the City) above in this document.

Debt Service Coverage Estimates and Projections from the Report - Base Case⁽¹⁾							
	Estimated	Projected					
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Gross Revenues	\$ 245,830	\$ 247,620	\$ 257,145	\$ 262,483	\$ 273,441	\$ 301,177	\$ 364,469
Less: Operation and Maintenance Expenses	(119,133)	(131,046)	(134,709)	(140,097)	(145,701)	(151,529)	(184,449)
Net Revenues	\$ 126,697	\$ 116,574	\$ 122,436	\$ 122,386	\$ 127,740	\$ 149,648	\$ 180,020
Other Available Funds ⁽²⁾	13,827	14,018	13,999	17,698	18,662	24,035	29,877
Net Revenues plus Other Available Funds	\$ 140,524	\$ 130,592	\$ 136,436	\$ 140,085	\$ 146,402	\$ 173,683	\$ 209,897
Less: Administrative Expenses ⁽³⁾	-	-	-	-	-	-	-
Subtotal	\$ 140,524	\$ 130,592	\$ 136,436	\$ 140,085	\$ 146,402	\$ 173,683	\$ 209,897
Revenue Bond Debt Service Requirements ⁽⁴⁾	\$ 55,306	\$ 56,071	\$ 55,998	\$ 70,792	\$ 74,647	\$ 96,138	\$ 119,507
Debt service coverage	2.54	2.33	2.44	1.98	1.96	1.81	1.76
Debt service coverage requirement	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Source: Report of the Airport Consultant

- (1) Amounts shown for Fiscal Year 2022 are estimates, and amounts for fiscal years 2023 through 2028 are forecasts.
- (2) Pursuant to the terms of the Ordinance and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of “Other Available Funds” in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE” in this document.
- (3) Pursuant to the terms of the Ordinance and the Revenue Bond Ordinances, moneys on deposit in the Revenue Fund are used to pay Debt Service on Revenue Bonds (including the Bonds) and any related Credit Agreement Obligations, prior to being used to pay Administrative Expenses. Further, pursuant to the terms of the Ordinance and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City’s rate covenant, but Administrative Expenses are not included in the coverage calculations for the purpose of issuing Additional Revenue Bonds. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Flow of Funds,” “– Rate Covenant” and “– Additional Revenue Bonds” in this document. In addition, amounts shown are net of PFCs used to pay Administrative Expenses.
- (4) Amounts are net of PFCs used to pay debt service. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges” in this document.

CERTAIN INVESTMENT CONSIDERATIONS

COVID-19

See “INTRODUCTION - COVID-19 Pandemic” in this document for risks associated with the Bonds resulting from the Pandemic.

General

Investment in the Bonds involves risks, some of which are described below or elsewhere in this document. Prospective investors are advised to consider the following factors, among others, and other information in this document, including all of the Appendices, in evaluating whether to purchase Bonds. The factors discussed below are not meant to be a comprehensive or exhaustive list of all of the risks that should be considered, and the order in which these investment risks are presented does not necessarily reflect their relative importance. Any one or more of the risks and other considerations discussed below, among others, could lead to a decrease in the market value and/or in the marketability or liquidity of the Bonds, and no assurance can be given that other risk factors and investment considerations will not become material in the future.

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

The Airport System’s ability to generate Gross Revenues, and any PFC revenues, depends upon sufficient levels of aviation activity and passenger traffic at the Airport. The achievement of increased passenger traffic will depend partly on the profitability of the airline industry and the ability of individual airlines to provide sufficient capacity to meet demand. A

weak economy, international hostilities and the threat of terrorist activity, among other events, reduce demand for air travel. To the extent the Airport System is unable to make up revenue shortfalls, the City's ability to pay debt service on the Bonds may be adversely affected.

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

Limited Obligations

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

No Acceleration

The Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation, on the occurrence or continuance of an event of default in the payment of debt service on any of the Revenue Bonds (including the Bonds) or a default in the performance of any duty or covenant provided by law, in the Ordinance or in the other Revenue Bond Ordinances. Upon the occurrence of such an event of default, Owners of the Bonds would only be entitled to principal and interest payments on the Bonds as they come due. In the event of multiple defaults in payment of principal or interest on the Bonds, Owners of the Bonds could be required to bring a separate action for each payment not made.

Under certain circumstances, Owners of the Bonds may not be able to pursue certain actions or remedies or to enforce covenants contained in the Ordinance. In addition, since Net Revenues are that portion of Gross Revenues that remain after paying Operation and Maintenance Expenses of the Airport System, and the City is not subject to involuntary bankruptcy proceedings, the City may be able to continue indefinitely collecting Gross Revenues and applying them to the operation of the Airport System even if an event of default has occurred and no payments are being made on the Bonds. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Remedies" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE" in this document.

Structural Changes in the Travel Market

Many factors have combined to alter consumer travel patterns. Consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. This has made pricing and marketing even more competitive in the U.S. airline industry. Smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing, which services have grown significantly since the onset of the Pandemic. Further, increased adoption of videoconferencing technologies during the COVID-19 pandemic and increased acceptance of these methods of communicating could reduce the demand for business travel, though the impact of such technologies on the demand for business travel is not known at this time.

Factors Affecting the Airline Industry

General Factors Affecting Air Carriers. The ability of the airlines serving the Airport to generate revenues depends and, therefore, the amount of Net Revenues available for payment of the Revenue Bonds (including the Bonds), in part, upon

the financial health of the aviation industry in general. The economic condition of the aviation industry is volatile and periodically the industry undergoes significant changes, including mergers, acquisitions, bankruptcies and closures. Further, the aviation industry is sensitive to a variety of factors, including (i) the cost and availability of financing, labor, fuel, aircraft and insurance, (ii) regional, national and international economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, including the effects of airline ticket pricing, (vi) traffic and airport capacity constraints of the Airport and competing airports, (vii) governmental regulation, including security regulations and taxes imposed on airlines and passengers, and maintenance and environmental requirements, (viii) passenger demand for air travel and (ix) disruption caused by airline accidents, criminal incidents, acts of war or terrorism, such as the events of September 11, 2001, and public health emergencies, such as the Pandemic. The aviation industry is also vulnerable to strikes and other union activities. The number of passengers at the Airport depends partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly United and Southwest, to make the necessary investments to provide service.

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

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

General Factors Affecting Airline Activity. Numerous factors affect air traffic generally and air traffic at ABIA specifically. Demand for air travel is influenced by factors such as population, levels of disposable income, the nature, level and concentration of industrial and commercial activity in the service area and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hubbing strategies of the airlines serving the airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel and any operating constraints (due to capacity, environmental concerns or other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport. In addition, the onset of war and the threat of renewed terrorist attacks may dampen air traffic. Although the City has developed contingency plans that make assumptions as to factors described above and suggest a prudent response to such events, the City may anticipate but can never predict the occurrence of any particular event or trend that could adversely impact airline traffic.

Aviation Security Concerns and Other Travel Market Changes. Concerns about the safety of airline travel and the effectiveness of security and health safety precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security and health screening procedures could lead to both the avoidance of travel and the switch from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (the “TSA”), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA also has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks. Concerns about the safety of air travel were heightened in 2016 by gun and bomb attacks at Brussels Airport and at Istanbul Ataturk Airport.

Historically, airline travel demand has recovered after temporary declines stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. If precautions by government agencies, airlines and airport operators maintain confidence in the safety of commercial aviation without imposing

unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

Passenger traffic at U.S. airports is also influenced by the globalization of business and increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and geopolitical relationships.

Concerns about hostilities, terrorist attacks, and other perceived security and public health risks, and associated travel restrictions also affect travel demand to particular international destinations.

Future increases in international passenger traffic will depend partly on global economic growth, a stable and secure international travel environment, and government policies that do not unreasonably restrict or deter travel.

Russia's invasion of Ukraine in February 2022 is resulting in catastrophic destruction, loss of life, and a humanitarian and refugee crisis in eastern Europe as Ukrainian civilians are trapped in the war zone or flee the fighting. The invasion prompted the United States, the European Union, and other nations to impose far-reaching economic and financial sanctions that are having significant effects on the Russian economy and international trade. The war and sanctions are causing economic disruption far beyond Russia's borders by sending energy and commodity prices, including costs of fuel and other airline operating costs, soaring, worsening inflation, disrupting international commerce, and slowing economic growth.

The war has caused the closure of airspace over much of eastern Europe and Russia and the suspension of airline service to Russia and other destinations in and near the war zone. The closure of Russian airspace requires some airline flights, particularly between Europe and Asia, to take circuitous flight paths and incur longer flight times and higher fuel costs.

Uncertainties of the Airline Industry. Airline fares have an important effect on passenger demand, particularly for relatively short trips, for which automobile and other surface travel modes are potential alternatives, and for price-sensitive discretionary travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management, passenger demand, airline market presence, labor, fuel and other airline operating costs, taxes, fees and other charges assessed by governmental and airport agencies, and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Prior to 2010, a variety of factors reduced industry airfares and resulted in decreased airline profits. Beginning in 2010, as airline travel demand increased and seat capacity contracted because of industry consolidation, yields increased to 16.7 cents per passenger-mile in 2016. Beginning in 2006, charges were introduced by most airlines for services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

Effect of Airline Bankruptcies

A bankruptcy of a Signatory Airline (or of a Non-Signatory Airline or any other tenant or concessionaire at the Airport) can result in significant delays, significant additional expense and/or significant reductions in payments, or even in nonpayments, to the City and consequently in a reduction in the amount of Net Revenues of the Airport.

Although with an O&D airport (like the Airport) that has residual ratemaking for costs of the airfield and preferential use agreement, leases and other agreements at the terminals, expectations would be that the amounts other airlines would be required to pay for use of the airfield would be sufficient to make up any shortfalls attributable to an airline in bankruptcy and that payments by other airlines and concessionaires in the terminals would be adequate to pay terminal-related expenses and debt service, but the other airlines likely would not be required to make up for unpaid post-bankruptcy usage and rental of terminal and concourse space and ramps, and no assurances can be given that the other airlines would be able to pay such additional amounts when needed, particularly if the bankruptcy occurred during a period in which many of the airlines and other users were struggling.

Airline Leases and Executory Contracts

In the event a Signatory Airline seeks protection under the United States Bankruptcy Code (the "Bankruptcy Code"), the Signatory Airline or its bankruptcy trustee would be required to determine whether to assume or reject its Use and Lease

Agreement or any other lease from the City of non-residential real property or an executory contract (such as a license) within 120 days or later, if ordered by the bankruptcy court. In the case of any other agreements with the City, a debtor airline would not be required to assume or reject its agreement prior to the confirmation of a plan of reorganization.

If the agreement is assumed, the airline would be required to cure any prior defaults and to provide “adequate assurance” of future performance. What constitutes “adequate assurance” is up to the Bankruptcy Court, however, and may not be adequate for the City’s purposes. Even if all such amounts ultimately are paid, the City could experience long delays in collecting amounts due under the agreement. If an agreement such as an unexpired lease is rejected, the City would have an unsecured claim for damages, the amount of which would be limited to the amounts unpaid prior to the bankruptcy plus the greater of one year’s rent or 15% of the total remaining lease payments, not to exceed three years. It is likely that the amount received following the rejection of a lease or of an executory contract would be materially less than the face amount of the claim. In addition, until the assumption or rejection of an agreement, a debtor airline would not be permitted, absent a court order, to make any payments on account of goods or services (including landing fees and accrued rent) provided prior to the bankruptcy. See “CERTAIN INVESTMENT CONSIDERATIONS – Effect of Airline Bankruptcies, – Automatic Stay, Preference Claims and PFC Issues” in this document.

Financing Leases and Other Financing Contracts

Although the City believes that most of its arrangements with the Signatory Airlines (and with the Non-Signatory Airlines and Airport tenants and concessionaires) are executory contracts or leases of non-residential real property, a bankruptcy court could determine that a contract or lease instead is a financing device. If a lease or other agreement is treated as a financing device, the airline, tenant or concessionaire may keep and use the asset but debt service may be suspended in whole or in part during the course of the bankruptcy and in the end, the amount of the debt and the payment schedule and level may be reduced or extended as part of a reorganization plan. The determination by the court of the type of agreement and the nature of a transaction in many cases is a fact-intensive, laborious and time-consuming matter. It is not uncommon for a bankrupt tenant or customer to contend that a “lease” really is a financing device so that the tenant can decline to make periodic rental payments during the period the issue is being considered by the court.

Automatic Stay, Preference Claims and PFC Issues

Upon the filing of a bankruptcy proceeding, Section 362 of the Bankruptcy Code stays virtually all creditor actions to litigate to judgment or to collect on a debt, to remove a non-paying tenant from possession or to exercise any other remedies. This automatic stay can result in lengthy delays in a creditor’s ability to exercise its rights. The Bankruptcy Code also provides that any payments made to the creditor within 90 days (365 days for “insiders”) before the bankruptcy are subject to recovery by the debtor as a “preferential payment.”

The PFC Act and FAA regulations provide that PFC revenue collected by the airlines (other than the handling fee and interest collected on unremitted proceeds) constitute a trust fund held for the beneficial interest of the eligible agency imposing the PFC (the City), and FAA regulations require the airlines to account for PFC collections separately and to disclose in financial statements the existence and amount regarded as trust funds. The airlines, however, are permitted to commingle PFC collections with other airline funds, and bankruptcy courts have not fully addressed such trust arrangements.

In connection with proceeds held by airlines in bankruptcy outside of the United States, the City cannot predict what types of orders or relief could be issued by foreign tribunals or the extent of delays in connection with such proceedings or the extent to which such orders would be enforceable in the United States.

Regardless of any specific adverse determinations and delays in an airline bankruptcy proceeding, an airline bankruptcy proceeding, particularly a bankruptcy of a Signatory Airline, could have a material adverse effect on the liquidity and value of the Bonds.

Effect of Other Tenant or Concessionaire Bankruptcies

A bankruptcy of a non-airline tenant or concessionaire would raise challenges similar to those described above in connection with airline bankruptcies. Many of the major rental car companies operating at the Airport have filed for bankruptcy in recent years, and it is possible that rental car companies will file for bankruptcy in the future. Although the City’s CFC agreements with the rental car companies contain trust language similar to the language contained in the PFC

Act and in FAA regulations for PFCs, no statute protects CFCs, and it is not certain that federal courts would respect the intent of such arrangements for CFCs, particularly since rental car companies are permitted to commingle CFCs with their own funds.

Effect of a City Bankruptcy

Under current Texas law (Chapter 140 of the Texas Local Government Code), cities are authorized to file bankruptcy petitions under Chapter 9 of the Bankruptcy Code. In the event the City becomes a debtor in a bankruptcy case, the owners of the Bonds may encounter significant payment delays and significant risks of nonpayment. Bond owners may not have a lien on Net Revenues unless a bankruptcy court determines that the Net Revenues are “special revenues” within the meaning of the Bankruptcy Code. No assurance can be given that a court would make such a determination. Revenues are held by the City and applied to payment of Costs of Operation and Maintenance before being transferred to the paying agent/registrant. Even if a court determines that Revenues are “special revenues,” no assurance can be given that the court would not permit the City to use such Revenues to pay costs of operating the non-airport facilities before being transferred to pay debt service on Bonds. If Net Revenues are not “special revenues” or if Revenues are applied to pay operating costs of other City facilities, there could be very significant delays or reductions in payments or nonpayment of the Bonds. A bankruptcy of the City also would trigger cross defaults under many of the City’s other agreements, which also would lead to the possibility of additional delays and significant losses.

Aviation Security and Health Safety Concerns

Concerns about the safety of airline travel and the effectiveness and inconvenience of security precautions influence passenger travel behavior and air travel demand. Intensified security precautions instituted by government agencies, airlines and airport operators have vastly increased costs, some of which have been or will be passed on to travelers and airlines. No assurance can be given that these precautions will be successful or that the increased costs or uncertainty will not materially affect travel demand or profitability. Another terrorist attack or any other event that undermines confidence in the safety of air travel likely would have an immediate and material effect on air travel demand.

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

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

Public health and safety concerns have also affected air travel demand from time to time. For additional information on the ongoing COVID-19 Pandemic, please see “INTRODUCTION – COVID-19 Pandemic” in this document. The City is unable to predict how serious the impact of the COVID-19 Pandemic or any future pandemic may become, what effect it may have on air travel to and from the Airport, and whether any such affects will be material.

Climate Change

Societal concerns about the contribution of the airline industry’s use of petroleum-based jet fuel to the emission of carbon dioxide and other greenhouse gases into the atmosphere might lead to decreased demand for air travel. However, it is unlikely that the airline industry will be able to develop economic alternatives to petroleum-derived jet fuel in the near

future. Therefore, in order to sustain growth, the airline industry will need to increase efficiencies in fuel usage and mitigate emissions, which require substantial financial investment and changes to the operating economics of the aviation industry. In the long term, the airline industry will need to develop aircraft technologies that use alternative fuels, such as hydrogen and electric power. It is likely that some of the airlines' increased costs will be passed on to passengers, thereby negatively influencing demand.

Delays and Cost Increases; Additional Indebtedness

The estimated costs of and schedules for capital improvement projects at the Airport, including the 2022-2028 Project, are subject to a number of uncertainties. The City's ability to complete projects may be adversely affected by a number of factors, including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, earthquakes or other casualty events, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation and (xi) environmental and/or permitting issues. No assurance can be given that the projects will not cost more than the current budgets for these projects. The City expects to fund its other project costs with a combination of PFCs, available Net Revenues, and proceeds from the sale of Additional Revenue Bonds, federal grants and investment income. In the event one or more of these funding sources is not available to the City in the amount or on the schedule contemplated by the City, the implementation of some of the projects may be delayed. Any schedule delays or cost increases could result in the need to issue Additional Revenue Bonds or other obligations and may result in increased costs that cannot be recovered from the airlines.

Regulations and Restrictions Affecting the Airport

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

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

Ability to Meet Rate Covenant

As described in “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Rate Covenant” in this document, the City has covenanted in the Ordinance that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the rate covenant set forth in the Ordinance is met. In addition to Net Revenues, the City expects to use approximately \$22.3 million to \$37.0 million of PFCs in each of the Fiscal Years between 2022 through 2028, to pay a portion of the Debt Service on the Revenue Bonds. If PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for the Revenue Bonds, the principal and/or interest on such Revenue Bonds is excluded from the calculation of Debt Service Requirements; thus decreasing Debt Service Requirements and increasing debt service coverage for purposes of the rate covenant under the Ordinance. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges” and “CERTAIN INVESTMENT CONSIDERATIONS - Availability of PFCs and PFC Approval” in this document.

If Net Revenues (and PFCs expected to be used to pay debt service) were to fall below the levels necessary to meet the rate covenant in any Fiscal Year, the Ordinance provide for procedures under which the City would retain and request an Airport Consultant to make recommendations as to the revision of the City's rentals, rates, fees and other charges, its Operating and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the rate covenant set forth in the Ordinance. The Ordinance provides that so long as the City substantially

complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinance even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the rate covenant set forth in the Ordinance, so long as Debt Service is paid when due.

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

Availability of PFCs and PFC Approval

In addition to the use of Net Revenues, the City expects to use between \$22.3 million and \$37.0 million of PFCs each fiscal year between fiscal years 2022 and 2028, to pay a portion of the debt service on the Revenue Bonds (including the Bonds). See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges,” “REGULATION – Passenger Facility Charges” and “CERTAIN INVESTMENT CONSIDERATIONS - Ability to Meet Rate Covenant” in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinance, PFCs are expressly excluded from the definition of “Gross Revenues.” Consistent with the definition of “Debt Service Requirements” in the Ordinance, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Rate Covenant” and “- Additional Revenue Bonds” in this document and the definition of “Debt Service Requirements” in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Selected Definitions” in this document. As described in “REGULATION – Passenger Facility Charges” in this document, under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of November 2034.

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

Availability of Funding for the Capital Improvement Program

The City’s plan of finance assumes that proceeds of Revenue Bonds, PFC revenues on a pay-as-you-go basis, grants, and

other available revenues of the City (including certain amounts to be on deposit in the Repair and Replacement Fund and the Capital Fund), will be received by the City in certain amounts and at certain times to pay the costs of the capital improvement program described in “CAPITAL IMPROVEMENT PROGRAM” in this document. No assurance can be given that these sources of funding will be available in the amounts or on the schedule assumed. See “CERTAIN INVESTMENT CONSIDERATIONS - Availability of PFCs and PFC Approval” above in this document.

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

Federal Funding Considerations

The City depends upon federal funding for the Airport not only in connection with grants and PFC authorizations but also because it is federal funding that provides for TSA, air traffic control and other FAA staffing and facilities. On October 3, 2018, the U.S. Senate passed a five year reauthorization bill for the FAA — the FAA Reauthorization Act of 2018 — which was signed into law by the President on October 5, 2018. The 2018 FAA reauthorization retains the federal cap on PFCs at \$4.50 and authorizes \$3.35 billion per year for the FAA’s Airport Improvement Program (“AIP”) through federal fiscal year 2023, which is the same funding level as was in place for the preceding five years. The AIP provides federal capital grants to support airport infrastructure through entitlement grants, which are determined by formulas based on passenger, cargo and general aviation activity levels, and discretionary grants, allocated on the basis of specific set-asides and the national priority ranking system. Federal funding also is impacted by sequestration under the federal Budget Control Act of 2011. Except to the extent changed by Congress from time to time, sequestration is a multi-year process and could continue to affect FAA, TSA and Customs and Border Control budgets and staffing, which results in staffing shortages and furloughs and traffic delays at the Airport and also nationwide. Some of the TSA funding shortages are being addressed by increasing the amount (and removing the cap) on the security fees on tickets, but such fees have been controversial and no assurance can be given that such fees will be sufficient or that the increased ticket costs will not result in lower passenger enplanements. Further, there can be no assurance that future reauthorization legislation will be enacted before the current authorization terminates at the end of federal fiscal year 2023. Failure to approve such legislation could have a material, adverse impact on operations at airports in the United States, including the Airport System.

Forward-Looking Statements

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

The forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions

related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

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

Assumptions in the Airport Consultant's Report

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

Competition and Alternate Modes of Transportation and Communication

One significant source of non-airline revenues for the Airport is generated from ground transportation activity, including use of on-Airport parking facilities; trip fees paid by taxi, limousine and Transportation Network Companies ("TNCs"); shared rides; and rental car transactions by Airport passengers. While passenger levels are increasing, the relative market share of these sources of revenue is shifting. The Airport charges different fees and makes different profits from each product. There can be no assurance that passengers will not choose to utilize TNCs instead of parking or using rental cars in the future, which could result in a reduction in ground transportation revenues.

In addition to TNCs, new technologies (such as autonomous vehicles, connected vehicles or urban aerial ridesharing with VTOL (vertical takeoff and landing) aircraft) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. While the City makes every effort to anticipate demand shifts, there may be times when the Airport's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The City cannot predict with certainty what impact these innovations in ground transportation will have over time on revenues from parking, other ground transportation services or rental cars. The City also cannot predict with certainty whether or to what extent it will collect non-airline revenues in connection with such new technologies or innovative business strategies.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City, including the Airport, may be the target of cybersecurity incidents that could result in adverse consequences to the Airport and its Systems Technology, requiring a response action to mitigate the consequences.

The airlines serving the Airport and other Airport tenants also face cybersecurity threats that could affect their operations and finances. Computer networks and data transmission and collection are vital to the safe and efficient operation of the airlines that serve the Airport and other tenants of the Airport. Despite security measures, information technology and infrastructure of any of the airlines serving the Airport or any other tenants may be vulnerable to attacks by outside or internal hackers, or breached by employee error, negligence or malfeasance. Any such breach or attack could compromise systems and the information stored thereon. Any such disruption or other loss of information could result in a disruption in the efficiency of the operation of the airlines serving the Airport and the services provided at the Airport, thereby adversely affecting the ability of the Airport to generate revenue.

A significant cyber security incident could result in a range of potentially material negative consequences for the Airport, including unauthorized access to, disclosure, modification, misuse, loss or destruction of systems or data; theft of sensitive, regulated or confidential data, such as personal identifying information; the loss of functionality of critical systems through ransomware, denial or service or other attacks; and business delays, service or system disruptions, damage to equipment and injury to persons or property. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. The constantly changing nature of the threats means that the Airport may not be able to prevent all data security breaches or misuse of data. Similarly, the Airport depends on the ability of its key commercial partners, including airlines and technology vendors, to conduct their businesses in a manner that complies with applicable security standards and assures their ability to perform on a timely basis.

In addition, the costs of operation, consequences of defending against, preparing for, responding to and remediating an incident of cyber security breach may be substantial. As cyber security threats become more frequent, intense and sophisticated, costs of proactive defense measures may increase. Further, the Airport could be exposed to litigation, regulatory enforcement and other legal action as a result of an incident, carrying the potential for damages, fines, sanctions or other penalties, as well as injunctive relief requiring costly compliance measures. A cyber security incident could also impact the Airport's brand, harm its reputation and adversely impact the relationship with the Airport's customers, airlines, government partners, and employees. Failure to properly address these issues could also give rise to potentially material legal risks and liabilities. The airlines service the Airport and other Airport tenants, as well as the FAA and TSA, also face cyber security threats that could affect their operations and finances.

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Bonds or its creation by the Underwriters. Thus, purchasers of the Bonds should be prepared, if necessary, to hold their Bonds until their respective maturity dates.

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 will not have a material effect on the City's financial condition.

CONTINUING DISCLOSURE OF INFORMATION

The Ordinance includes the following agreement by the City for the benefit of the Owners and beneficial owners of the Bonds. The Ordinance requires the City to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds. The City agrees in the Ordinance to give notices of any Bond calls and any defeasance that cause the City to be no longer an "obligated person." 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

In the Ordinance, the City agrees to provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes (i) the portions of the financial statements of the City in APPENDIX B in this document and (ii) all quantitative financial information and operating data with respect to the City of the general type included in the main text of this Official Statement within the various tables (numbered 1 through 9). The City agrees to update and provide this financial and operating data as of the end of each Fiscal Year ending in or after 2022 within six months after the end of each Fiscal Year, and the financial statements within 12 months after the end of each Fiscal Year. The City is to provide the updated information to the MSRB through its Electronic Municipal Market Access ("EMMA") information system.

The City may provide updated information in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) if it is available to the public on the MSRB's internet website or filed with the SEC, as permitted by Rule 15c2-12 (the "Rule"), promulgated by the SEC. The Ordinance provides that the updated information will include audited financial statements, if the City commissions an audit and it is

completed by the required time. If audited financial statements are not provided at that time, the City is to provide notice that the audited financial statements are not available and provide unaudited financial information of the type described in the various tables (numbered 1 through 9) in this Official Statement and “unaudited financial statements” by the required time, and is to provide audited financial statements for the applicable Fiscal Year, when and if the audit report on the financial statements becomes available. The term “unaudited financial statements” means unaudited financial statements and tables described in the previous sentences. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B in this document or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City’s current Fiscal Year is October 1 to September 30. Accordingly, it must provide updated information by March 31 of each year unless the City changes its Fiscal Year. If the City changes its Fiscal Year, it will be required to notify the MSRB of the change.

Disclosure Event Notices

The City agrees to notify the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. 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 Ordinance.

As used in the preceding paragraph, the terms “Business Day” and “Financial Obligation” are defined in the Ordinance. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Selected Definitions.” 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 Ordinance further provides that the City intends the words used in clauses (15) and (16) above and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

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

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest

in or sell Bonds at any future date. In the Ordinance, 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 Owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

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

Compliance with Prior Undertakings

With respect to the continuing disclosure agreement entered into by Austin-Bergstrom Landhorst Enterprise (“ABLE”), with respect to its Series 1999A and 1999B Bonds, ABLE did not file its financial statements by the June 30 deadline for Fiscal Year December 31, 2015. The financial statements were filed on July 19, 2016, and the notice of the failure to file was filed on September 1, 2017. On June 30, 2017, the City filed update financial information and operating data to reflect Fiscal Year 2016 information on the first page of the “Water Service Rates” table. The City has implemented procedures to ensure timely filing of all future financial information and event notices.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes, except for any period during which a Bond is held by a person who is a “substantial user” of the facilities financed with the proceeds of the Bonds or a “related person” to such a “substantial user,” each within the meaning of section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining a taxpayer’s alternative minimum tax liability.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City’s Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the City, the City’s Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if

the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code imposes an alternative minimum tax on the “alternative minimum taxable income” of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual’s regular income tax. Generally, the alternative minimum taxable income of an individual will include items of tax preference under the Code, such as the amount of interest received on “private activity bonds” issued after August 7, 1986. Accordingly, Bond Counsel’s opinion will state that interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining a taxpayer’s alternative minimum tax liability.

Except as stated above, Bond Counsel will express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the “Original Issue Discount Bonds”). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions in this document regarding interest on the Bonds under the

captions “TAX MATTERS – Tax Exemption,” and “– Collateral Tax Consequences” and “– Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also

affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

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 State law, the City is authorized to invest in:

- (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies and instrumentalities including the Federal Home Loan Banks;
- (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 are 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 (“FDIC”) 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) interest-bearing banking deposits that are guaranteed insured by the FDIC or the National Credit Union Share Insurance Fund (“NCUSIF”) or their respective successors;
- (8) interest-bearing banking deposits other than those described by subdivision (7) if the funds invested in the banking deposits are invested through (a) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this state that the investing entity selects; (ii) the broker or depository institution selected as described above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account (a) the depository institution selected as described above; (b) an entity described by Section 2257.041(d); or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3);
- (9) certificates of deposit meeting the requirements of the PFIA 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 FDIC or the NCUSIF, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits;
- (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) and (12) 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;
- (11) 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 not less than “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency;
- (12) commercial paper with a stated maturity of 365 days or less that is rated not less than “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;

- (13) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with the United States Securities and Exchange Commission Rule 2a-7;
- (14) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and,
- (15) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) 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 value of securities loaned under the program are not collateralized at less than 100%, including accrued income, 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 (11) through (13) above, or an authorized investment pool;
- (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City;
- (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and
- (iv) the agreement to lend securities has a term of one year or less.

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

The City, 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 (“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 has established an external irrevocable trust for decommissioning with Wilmington Trust, National Association. The decommissioning trust market value, as of December 31, 2021, was \$241,235,298.

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 the type of authorized investments for City funds, the maximum allowable stated maturity of any individual investment owned by the City, 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) understanding of the suitability of the investment to the financial requirements of the City;
- (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 the 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 a registered representative of business organizations offering to engage in an investment transaction with 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.

An investment officer of a local government is required to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

Current Investments

As of December 31, 2021, the City's investable funds were invested in the following categories.

<u>Type of Investment</u>	<u>Percentage</u>
U. S. Treasuries	51%
U. S. Agencies	22%
Local Government Investment Pools	27%

The dollar weighted average maturity for the combined City investment portfolios is 236 days. The City prices the portfolios weekly utilizing a market pricing service.

THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its home rule charter. As a result of an amendment to the Austin City Charter approved at an election held in November 2012, the configuration of the City Council has changed from a seven-member council, comprised of a Mayor and six council members elected at large, to an eleven-member council, with the Mayor elected at-large, and the remaining members elected from ten single member districts. The first council election held in accordance with the 2012 amendment to the City Charter was held November 4, 2014.

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.

City Manager – Spencer Cronk

Mr. Spencer Cronk joined the City as City Manager on February 12, 2018. Before joining the City, Mr. Cronk was Minneapolis City Coordinator (City Administrator). He directed the management of Minneapolis city government by assisting the Mayor and City Council in defining city policy and establishing priorities, mobilizing department heads and staff to implement the Mayor and Council's priorities, and working to strengthen the management and administrative systems of the city. Mr. Cronk previously served as Commissioner of the Minnesota Department of Administration, a role he was appointed to by Minnesota Governor Mark Dayton in 2011. As Commissioner, Mr. Cronk led the state's real property, purchasing, fleet, demographic analysis and risk management divisions responsible for more than \$2 billion in state purchasing and the historic renovation of the Minnesota State Capitol. Additionally, Mr. Cronk served as chair of the Minnesota Public Data Governance Advisory Committee, and as a member of the Environmental Quality Board and the Minnesota Indian Affairs Council. Before joining the State of Minnesota, Mr. Cronk served as executive director of organizational development and senior advisor for the Department of Small Business Services for the City of New York, under former Mayor Michael Bloomberg. His accomplishments there included the design and implementation of a comprehensive performance-management system and the development of a program for integrating new employees, which was used citywide as a best practice template for the City of New York's 300,000 employees. Mr. Cronk has served a number of community organizations and agencies, including as an Advisory Council member for Northern Spark, a member of the Minnesota Advisory Board of the Trust for Public Land, and a member of the Itasca Project Task Force on Socioeconomic Disparities in the Twin Cities. He was a recipient of the Minneapolis/St. Paul Business Journal's "40 Under 40" Award in 2013. Mr. Cronk received his bachelor's degree with honors from the University of Wisconsin–Madison. He is a graduate of Harvard University's Senior Executives in State and Local Government Program and was a Public Affairs Fellow with the Coro New York Leadership Center.

Assistant City Manager – Veronica Briseño

Ms. Veronica Brisenó was appointed as Assistant City Manager over the City's Strategic Outcome "Government that Works for All" on January 18, 2022. Ms. Brisenó began her career with the City over 20 years ago. During that time, she has held multiple positions with progressive responsibilities, beginning as an intern in the City Manager's Office, working in a Council Office, serving as an Assistant Director and Director in the Small and Minority Business Resources

Department, and Director of the Economic Development Department. Most recently, in her role as the Chief Economic Recovery Officer, Veronica has been instrumental in leading the City's COVID-19 economic recovery efforts. This includes overseeing the establishment of twelve (12) new financial assistance programs for the creative and business communities and coordinating City-wide economic response efforts. Veronica has Bachelor of Arts Degrees in Government and Journalism and a Master of Public Affairs from the University of Texas at Austin.

Chief Financial Officer – Ed Van Eenoo

Mr. Ed Van Eenoo was appointed Chief Financial Officer on December 6, 2020 and oversees the City's Financial Services Department, consisting of Austin Police Financial Services, Budget Office, Capital Contracting Office, Controllers Office, Office of Performance Management, Office of Real Estate, Office of Telecommunication & Regulatory Affairs, Purchasing Office, and Treasury Office. Prior to his appointment as Chief Financial Officer, Mr. Van Eenoo served as Deputy Chief Financial Officer for eight years and as the Budget Officer at the City for four years. Before joining the City, he spent nine years with the City of Chula Vista including time as a Fiscal and Management Analyst, Assistant Director of Budget and Analysis, and four years as the Director of Budget and Analysis. Mr. Van Eenoo received a Bachelor of Science degree in Economics from The University of Eastern Michigan and a Master of Science degree in Applied Economics from Virginia Tech University.

Deputy Chief Financial Officer – Diana Thomas

Ms. Diana Thomas currently serves as Deputy Chief Financial Officer, where she oversees the Controller's Office, the Office of Telecommunications and Regulatory Affairs, Austin Police Financial Services, and the Financial Services Department's IT division. She was appointed to the Deputy Chief Financial Officer position in June 2021 after serving as the City's Controller from 2008 to 2021. Ms. Thomas started her career with the City in 1992 and has held various financial positions during her tenure. In 2006, she led the implementation of the City's new financial system. Ms. Thomas received her Bachelor of Business Administration degree in Finance from the University of Texas at Austin and is a licensed CPA in the state of Texas.

Deputy Chief Financial Officer – Kimberly Olivares

Ms. Kimberly Olivares currently serves as Deputy Chief Financial Officer, where she oversees Treasury, strategic facility delivery (P3s), tax increment reinvestment zone (TIRZ) and public improvement district (PID) financing, and Financial Services Department administrative staff. Ms. Olivares joined the City of Austin in 2003 and has held positions in the City Manager's Office, Public Works Department, and Financial Services Department. Previously, she was the Chief Performance Officer leading the City's commitment to instilling a culture of continuous learning and improvement throughout the organization through strategic plan organizational alignment and culture change, performance measurement and data analytics, and process improvement consulting. Ms. Olivares was also the Deputy Budget Officer for the City, managing the capital improvement program financial services, Budget Office information technology support team, and performance measurement program. She received her B.A. from the University of Notre Dame, Master of Public Affairs from the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin, and Master of Business Administration from St. Edward's University. Ms. Olivares has also worked for the City of Southlake, Texas, and the City of Tampa, Florida. As a representative of the City of Austin, she is very active with the Government Finance Officers Association and serves as the Chair of its Committee on Economic Development and Capital Planning.

Services Provided by the City

The City's major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, and maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including Austin Energy, Austin Water, ABIA 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 municipal employees and a percentage based on the amount of increase in the Consumer Price Index for the firefighters, but only if recommended by an independent actuary and approved by the retirement boards.

Pension Plans

The City has three contributory defined benefit retirement plans for its general municipal, fire, and police employees. These three plans include the City of Austin Employees' Retirement System ("COAERS"), the City of Austin Police Retirement System (the "Police Retirement System") and the City of Austin Fire Fighters Relief and Retirement Fund (the "Fire Fighters Retirement Fund"). These plans are single employer funded plans each, with a fiscal year end of December 31. The three retirement plans cover substantially all full-time employees. State law requires the City to make contributions to the plans in an amount at least equal to the contribution of the employee group and for the Police Retirement System an actuarially determined contribution model became effective in 2022. The contributions made by the City to the COAERS include amounts allocable to the City employees within Austin Energy, Austin Water and the City's Department of Aviation ("Aviation"); the contributions allocable to such employees are paid from gross revenues of the respective systems and constitute operating expenses of Austin Energy, Austin Water, and Aviation, respectively.

As of October 1, 2020, municipal employees contribute 8.0% and the City contributed 18.0% of payroll to the COAERS, however, effective January 1, 2021, the City's contribution to the COAERS increased to 19.0% of payroll. Fire fighters (who are not members of the Social Security System) contribute 18.7% of payroll, and the City contributes 22.05% to the Fire Fighters Retirement Fund. As of October 1, 2020, Police officers contributed 13.0% and the City contributes 21.737% of payroll to the Police Retirement System, however, effective January 1, 2022, Police officers' contribution to the Police Retirement System increased to 15.0%. Effective January 1, 2022, the City's contribution to the Police Retirement System decreased to the actuarially determined amount of 10.1%; the City will also contribute according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2020 over a 30-year period. The contributions to the pension plans are designed to fund current service costs and to amortize the unfunded actuarial accrued liability. As of December 31, 2020, the amortization period of the unfunded actuarial accrued liability was 32 years for the COAERS, 30 years for the Police Retirement System, and 23.3 years for the Fire Fighters Retirement Fund.

The City's net pension liability was measured as of December 31, 2020 for each of the City's three pension plans. Information on the liabilities and funding measurements of each plan is discussed below.

City of Austin Employees' Retirement System (COAERS)...The members of the COAERS include City civilian and EMS employees as well as pension system employees. The COAERS provides plan members with a monthly pension payment derived from a predetermined formula based on length of service, salary history, and payout options. There are two groups in this plan with a vesting period of five years for both plans. Employees hired prior to January 1, 2012 are eligible to retire at any age after 23 years of service, at age 55 with 20 years of service, or at 62 with 5 years of service. The annual retirement benefit is calculated by multiplying the number of years of service by the average of the three highest earning years out of the last 10 years worked; this amount is then multiplied by 3%. Employees hired on or after January 1, 2012 follow a similar structure with modified factors: retirement eligibility occurs at age 62 with 30 years of service, or at 65 with 5 years, and the multiplier is 2.5%. The plan changes creating the second group were implemented in order to address long-term structural imbalances in the plan.

As of December 31, 2020, the COAERS reported a total net pension liability of \$1.5 billion, of which \$307.5 million is allocable to Austin Energy, \$160.8 is allocable to Austin Water, and \$61.1 is allocable to Aviation. The COAERS' fiduciary net position as a percentage of the total pension liability was 68.1%. The actuarial accrued liability for the COAERS as of December 31, 2020 was \$4.7 billion and the funded ratio was 65.3%. As of December 31, 2019, the COAERS reported a net pension liability of \$1.6 billion with a plan fiduciary net position as a percentage of the total pension liability of 65.2%. The actuarial accrued liability for the COAERS was \$4.5 billion and the funded ratio was 63.5%. The COAERS had no changes of assumptions or benefit terms that affected the total pension liability for the 2020 measurement period.

The COAERS funding policy is to maintain contribution rates sufficient to cover the normal cost of the plan and to amortize any unfunded actuarial accrued liabilities over a period not to exceed 25 years. Currently, the total contribution

rate is sufficient to amortize the System's unfunded liabilities in approximately 32 years, a decrease from the 40-year amortization period in the previous year. Since 2005, the City has taken certain actions intended to improve the long-term financial health of the COAERS, including increased City contributions, the establishment of a second, lesser benefit tier for new employees hired on or after January 1, 2012 and a reduction in the pension multiplier. The City intends to explore additional plan changes as discussed in more detail below.

Police Retirement System...The members of the Police Retirement System include all cadets, upon enrollment in the Austin Police Academy, commissioned law enforcement officers employed by the City's Police Department, and full-time employees of the Police Retirement System. The Police Retirement System provides retirement, death, and disability benefits to plan members and their beneficiaries.

In 2021, the City and Police Retirement System collaborated to get legislation passed which addresses that system's liabilities and places it on an actuarially sound path. The 87th Texas Legislature enacted, and Governor signed, legislation that includes the following reforms which became effective on January 1, 2022:

- Establishing a new benefit tier for new sworn police officers with the following benefit parameters:
 - a 2.5% multiplier;
 - retirement eligibility at age 50 and 25 years of service; and,
 - average salary calculated on the highest 60 months;
- Increasing employee contributions from 13% to 15%;
- Increasing City contributions to cover the legacy unfunded liability as of December 31, 2020;
- Establishing an actuarially determined contribution model to replace the current fixed contribution mode;
- Removal of authority of the Police Retirement System Board to provide cost of living adjustments, change member benefits or member contribution rates; and
- Reform of the governance structure by replacing one active member seat to a citizen seat appointed by City Council.

Initially City contributions will increase 4% with additional City contribution increases relating to initial risk sharing valuation and legacy liability to be phased in over 3 years. The proposed FY 2021-22 budget includes an additional \$6 million to begin funding the additional City contributions.

The Police Retirement System provides plan members with a monthly pension payment derived from a predetermined formula based on length of service, salary history, and payout options. Benefits are vested after 10 years. For employees hired prior to January 1, 2022, benefits are based on the years of service times the highest 36 months of salary in the last 10 contributing years of service. A multiplier of 3.2% is applied to the years of service. Eligibility occurs with 23 years of creditable service, at age 55 with 20 years of service, or at age 62. For employees hired on or after January 1, 2022, the highest months of salary is increased to 60 months, the multiplier is decreased to 2.5%, and eligibility is at age 50 with 25 years of service or at age 62.

As of December 31, 2020, the Police Retirement System reported a net pension liability of \$605.9 million for the 2020 plan year, which is a decrease from the \$1.3 billion net pension liability reported for the prior 2019 plan year. The fiduciary net position as a percentage of the total pension liability increased to 60.8% for the 2020 plan year from 39.4% in the prior year. There were no changes to the actuarial assumptions and methodology during the most recent plan year. For plan year 2019, the Police Retirement System adopted changes to certain plan assumptions in May 2019, based on an experience study conducted in 2019, including a reduction to the investment return assumption (from 7.75% to 7.25%), a reduction of payroll growth assumption and adoption of a new mortality table. The assumption changes, among other contributing factors, resulted in a decrease in the funded ratio and an increase in the amortization period from 35 years in 2017 to infinite in 2018. Additionally, the use of a lower, blended discount rate – as required by GASB guidelines – contributed to the increase in the net pension liability. A full description of the assumptions for the Police Retirement System is available in the actuarial reports available on its website.

The actuarial accrued liability for the Police Retirement System as of December 31, 2020 was \$1.54 billion and the funded ratio was 58.6%. The actuarial accrued liability for the Police Retirement System as of December 31, 2019 was \$1.46 billion and the funded ratio was 58.4%.

Fire Fighters Retirement Fund...The members of the Fire Fighters Retirement Fund include commissioned firefighters and Texas state-certified employees of the Fire Department. Members are eligible to retire at 50 years of age with at least 10 years of service credit or with at least 25 years of service credit at any age. Retirement benefits are paid in the form of a monthly life annuity based on years of service times the highest 36 months of salary during the member's contributing years of service. The multiplier for the Fire system is 3.3%. The Fire Fighters Retirement Fund also provides early retirement options.

The Fire Fighters Retirement Fund, as of December 31, 2020, reported a net pension liability of \$70.4 million, with a plan fiduciary net position as a percentage of the total pension liability of 94.3%. The actuarial accrued liability for the Fire Fighters Retirement Fund was \$1.23 billion and the funded ratio was 87.5%. As of December 31, 2019, the Fire Fighters Retirement Fund reported a net pension liability of \$126.1 million and plan fiduciary net position as a percentage of the total pension liability of 89.1%. The actuarial accrued liability for the Fire Fighters Retirement Fund as of December 31, 2019 was \$1.15 billion and the funded ratio was 86.8%.

The Fire Fighters Retirement Fund adopted changes to certain actuarial assumptions used in the 2020 actuarial valuation. The assumption changes adopted had minimal impact on the amortization period and funded ratio. Actuarial assumption changes included a decreased investment return assumption (from 7.5% to 7.3%) and increased payroll growth (from 2.0% to 2.5%). In addition, effective January 1, 2021, a cost-of-living adjustment increase of 1.4% went into effect.

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

Future City Pension System Reforms...In response to the reported actuarial funding data for COAERS, which indicates that the pension system is currently significantly underfunded, the City has begun working with COAERS to resolve the funding shortfalls. The City and COAERS remain in communication and are working collaboratively toward implementing changes during the 2023 legislative session. These changes may include a more adaptable, actuarially determined funding model, phased increases to both City and employee contributions, and changes to the governance structure.

The City earmarked \$11.3 million of funds in the FY 2020-21 budget to provide an initial first phase of increased City contributions to its pension plans. As of January 1, 2021, the City's contribution to COAERS increased by 1% to 19%.

Other Post-Employment Benefits

In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits ("OPEB") to its retirees. The City's OPEB plan is a defined-benefit single-employer plan. Allocation of City funds to pay OPEB other than pensions 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 is under no obligation to pay any portion of the cost of OPEB for retirees or their dependents.

OPEB 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 OPEB. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate.

Day-to-day accounting and administration of OPEB activities are provided by the City and recorded in the Employee Benefits Fund. However, at year end an adjustment is made to recognize OPEB expenses in the operating funds that provide funding to the Employee Benefits Fund to pay for the City's portion of these benefits. No separate plan report is available.

The City subsidizes between 16% and 80% of the projected medical premium for retirees and a lesser portion for dependents and surviving spouses depending on years of service at retirement. The retiree must pay the unsubsidized portion of the premium. Both the City and retirees' estimated premiums are deposited in the Employee Benefits Fund, which pays actual claims for medical and prescription drugs and 100% of the retiree's basic life insurance premium. The cost of coverage above the \$1,000 level for life insurance premium is paid by the retiree. 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 City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City funds its OPEB liabilities on a pay-as-you-go basis. The pay-as-you-go cost of providing medical and life benefits was \$50.3 million in fiscal year 2021 and \$47.8 million in fiscal year 2020.

The City commissions a biennial actuarial valuation of its OPEB liability with a roll-forward prepared in the year in which there is no formal valuation. As of the most recent December 31, 2020 actuarial valuation date (roll-forward), the City's total OPEB liability increased to \$4.3 billion from \$3.5 billion as of the actuarial valuation measured as of December 31, 2019. The increase in the total OPEB liability was attributable to several assumption changes. The primary factor was a reduction in the assumed discount rate (to 2.12% from 2.74%, based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date) as required by GASB guidance. In addition, changes to COAERS and the Fire Fighters' Retirement Fund assumptions such as new mortality tables and changes to certain demographics assumptions (trend rates, retirement rates, enrollment for retirees and spouses, etc.) contributed to the increase.

See "APPENDIX B – AUDITED FINANCIAL STATEMENTS – Note 8" in this document for additional information on the City's OPEB.

Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund's operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately \$2.16 million for claims and damages at the end of fiscal year 2020. Employee injuries are covered by the City's Workers' Compensation Fund and health claims are covered by the City's Employee Benefits Fund. The accrued liabilities for certain claims and expenses for enterprise funds of the City are funded separately, from funds of the respective enterprise systems.

Environmental Responsibility

The Department of Aviation has adopted an Environmental Policy Statement that the Airport will incorporate sustainable principles, climate resiliency best practices, and environmental stewardship into all aspects of its culture, planning, development and operations at the Airport. The Airport has worked to reduce its impact on the environment by recycling, using alternative fuels, reducing electric and water consumption, and building with recycled materials. In 2021, the Airport was recognized as one of four airports in North America to reach carbon neutrality, with a Level 3+ Accreditation by Airports Council International – North America's Airport Carbon Accreditation Program. This makes the Airport the first and only medium-sized airport in North America to achieve carbon neutrality.

OTHER RELEVANT INFORMATION

Ratings

The Bonds received ratings of " " (outlook) from Moody's Investors Service, Inc. ("Moody's"), " " (outlook) from S&P Global Ratings ("S&P"), and " " (outlook) from Kroll Bond Rating Agency, Inc. ("Kroll"). 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 and marketability of the Bonds. Except as provided under "CONTINUING DISCLOSURE OF INFORMATION – Disclosure Event Notices" in this document, the City will undertake no responsibility to notify the owners of the Bonds of any such revisions or withdrawal of ratings.

Registration and Qualification

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained in the Securities Act of Texas; nor have the Bonds been qualified

under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Legal Matters

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

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained in this Official Statement except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this Official Statement under the captions “INTRODUCTION,” “PLAN OF FINANCE,” “DESCRIPTION OF THE BONDS” (except for the information under the subcaption “Book-Entry-Only System”), “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS” (except for the information under the subcaptions “Remedies” and “Contingent Payment Obligations”), “CONTINUING DISCLOSURE OF INFORMATION” (except for the subsection “Compliance with Prior Undertakings”), “TAX MATTERS,” “OTHER RELEVANT INFORMATION – Registration and Qualification,” “– Legal Investments and Eligibility to Secure Public Funds in Texas,” and “– Legal Matters (but only with respect to the first two paragraphs thereof), and under “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE,” and such firm will render an opinion solely to the City and the Underwriters to the effect that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described, and such information conforms to the Bonds and the Ordinance.

In addition, certain legal matters will be passed upon (i) for the Underwriters by Haynes and Boone, LLP, counsel to the Underwriters, and (ii) for the City by McCall, Parkhurst & Horton L.L.P., as Disclosure Counsel for the City. Any opinion of Underwriters’ Counsel will be rendered solely to the Underwriters, any opinion of Disclosure Counsel will be rendered solely to the City, and any opinion of Underwriters’ Counsel or Disclosure Counsel will be limited in scope and cannot be relied upon by investors. The payment of legal fees to Bond Counsel, counsel to the Underwriters and Disclosure Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed in those opinions. In rendering legal opinions,

the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Financial Advisor

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

Financial Information and Independent Auditors

The financial data listed as fiscal year 2022 has been derived from the internal records of the City. The City’s independent auditors have not reviewed, examined, or performed any procedures with respect to the fiscal year 2022 information, nor the forward-looking financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the fiscal year 2022 financial information. The fiscal year 2022 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

Morgan Stanley & Co. LLC, on behalf of itself and the other underwriters listed on the front cover of this Official Statement (collectively, the “Underwriters”) has agreed, subject to certain conditions, to purchase the Bonds from the City at a price equal to \$_____, plus an original premium of \$_____ and less an underwriting discount of \$_____.

The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased.

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

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

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 ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These

summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Certification of the Official Statement

This Official Statement, and the execution and delivery of this Official Statement was approved and authorized by an Authorized Officer of the City pursuant to the Ordinance.

Steve Adler
Mayor
City of Austin, Texas

ATTEST:

Myrna Rios
City Clerk
City of Austin, Texas

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APPENDIX A
REPORT OF THE AIRPORT CONSULTANT

DRAFT

APPENDIX B
AUDITED FINANCIAL STATEMENTS

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

General

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

Amendments to the Revenue Bond Ordinances

The Ordinance authorizing the issuance of the Bonds includes amendments to the Ordinance and the existing Revenue Bond Ordinances. By acceptance of the Bonds, each Owner of a Bond (i) irrevocably and specifically consents to and approves the amendments to the Ordinance and the existing Revenue Bond Ordinances described below, (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact to evidence such Owner's specific consent to and approval of the amendments described below, and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for such Owner. The amendments are described in this APPENDIX C in the definition of "Debt Service Reserve Fund Surety Bond" under "Selected Definitions"; deletions to the ordinance provisions are shown as strikethrough and additions to the ordinance provisions are underlined. These amendments require the consent of the Owners of not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding. For additional information regarding these amendments, see "INTRODUCTION – Amendments to Revenue Bond Ordinances" in this document.

Selected Definitions

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

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

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

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

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

"Airport System" means all airport, heliport and aviation facilities, now or from time to time owned, operated or controlled in whole or in part by the City, including the Airport, together with all properties, facilities and services of the Airport, and all additions, extensions, replacements and improvements to the Airport, and all services currently provided, or to be provided, by the City in connection with the Airport, but expressly excluding (i) any heliport or heliports operated by City Departments other than the Department of Aviation, (ii) the Austin consolidated rental car facility, initially financed by the issuance of City of Austin, Texas Rental Car Special Facility Revenue Bonds, Taxable Series 2013 and refinanced by the issuance of City of Austin, Texas Rental Car Special Facility Revenue Refunding Bonds, Taxable Series 2021, as Special Facilities, and (iii) the Mueller Airport Property.

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

"Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2022 (AMT), authorized by the Ordinance.

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

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

"Capitalized Interest Account" means the applicable account so designated in the Ordinance and the existing Revenue Bond Ordinances.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Construction Fund” means the fund so designated in the Ordinance.

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

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

“Credit Provider” means the issuer or provider of a Credit Agreement.

“Currently Outstanding Revenue Bonds” means the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019 Bonds, the Series 2019A Bonds and the Series 2019B Bonds.

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

“Debt Service Fund” means the fund so designated in the Ordinance.

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

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

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

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

“Debt Service Reserve Fund” means the fund so designated in the Ordinance.

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

“Debt Service Reserve Fund Surety Bond” means any surety bond, letter of credit, line of credit or insurance policy having a rating in the highest respective rating categories by Moody’s and Standard & Poor’s issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance; provided that, at the time of delivery to the City, either the long-term unsecured debt of the issuer of the Debt Service Reserve Fund Surety Bond or the obligations insured, secured or guaranteed by such issuer are rated “Aa3” or higher by Moody’s or “AA-” or higher by Standard & Poor’s.

“Defeasance Obligations” means: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States; (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date council adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (iv) any other then authorized securities or obligations under applicable Texas law in existence on the date the City adopts or approves any proceedings authorizing the issuance of Refunding Revenue Bonds that may be used to defease obligations such as the Bonds.

“Favorable Opinion of Bond Counsel” means, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of nationally recognized bond counsel to the effect that, under existing law, such action or omission does not adversely affect the excludability of interest payable on the Bonds from gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion of bond counsel delivered upon original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

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

“Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

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

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

- (a) proceeds of any Revenue Bonds and Subordinate Obligations;
- (b) interest or other investment income derived from Revenue Bonds and Subordinate Obligation proceeds deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund;
- (c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies shall be received as payments for the use of the Airport System facilities;
- (d) any revenues derived from any Special Facilities (e.g. customer facility charges) which are pledged to the payment of Special Facilities Bonds;
- (e) insurance proceeds other than loss of use or business interruption insurance proceeds;
- (f) the proceeds of the passenger facility charge (PFC) currently imposed by the City and any other per-passenger charge as may be lawfully authorized;
- (g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities;
- (h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes;
- (i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges shall be considered Gross Revenues; and
- (j) Other Available Funds transferred to the Revenue Fund as provided in the Ordinance.

“Interest Payment Date” means each May 15 and November 15, commencing November 15, 2022, until maturity or prior redemption of the Bonds.

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

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

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

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

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

- (a) any allowance for depreciation;
- (b) costs of capital improvements;
- (c) reserves for major capital improvements, Airport System operations, maintenance or repair;
- (d) any allowance for redemption of, or payment of interest or premium on, Revenue Bonds and Subordinate Obligations;
- (e) any liabilities incurred in acquiring or improving properties of the Airport System;
- (f) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities to the extent they are required to be paid by such lessees pursuant to the terms of the Special Facilities Leases;
- (g) any charges or obligations incurred in connection with any lawful Airport System purpose, including the lease, acquisition, operation or maintenance of any facility or property benefiting the Airport System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of the Capital Fund;
- (h) liabilities based upon the City’s negligence or other ground not based on contract; and
- (i) so long as Federal Payments are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period.

“Operation and Maintenance Reserve Fund” means the fund so designated and created within the Revenue Fund in the Ordinance.

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

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

“Owner” or “Registered Owner,” when used with respect to any Revenue Bond means the person or entity in whose name the Revenue Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners means the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Revenue Bonds then Outstanding under the Ordinance.

“Paying Agent/Registrar” means, for the Bonds, U.S. Bank Trust Company, National Association, and its successors in that capacity.

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

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

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Renewal and Replacement Fund” means the fund so designated in the Ordinance.

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

“Revenue Bond Ordinances” means the ordinances authorizing the issuance of the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019 Bonds, the Series 2019A Bonds, the Series 2019B Bonds, the Bonds, and any ordinances pursuant to which Additional Revenue Bonds are issued.

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

“Revenue Fund” means the fund so designated in the Ordinance.

“Rule” means Rule 15c2-12, promulgated by the United States Securities and Exchange Commission.

“Series 2013 Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2013.

“Series 2014 Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2014 (AMT).

“Series 2017A Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017A.

“Series 2017B Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017B (AMT).

“Series 2017 Hotel Bonds” means the Austin-Bergstrom Landhost Enterprises, Inc. Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017.

“Series 2017 Hotel Grant Agreement” means that certain Grant Agreement dated as of October 1, 2017, by and between the City and Austin-Bergstrom Landhost Enterprises, Inc.

“Series 2019 Bonds” means the City of Austin, Texas, Airport System Revenue Refunding Bonds, Series 2019 (AMT).

“Series 2019A Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2019A.

“Series 2019B Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2019B (AMT).

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

“Special Facilities Bonds” means those bonds from time to time hereafter issued by the City pursuant to the appropriate provisions of the Ordinance.

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

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a division of S&P Global Inc., its successors and assigns, and if such entity shall for any reason no longer perform the functions of a securities rating agency, “Standard & Poor’s” and “S&P” shall refer to any other nationally recognized securities rating agency designated by the City.

“Subordinate Obligations” means each series of bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, which the City has reserved the right to issue or incur from time to time pursuant to the Ordinance as Subordinate Obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds. The City’s obligation to fund certain reserve fund deficiencies relating to the Series 2017 Hotel Bonds from “Surplus Airport System Revenues” pursuant to the Series 2017 Hotel Grant Agreement, subject in all respects to the terms of the Series 2017 Hotel Grant Agreement and the Revenue Bond Ordinances, constitutes a Subordinate Obligation.

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

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

Funds and Flow of Funds

Funds. The Ordinance creates or confirms the Revenue Fund, including the Operation and Maintenance Reserve Fund therein, the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, the Renewal and Replacement Fund, the Capital Fund, including a Capital Improvement Account therein, and the Construction Fund. The City may create additional accounts and subaccounts in any of the funds, including accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, so long as they are not inconsistent with the Ordinance.

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

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

- (a) First, to provide for all payments of Operation and Maintenance Expenses required by the Revenue Bond Ordinances.
- (b) Second, to transfer all amounts to the Debt Service Fund required by the Revenue Bond Ordinances and any related Credit Agreement Obligations.
- (c) Third, to transfer all amounts to the Administrative Expense Fund required to pay Administrative Expenses to the Persons entitled to payment when due.

- (d) Fourth, to transfer all amounts to the Debt Service Reserve Fund required by the Revenue Bond Ordinances.
- (e) Fifth, to transfer all amounts necessary to provide for the payment of Subordinate Obligations, or to provide reserves for payment, as may be required by any ordinance authorizing Subordinate Obligations and related credit agreement obligations.
- (f) Sixth, to transfer all amounts necessary to provide for the payment of principal of and interest on General Obligation Airport Bonds.
- (g) Seventh, to transfer all amounts to the Operation and Maintenance Reserve Fund required by the Revenue Bond Ordinances.
- (h) Eighth, to transfer all amounts to the Renewal and Replacement Fund required by the Revenue Bond Ordinances.
- (i) Ninth, the balance shall be transferred to the Capital Fund.

Debt Service Fund. To the extent moneys remain on deposit in any Capitalized Interest Account, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund amounts available to pay the interest coming due on the applicable series of Revenue Bonds at the times provided in the Revenue Bond Ordinances.

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

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

In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement for the Revenue Bonds or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of such month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement for the Revenue Bonds and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in such Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below such amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in such amounts as shall be required to restore the Debt Service Reserve Fund to this amount and to pay this reimbursement obligations within an 18 month period.

The City shall use the Debt Service Reserve Fund to pay the principal of and interest on the Revenue Bonds and the Credit Agreement Obligations at any time the amount available in the Debt Service Fund is insufficient for this purpose, and to make any payments required to satisfy repayment obligations to issuers of Debt Service Reserve Fund Surety Bonds. The City may use the Debt Service Reserve Fund to make the final payments for the retirement or defeasance of Revenue Bonds, related Credit Agreement Obligations and Administrative Expenses. See "Amendments to the Revenue Bond Ordinances" in this APPENDIX C for a description of the amendments to the definition of "Debt Service Reserve Fund Surety Bond" in the Ordinance and the Revenue Bond Ordinances.

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

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

General Obligation Airport Bonds. On or before the last Business Day of each month, so long as any General Obligation Airport Bond remains outstanding, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund and any other fund and account established by ordinances authorizing the issuance of Revenue Bonds and Subordinate Obligations, the City shall transfer from the Revenue Fund, to the extent amounts are available, the amounts necessary to provide for the payment, when due, of principal of and interest on General Obligation Airport Bonds.

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

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

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

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

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

Mueller Airport Disposition Fund. The Robert Mueller Municipal Airport was closed for aviation purposes and the Mueller Airport Property was transferred out of the Airport System and is no longer part of the Airport System. In connection with the transfer of the Mueller Airport Property, the City deposited certain funds into the Mueller Disposition Fund. These funds, together with any other amounts deposited into the Mueller Disposition Fund, may be used for the payment or reimbursement of all costs and expenses incurred by the City necessary or incident

to the closing of Robert Mueller Municipal Airport to aviation purposes and the disposition of the Mueller Airport Property. Any amounts remaining will be transferred to the City's Department of Aviation.

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

All interest and income derived from deposits and investments credited to any of the following funds and accounts shall be applied as follows, except as provided in the following paragraph.

<u>Source of Interest or Income</u>	<u>Fund or Account to which such Interest or Income should be Credited</u>
Revenue Fund	Remains in Revenue Fund
Administrative Fund	Revenue Fund
Debt Service Reserve Fund	Remains in fund until the Debt Service Reserve Fund Requirement is satisfied; thereafter to the Revenue Fund
Operation and Maintenance Reserve Fund	Remains in fund until fully funded; thereafter, to the Revenue Fund
Renewal and Replacement Fund	Remains in fund until Renewal and Replacement Fund Requirement is met; thereafter, to the Revenue Fund
Capital Fund - Capital Improvement Account	Remains in the fund or in the appropriate fund or account therein

Any interest and income derived from deposits and investments of any amounts credited to any Fund or Account may be: (i) transferred into any rebate account or subaccount; and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained in the Ordinance or required in order to prevent interest on any bonds payable from Net Revenues from being includable within the gross income of the Owners thereof for federal income tax purposes. Further, to the extent any interest or income in the Debt Service Reserve Fund is allocable to the proceeds of the Revenue Bonds, then such amounts shall be deposited into the Debt Service Fund unless the City receives a Favorable Opinion of Bond Counsel.

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

Additional Bonds

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

- (a) No Default. The City Manager and the Aviation Director certify that, upon the issuance of such Additional Revenue Bonds, the City will not be in default under any term or provision of any Revenue Bonds then Outstanding or any ordinance pursuant to which any Revenue Bonds were issued unless the default will be cured by the issuance of the Additional Revenue Bonds.
- (b) Proper Fund Balances. The City's Chief Financial Officer or trustee, if one has been appointed, shall certify that, upon the issuance of Additional Revenue Bonds, the Debt Service Fund will have the required amounts on deposit and that the Debt Service Reserve Fund will contain the applicable Debt Service Reserve Fund Requirement or the amount as is required to be funded at that time.
- (c) Projected Coverage for Additional Revenue Bonds. An Airport Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues, together with the estimated Other Available Funds, of the Airport System for each of three consecutive Fiscal Years beginning in the earlier of

- (i) the first Fiscal Year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Additional Revenue Bonds, based upon a certified written estimated completion date by the consulting engineer for the facility or facilities, or
- (ii) the first Fiscal Year in which the City will have scheduled payments of interest on or principal of the Additional Revenue Bonds to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of the Additional Revenue Bonds, investment income on such Additional Revenue Bonds or from other appropriated sources (other than Net Revenues),

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

- (d) Alternate Coverage for Additional Revenue Bonds. In lieu of the certification described in (c) above, the City's Chief Financial Officer may provide a certificate showing that, for either the City's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, the Net Revenues, together with Other Available Funds, of the Airport System were equal to at least 125% of the maximum Debt Service Requirements on all Revenue Bonds scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Revenue Bonds proposed to be issued.
- (e) Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the aggregate Debt Service Requirements after the issuance of the Additional Revenue Bonds do not exceed the aggregate Debt Service Requirements prior to the issuance of the Additional Revenue Bonds; provided, that the annual debt service on the refunding bonds in any Fiscal Year will not be more than 10% higher than it is in any other Fiscal Year.
- (f) Bond Ordinance Requirements. Provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds including, in the event that interest on the additional series of Revenue Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the Debt Service Fund of amounts fully sufficient to pay interest on such Additional Revenue Bonds during the period specified in the Revenue Bond Ordinance and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by the Ordinance or any other Revenue Bond Ordinance authorizing Additional Revenue Bonds.
- (g) Special Provisions for Completion Bonds. The provisions of paragraphs (c) and (d) above shall not apply to the issuance of Completion Bonds in accordance with the provisions of the Ordinance.

Completion Bonds. The City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Airport Project for which Revenue Bonds have previously been issued.

Prior to the issuance of any series of Completion Bonds the City must provide, in addition to all of the applicable certificates required above for the issuance of Additional Revenue Bonds, the following documents:

- (a) a certificate of the consulting engineer engaged by the City to design the Project for which the Completion Bonds are to be issued stating that the Airport Project has not materially changed in scope since the issuance of the most recent series of Revenue Bonds for such purpose (except as permitted in the applicable ordinance authorizing the Revenue Bonds) and setting forth the aggregate cost of the Airport Project which, in the opinion of such consulting engineer, has been or will be incurred; and
- (b) a certificate of the Aviation Director (i) stating that all amounts allocated to pay costs of the Airport Project from the proceeds of the most recent series of Revenue Bonds issued in connection with the Airport Project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of the Airport Project; (ii) containing a calculation of the amount by which the aggregate cost of that Airport Project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Airport Project paid to such date plus the moneys available at such date within any construction fund or other like account applicable to the Airport Project plus any other moneys which the Aviation Director, in his discretion, has determined are available to pay such costs in any other fund; and (iii) certifying that, in the opinion of the Aviation Director, the issuance of the Completion Bonds is necessary to provide funds for the completion of the Airport Project.

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

Subordinate Obligations. The City reserves the right to issue or incur, for any lawful Airport System purpose, Subordinate Obligations and credit agreement obligations related to the Subordinate Obligations, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of the Revenue Bonds.

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

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

Particular Covenants

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

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

- (i) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or
- (ii) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for Revenue Bonds for such Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

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

Sale or Encumbrance of Airport System. Except for the use of the Airport System or services pertaining to the Airport System in the normal course of business, the City covenants that neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Revenue Bonds, Credit Agreement Obligations and Administrative Expenses have been paid in full, or unless provision for payment has been made, and the City shall not dispose of its title to the Airport System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the Airport System, except for the execution of leases, licenses, easements, or other agreements in connection with the operation of the Airport System by the City, or in connection with any Special Facilities, except for any pledges of and liens on revenues derived from the operation and use of all or part of the Airport System, or any Special Facilities, for the payment of Revenue Bonds, Credit Agreement Obligations, Administrative Expenses, Special Facilities Bonds and any other obligations pertaining to the Airport System, and except as otherwise provided in the next two paragraphs.

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

Nothing in the Ordinance prevents any transfer of all or a substantial part of the Airport System to another body corporate and politic (including, but not necessarily limited to, a joint action agency or an airport authority) which assumes the City's obligations under the Ordinance and in any ordinance authorizing the issuance of Revenue Bonds, in whole or in part, if: (i) in the written opinion of the Airport Consultant, the

ability to meet the rate covenant and other covenants under the Ordinance and in any ordinance authorizing the issuance of Revenue Bonds, are not materially and adversely affected; and (ii) in the written opinion of nationally recognized bond counsel, the transfer and assumption will not cause the interest on any Revenue Bonds that were issued as "tax-exempt bonds" within the meaning of the regulations promulgated under the Code to be includable in gross income of the Owners of the Revenue Bonds for federal income tax purposes. Following the transfer and assumption, all references to the City, City officials, City ordinances, City budgetary procedures and any other officials, actions, powers or characteristics of the City shall be deemed references to the transferee entity and comparable officials, actions, powers or characteristics of the entity. In the event of any transfer and assumption, nothing in the Ordinance shall prevent the retention by the City of any facility of the Airport System if, in the written opinion of the Airport Consultant, the retention will not materially and adversely affect nor unreasonably restrict the transferee entity's ability to comply with the requirements of the rate covenant and the other covenants of the Ordinance and in any Revenue Bond Ordinance.

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

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

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

Notwithstanding the provisions of the foregoing paragraph: (i) acceleration as a remedy is expressly denied; (ii) no grace period for a default in the performance of any duty or covenant shall exceed 30 days, nor shall any grace period be extended for more than 60 days; and (iii) no grace period is permitted with respect to a default in the payment of Debt Service or the payment of Administrative Expenses when due.

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

Discharge By Deposit

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

Amendments

Alteration of Rights and Duties. The rights, duties, and obligations of the City and the Owners of the Bonds and the holders of Credit Agreement Obligations related to the Bonds, and Persons to whom Administrative Expenses are owed, are subject in all respects to all applicable

federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

Amendment of the Ordinance Without Consent. The City may, without the consent of or notice to any of the Owners of the Bonds, amend the Ordinance for any one or more of the following purposes:

- (a) to cure any ambiguity, defect, omission or inconsistent provision in the Ordinance or in the ordinances authorizing the issuance of Revenue Bonds; or to comply with any applicable provision of law or regulation of Federal agencies, or to obtain the approving opinion of the Attorney General of Texas as required by law; provided, however, that such action shall not adversely affect the interests of the Owners of the Revenue Bonds;
- (b) to change the terms or provisions of the Ordinance to the extent necessary to prevent the interest on the Revenue Bonds from being includable within the gross income of the Owners thereof for federal income tax purposes;
- (c) to grant to or confer upon the Owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Revenue Bonds;
- (d) to add to the covenants and agreements of the City contained in the Ordinance other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in the Ordinance;
- (e) to amend any provisions of the Ordinance relating to the issuance of Revenue Bonds and Subordinate Obligations, or the incurrence of and security for reimbursement obligations in connection therewith, so long as to do so does not cause any reduction in any rating assigned to the Outstanding Revenue Bonds by any major municipal securities evaluation service then rating any series of Revenue Bonds;
- (f) to subject to the lien and pledge of the Ordinance additional Net Revenues which may include revenues, properties or other collateral; and
- (g) to amend the undertaking relating to continuing disclosure of information in Article Twelve of the Ordinance to the extent permitted in Article Twelve.

Amendments of the Ordinance Requiring Consent. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of the Ordinance but, if the amendment is not of the character described above, only with the consent of the Owner or Owners given in accordance with the Ordinance of not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that nothing in this paragraph shall permit (a) an extension of the maturity of the principal of or interest on any Revenue Bond issued hereunder, or (b) a reduction in the principal amount of any Revenue Bond or the rate of interest on any Revenue Bond, or (c) a privilege or priority of any Revenue Bond or Revenue Bonds over any other Revenue Bond or Revenue Bonds, or (d) a reduction in the percentage of aggregate principal amount of the Revenue Bonds required for consent to such amendment.

Consent of Owners. Any consent required by the preceding paragraph hereof by any Owner shall be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by the Owner or its duly authorized attorney. Proof of the execution of any consent or of the writing appointing any such attorney and of the ownership of Revenue Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Ordinance, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under such instrument, namely:

- (a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged its execution before him or her, or by affidavit of any witness to the execution.
- (b) The fact of the ownership by any person of any Revenue Bond and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that on that date the Revenue Bond was registered in the name of that party in the Register.

In lieu of the foregoing the City may accept such other proofs of the foregoing as it shall deem appropriate.

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

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

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

Consent to Certain Amendments Given Through Ownership of Bonds. (a) By acceptance of the Bonds, each Owner of a Bond: (i) irrevocably and specifically consents to and approves the amendments described in subsection (b) below; (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact for the limited purpose of executing the written instrument required by the Ordinance to evidence the Owner's specific consent to and approval of the amendments described in subsection (b) below; and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner, it being specifically provided that the Aviation Director need not consult with, or provide notice to, an Owner in connection with the actions taken by the Aviation Director under this Section. The power of attorney granted to the Aviation Director shall be limited to effecting the amendments described in subsection (b) below and is irrevocable for so long as any Bond remains Outstanding.

(b) The amendments are: amend the definition of "Debt Service Reserve Fund Surety Bond" in Section 2.01 of the Ordinance and the Revenue Bond Ordinances to read as follows:

"Debt Service Reserve Fund Surety Bond" means any surety bond, letter of credit, line of credit or insurance policy issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance; provided that, at the time of delivery to the City, either the long-term unsecured debt of the issuer of the Debt Service Reserve Fund Surety Bond or the obligations insured, secured or guaranteed by such issuer are rated "Aa3" or higher by Moody's or "AA-" or higher by Standard & Poor's.

These amendments described in subsection (b) above require the consent of the Owners of not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding. For additional information regarding these amendments, see "INTRODUCTION – Amendments to Revenue Bond Ordinances" in this document.

Use of Passenger Facility Charges

Consistent with the definitions of Debt Service Requirements and Gross Revenues, the City acknowledges and agrees that debt service with respect to the Revenue Bonds paid or to be paid from passenger facility charges is not included in the calculation of Debt Service Requirements. The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) \$4.50 derived from each passenger facility charge ("PFC") so imposed and collected by the City for the payment of PFC-eligible debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the passenger facility charges will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

May ____, 2022

WE HAVE ACTED as bond counsel for the City of Austin, Texas (the "City") in connection with the issuance of the CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REVENUE BONDS, SERIES 2022 (AMT) in the original aggregate principal amount of \$ _____ (the "Bonds").

THE BONDS mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set forth in the Bonds, in the Ordinance adopted by the City Council of the City on April 7, 2022 authorizing the issuance of the Bonds (the "Bond Ordinance") and the Pricing Certificate executed by an authorized officer of the City pursuant thereto (the "Pricing Certificate"). The Bond Ordinance and the Pricing Certificate are referred to herein collectively as the "Ordinance." Capitalized terms used herein but not otherwise defined have the meaning assigned to them in the Ordinance.

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City, including the Airport System, or the disclosure thereof in connection with the offer and sale of the Bonds. Our role in connection with the City's Official Statement prepared for use in connection with the offer and sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds, which we have relied on in giving our opinion. The transcript contains certified copies of certain proceedings of the City Council of the City; customary certificates of officials, agents and representatives of the City and certain other persons; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein.

IN PROVIDING THE OPINIONS set forth herein, we have relied on representations of the City and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City and such other parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Bond Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

BASED ON SUCH EXAMINATION, and in reliance on such representations, certificates and assumptions, it is our opinion that:

1. The transcript of certified proceedings referenced above evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and the laws of the State of Texas presently effective and that therefore the Bonds constitute legal, valid and binding special obligations of the City;

2. The Bonds, together with all outstanding Revenue Bonds and any Additional Revenue Bonds hereafter issued, are payable from and equally and ratably secured by a first lien on the Net Revenues of the Airport System. The Bonds are also secured by a lien on the Debt Service Fund and the Debt Service Reserve Fund, as provided in the Ordinance;
3. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except with respect to interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" to such a "substantial user," each within the meaning of section 147(a) of the Code; and
4. Interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining a taxpayer's alternative minimum tax liability.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions, and may be limited by general principles of equity that permit the exercise of judicial discretion. The Bonds are secured solely by a first lien on and pledge of the Net Revenues of the Airport System as described above and certain funds as provided in the Ordinance and do not constitute an indebtedness or general obligation of the City. Owners of the Bonds shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation.

THE CITY HAS RESERVED the right to issue Additional Revenue Bonds and Subordinate Obligations, subject to the restrictions contained in the Ordinance, secured by liens on the Net Revenues of the Airport System that are on a parity with, or junior and subordinate to, respectively, the lien on the Net Revenues of the Airport System securing the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the City or any other parties upon which we have relied are determined to be inaccurate or incomplete, or the City fails to comply with the covenants in the Bond Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

OUR OPINIONS ARE BASED on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.