OFFICIAL STATEMENT DATED JULY 23, 2019

New Issues: Book-Entry-Only System

Ratings: Moody's: "A1" (stable outlook)
S&P: "A" (positive outlook)
Kroll: "AA-" (stable outlook)
(See "OTHER RELEVANT INFORMATION – Ratings")

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the 2019A Bonds is excludable from gross income for federal income tax purposes, and (ii) the 2019A Bonds are not "private activity bonds." Further, in the opinion of Bond Counsel, under existing law, (i) interest on the 2019B Bonds is excludable from gross income for federal income tax purposes, except for any period during which a 2019B Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the 2019B 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 2019B 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

\$16,975,000 **Airport System Revenue Bonds,** **Series 2019A**	**\$248,170,000** **Airport System Revenue Bonds,** **Series 2019B (AMT)**

Dated: August 1, 2019; Interest to accrue from Date of Initial Delivery **Due**: As shown on the inside cover page

The \$16,975,000 City of Austin, Texas Airport System Revenue Bonds, Series 2019A (the "2019A Bonds") and the \$248,170,000 City of Austin, Texas Airport System Revenue Bonds, Series 2019B (AMT) (the "2019B Bonds" and, collectively with the 2019A Bonds, the "Bonds"), are limited special obligations of the City of Austin, Texas (the "City"), issued pursuant to the ordinances adopted by the City on June 19, 2019 (the "Ordinances"). In the Ordinances, the City Council has delegated the authority to sell the Bonds to an Authorized Officer (as defined in the Ordinances), subject to the parameters set forth in the Ordinances.

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 2019 PROJECTS" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs of issuance incurred in connection with the issuance of the Bonds. See "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 their date of initial delivery, and is payable on November 15, 2019 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 of each series 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 Ordinances. No mortgage of any of the physical properties forming a part of the Airport System or any lien thereon or security interest therein has been given. **The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State of Texas is pledged as security for the Bonds**. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS" 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 – FORMS OF BOND COUNSEL'S OPINIONS" in this document. Certain legal matters will be passed upon for the City by McCall, Parkhurst & Horton L.L.P. as disclosure counsel to the City, and for the underwriters listed below (the "Underwriters") by their counsel, Haynes and Boone, LLP. It is expected that the Bonds will be available for initial delivery to the Underwriters through DTC on or about August 13, 2019.

Citigroup	**Morgan Stanley**
Jefferies	**Raymond James**

$16,975,000
CITY OF AUSTIN, TEXAS
Airport System Revenue Bonds, Series 2019A

MATURITY SCHEDULE

Base CUSIP No. 052398 (1)

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield(2)	CUSIP Suffix(1)
2049	$16,975,000	5.000%	2.540%	GD0

(Interest to accrue from the Date of Initial Delivery)

$248,170,000
CITY OF AUSTIN, TEXAS
Airport System Revenue Bonds, Series 2019B (AMT)

MATURITY SCHEDULE

Base CUSIP No. 052398 (1)

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix(1)	Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix(1)
2022	$ 4,455,000	5.000%	1.340%	GE8	2031	$6,985,000	5.000%	2.210% (2)	GP3
2023	4,685,000	5.000	1.380	GF5	2032	7,340,000	5.000	2.270 (2)	GQ1
2024	4,925,000	5.000	1.440	GG3	2033	7,720,000	5.000	2.300 (2)	GR9
2025	5,170,000	5.000	1.550	GH1	2034	8,115,000	5.000	2.370 (2)	GS7
2026	5,440,000	5.000	1.660	GJ7	2035	8,530,000	5.000	2.410 (2)	GT5
2027	5,720,000	5.000	1.770	GK4	2036	8,965,000	5.000	2.460 (2)	GU2
2028	6,010,000	5.000	1.900	GL2	2037	9,425,000	5.000	2.500 (2)	GV0
2029	6,315,000	5.000	2.000	GM0	2038	9,905,000	5.000	2.540 (2)	GW8
2030	6,640,000	5.000	2.130 (2)	GN8	2039	10,420,000	5.000	2.580 (2)	GX6

$60,675,000 5.000% Term Bonds maturing November 15, 2044, priced to yield 2.730%(2), CUSIP Suffix GY4 (1)

$60,730,000 5.000% Term Bonds maturing November 15, 2048, priced to yield 2.780%(2), CUSIP Suffix GZ1 (1)

(Interest to accrue from the Date of Initial Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Service ("CGS"), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. CUSIP numbers are provided for convenience of reference only. The City and the Financial Advisor take no responsibility for the accuracy of the CUSIP numbers.

(2) Initial yield priced to November 15, 2029, the first optional call date. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

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 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 HAVE THE ORDINANCES 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.

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

		Term Expires January
Steve Adler	Mayor	2023
Natasha Harper-Madison	Councilmember District 1	2023
Delia Garza, Mayor Pro Tem	Councilmember District 2	2021
Sabino "Pio" Renteria	Councilmember District 3	2023
Gregorio "Greg" Casar	Councilmember District 4	2021
Ann Kitchen	Councilmember District 5	2023
Jimmy Flannigan	Councilmember District 6	2021
Leslie Pool	Councilmember District 7	2021
Paige Ellis	Councilmember District 8	2023
Kathryne B. Tovo	Councilmember District 9	2023
Alison Alter	Councilmember District 10	2021

Appointed Officials

Spencer Cronk	City Manager
Elaine Hart, CPA	Deputy City Manager/Chief Financial Officer
Greg Canally	Deputy Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Anne Morgan	City Attorney
Jannette S. Goodall	City Clerk

BOND COUNSEL
Bracewell LLP
Austin, Texas

DISCLOSURE COUNSEL FOR THE CITY
McCall, Parkhurst & Horton L.L.P.
Dallas and Austin, Texas

FINANCIAL ADVISOR
PFM Financial Advisors LLC
Austin, Texas

INDEPENDENT AUDITORS
Deloitte & Touche LLP
Austin, Texas

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waleyd@pfm.com

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OFFICIAL STATEMENT

relating to
CITY OF AUSTIN, TEXAS

$16,975,000	**$248,170,000**
Airport System Revenue Bonds, Series 2019A	**Airport System Revenue Bonds, Series 2019B (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 Ordinances, as defined below), and the City's Airport System Revenue Bonds, Series 2019A (the "2019A Bonds") and the Airport System Revenue Bonds, Series 2019B (AMT) (the "2019B Bonds" and, collectively, with the 2019A Bonds, the "Bonds"). The Bonds are limited special obligations of the City issued pursuant to the ordinances adopted by the City on June 19, 2019, authorizing the issuance of each series of the Bonds (the "Ordinances"). Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinances. The definitions of certain terms used in the Ordinances and in this Official Statement are included in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions" in this document.

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

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 Ordinances permit the issuance of Additional Revenue Bonds which 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 Ordinances, the "Currently Outstanding Revenue Bonds" include the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds and the Series 2019 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 Ordinances as the "Revenue Bonds," and the Ordinances, the ordinances pursuant to which the Currently Outstanding Revenue Bonds were issued and any ordinances pursuant to which any Additional Revenue Bonds are issued, are referred to as "Revenue Bond Ordinances."

Amendments to Revenue Bond Ordinances

The Ordinances include amendments to the Ordinances 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 Ordinances and the existing Revenue Bond Ordinances described below, (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact to evidence an Owner's specific consent to and approval of the amendments described below, and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner. The amendments described below have not been consented to by any of the Owners of the 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 Ordinances and the Revenue Bond Ordinances pursuant to which the Currently Outstanding Revenue Bonds were issued as shown below (deletions shown as ~~strikethrough~~ and additions <u>underlined</u>):

> "Debt Service Reserve Fund Surety Bond" means any surety bond<u>, letter of credit, line of credit</u> 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<u>; provided that, at the time of</u>

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 not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding, and such amendments have not been consented to by any of the Owners of the Currently Outstanding Revenue Bonds. Upon the issuance of the Bonds, the percentage of bondholders of the Currently Outstanding Revenue Bonds and the Bonds who have consented or will have been deemed to have consented to the amendments described above is approximately 25.88%.

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 2019 PROJECTS" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs of issuance incurred in connection with the issuance of the Bonds. See "APPLICATION OF BOND PROCEEDS" in this document.

DESCRIPTION OF THE 2019-2023 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 2021, in an aggregate principal amount estimated to be approximately $341 million, to finance projects described below not financed in full with proceeds of the Bonds. The projects described below are collectively referred to in "APPENDIX A – The Report of the Airport Consultant" (the "Report") and in this document as the "2019-2023 Project". There is no assurance that all of the components of the 2019-2023 Project will be funded in the manner described in this paragraph, if and when the proposed issue of Additional Revenue Bonds, currently anticipated to occur in 2021, 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 2019-2023 Project not funded with proceeds of the Bonds. Estimated project costs and funding sources for the 2019-2023 Project are shown in "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A".

— Terminal and Apron Expansion and Improvement Project - The Terminal and Apron Expansion and Improvement project widened and extended the existing 95-foot-wide concourse and enlarged the adjacent aircraft parking apron to provide nine additional gates equipped with loading bridges. Four of the gates at the expanded east concourse will be capable of accommodating domestic and international flights by widebody aircraft. The four widebody gates and three of the narrowbody gates will allow access to the Customs and Border Protection ("CBP") facility (the expansion of which was completed in September 2015). As shown in APPENDIX A in this document, $28 million in proceeds of the Bonds are for the completion of the Terminal and Apron Expansion and Improvement Project. The total cost of this multi-year project was approximately $378.0 million, $186 million of which was used for the construction of the nine-gate terminal expansion, and had previously been partially funded with Passenger Facility Charges ("PFCs") and proceeds from the 2014 Bonds and the 2017B Bonds. Four of the nine gates became operational in February 2019. All gates in the East Concourse are expected to be operational by September 2019.

— Parking Garage - The Parking Garage project is a new six-level parking structure with approximately 6,000 spaces at the Lot A site, north of the existing parking garage and west of the new rental car garage. The new garage is connected to the existing garage and, net of the spaces lost at Lot A, will provide approximately 5,000 additional public parking spaces. The $9 million in project costs being funded with a portion of the proceeds of the 2019A Bonds provide funds to complete the project. The parking garage is anticipated to cost a total of $250 million and has been previously funded with proceeds from the 2014 Bonds and the 2017B Bonds. The parking garage was completed in June 2019 and is in use. The Parking Garage project includes the construction of a new Administration Building adjacent to the new Parking Garage. The Administration Building is anticipated to cost a total of $42 million, which is expected to be partially funded by a portion of the proceeds of the 2019B Bonds, and is expected to be completed by the end of 2019.

— Other Building Projects - As shown in "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A", the 2019B Bonds include reimbursement of the City's purchase of the Lynxs Cargo Buildings.

  To allow for the co-location of building, airline, and field maintenance divisions of the City's Department of Aviation, the Bonds are also being used for the construction of a new consolidated Maintenance Facility.

  The Bonds are also being used to construct a new information technology (IT) building intended for use by the Department of Aviation and certain customer and user groups.

— Master Plan Projects - Looking beyond the 2019-2023 Project, the City prepared and submitted a new Master Plan to the FAA. The Master Plan (which has a 20-year planning horizon from 2018-2037) included several alternatives for future development of terminal facilities, with the possible addition of up to 20 new airline gates and commensurate passenger processing and baggage handling facilities. The City is evaluating its options for the phased delivery and funding of these future improvements. As shown in "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A" in this document, there are certain Landside, Terminal, and Airfield projects from the Master Plan to be funded with the planned 2021 Bonds (See "– Other Capital Improvements" below). In particular, the Master Plan Terminal Projects include the design of new passenger processing facilities and the construction of utilities infrastructure. For purposes of the Report, the implementation of the remaining proposed Master Plan projects is not included in the forecast period presented in the Report presented in APPENDIX A.

— Other Capital Improvements - Other Airport renewal, replacement, and upgrade needs included in the 2019-2023 Project are:
  - Landside: Renewal and replacement of roads, utilities, roadway and circulation improvements, and other Airport support facilities and systems, as well as the construction of a 2,000-space surface parking lot for employees.
  - Terminal: Improvements to baggage handling systems and renewal and replacement of terminal facilities and systems.
  - Airfield: Modifications to certain taxiways, reconstruction and repair of perimeter fences, apron repairs, and other airside improvements.
  - Other: Replacement of capital equipment, vehicles, and IT systems.

See "THE AIRPORT SYSTEM – Airport Facilities" and "CAPITAL IMPROVEMENT PROGRAM" in this document and "FINANCIAL ANALYSIS – AIRPORT FACILITIES AND CAPITAL IMPROVEMENTS – 2019-2023 Project" in APPENDIX A.

APPLICATION OF BOND PROCEEDS

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

	2019A Bonds	2019B Bonds
Sources:		
Principal Amount	$16,975,000.00	$248,170,000.00
Original Issue Premium	3,748,589.25	53,125,508.60
Total Sources	$20,723,589.25	$301,295,508.60
Uses:		
Deposit to Debt Service Reserve Fund	$ 790,733.78	$ 11,560,318.27
Deposit to the Project Account	18,241,000.00	274,713,000.00
Deposit to the Capitalized Interest Account	1,473,635.87	13,161,188.92
Costs of Issuance (1)	218,219.60	1,861,001.41
Total Uses	$20,723,589.25	$301,295,508.60

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

DESCRIPTION OF THE BONDS

General

Each series of the Bonds will be issued in the respective aggregate principal amounts 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 issuable in principal denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from their date of delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and will be payable on November 15, 2019, 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 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 of either series maturing on and after November 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on November 15, 2029, 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 of a series are to be redeemed, the City shall determine the respective series, maturities and amounts to be redeemed and, if less than all of a maturity and series is to be redeemed, the Paying Agent/Registrar (or DTC, while the Bonds are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds, or portions thereof, within the maturity and series to be redeemed.

Mandatory Sinking Fund Redemption

The 2019A Bonds are not subject to mandatory sinking fund redemption.

The 2019B Bonds having a stated maturity of November 15 in the years 2044 and 2048 (collectively, the "2019B Term Bonds"), are subject to mandatory sinking fund 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:

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2019B Term Bond due
November 15, 2044

Year	Principal Amount
2040	$10,955,000
2041	11,515,000
2042	12,105,000
2043	12,725,000
2044†	13,375,000

† Stated maturity.

2019B Term Bond due
November 15, 2048

Year	Principal Amount
2045	$14,065,000
2046	14,785,000
2047	15,545,000
2048†	16,335,000

† Stated maturity.

At least 50 days prior to each mandatory redemption date of the 2019B Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the 2019B 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 2019B Term Bonds is determined only by a book entry at a securities depository for the 2019B Term Bonds, the particular 2019B Term Bonds shall be selected in accordance with the arrangements between the City and the securities depository.

The principal amount of the 2019B 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 2019B 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 2019B 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 Ordinances. 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 and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

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 Ordinances provide that the City may discharge its obligation to the Owners of any or all of the Bonds of either series 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 ORDINANCES – 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 Ordinances. 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 each series 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 of a series 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 Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office and 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" and "– Credit Agreement Obligations" 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 ORDINANCES – Selected Definitions" in this document.

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

As of the date 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 ORDINANCES - Funds and Flow of Funds" in this document. The City transfers Net Revenues to pay debt service on General Obligation Airport Bonds, currently outstanding in the aggregate principal amount of $32,780, with maturities in each of the years 2019 through 2022. The City has no present intention of issuing any future General Obligation Airport Bonds.

Use of Passenger Facility Charges

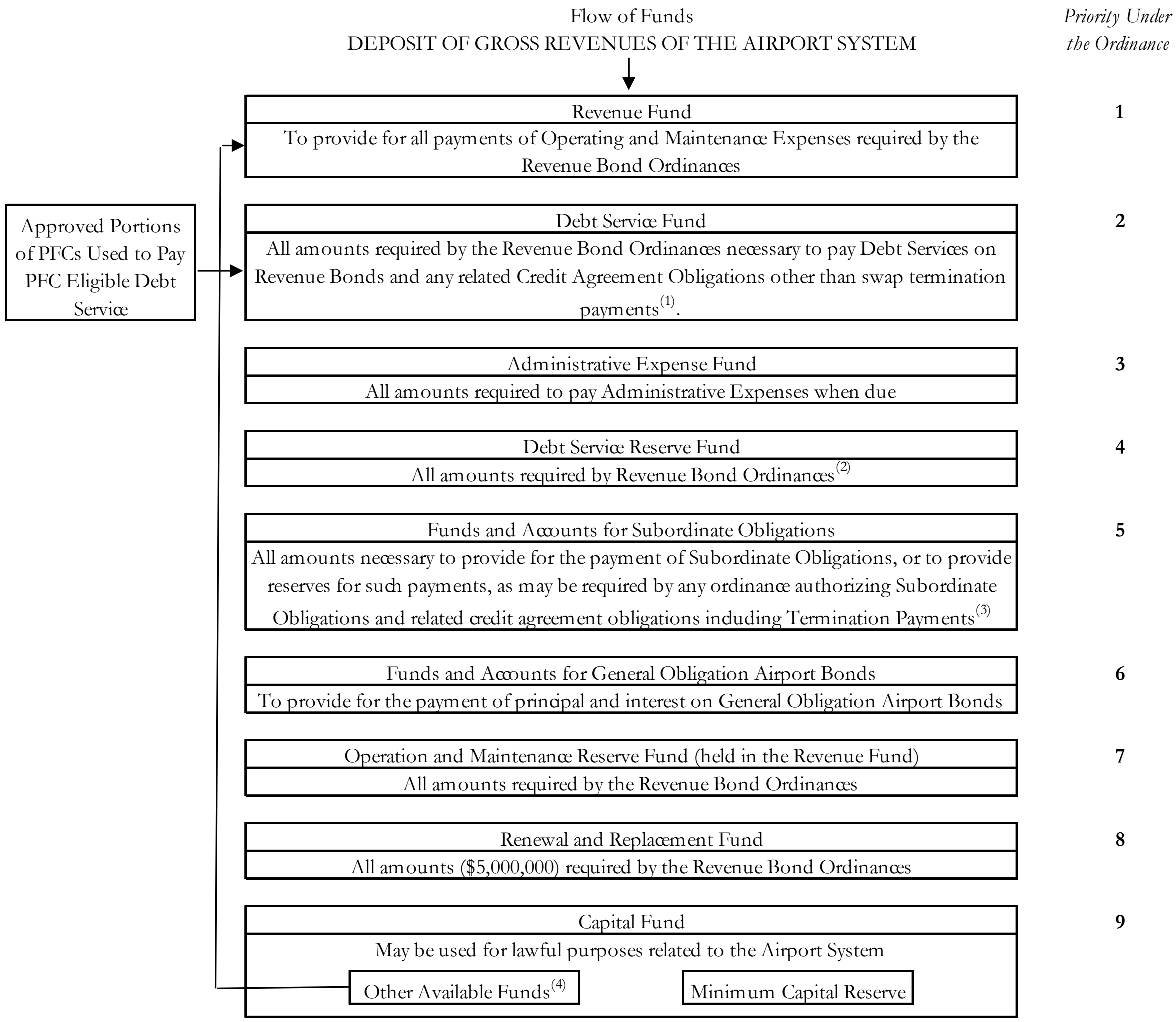
In the Revenue Bond Ordinances, the City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed 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 "CAPITAL IMPROVEMENT PROGRAM – Passenger Facility Charges" and "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. 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 ORDINANCES – Use of Passenger Facility Charges" in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the 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 ORDINANCES – Selected Definitions" in this document.

Flow of Funds

The Ordinances confirm special funds and accounts previously established, including the Revenue Fund and the other special funds and accounts described below, and provide 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 Ordinances and application of moneys in the Revenue Fund, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Funds and Flow of Funds" in this document.



(1) See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Pledge of Net Revenues" and "– Credit Agreement Obligations" in this document.
(2) See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS - Debt Service Reserve Fund" in this document.
(3) See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS -Subordinate Obligations" in this document.
(4) See "HISTORICAL FINANCIAL DATA – Table 8" and the definition of "Other Available Funds" in APPENDIX C 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 ORDINANCES – 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 Ordinances as unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of 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 Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds. See "Additional Revenue Bonds" above 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 ORDINANCES – Funds and Flow of Funds – Debt Service Reserve Fund" in this document.

Upon the issuance of the Bonds, the aggregate Debt Service Reserve Requirement will be approximately $60,769,932. 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 Ordinances 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 Ordinances 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 Ordinances, or the City declares bankruptcy, the registered owners of the Bonds may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinances and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the courts, but may not be arbitrarily refused.

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

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

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 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 ORDINANCES – 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.

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

(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.

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 ORDINANCES – 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, 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 Ordinances 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 $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

Five series of Revenue Bonds are outstanding as of July 1, 2019: the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, and the Series 2019 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 July 1, 2019, the outstanding principal amount of the Series 2013 Bonds was $48,030,000. 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 July 1, 2019, 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 July 1, 2019, 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.

The Series 2019 Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2025. As of July 1, 2019, the outstanding principal amount of the Series 2019 Bonds was $151,720,000. 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.

Special Facilities Bonds

The City has reserved the right to issue from time to time, in one or more series, Special Facilities Bonds as provided in the Ordinances to finance and refinance the cost of any Special Facilities, including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto, provided that such Special Facilities Bonds shall be payable solely from payments by Special Facilities lessees and/or other security not provided by the City. 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 Bonds, Taxable Series 2013 (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 ("ABA"), an independent entity not affiliated either with the City or ABLE, acquired a majority interest in the Series 1999 Airport Hotel Bonds.

Refinancing of Series 1999 Airport 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, 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 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 its ordinances authorizing the Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds ("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 effect a grant to ABLE, and shall transfer Surplus Airport System Revenues to the Trustee within 120 days of its receipt of a 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 grant payments, if any, constitute 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.

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending September 30th	Outstanding Revenue Bonds	Plus: The Series 2019A Bonds Principal	Plus: The Series 2019A Bonds Net Interest	Plus: The Series 2019A Bonds Total	Plus: The Series 2019B Bonds Principal	Plus: The Series 2019B Bonds Net Interest	Plus: The Series 2019B Bonds Total	Total Debt Service
2020	$ 51,700,912	$ -	$ -	$ -	$ -	$ 2,939,300	$ 2,939,300	$ 54,640,212
2021	62,261,106	-	-	-	-	5,688,250	5,688,250	67,949,356
2022	60,406,738	-	848,750	848,750	-	12,262,250	12,262,250	73,517,738
2023	60,240,313	-	848,750	848,750	4,455,000	12,297,125	16,752,125	77,841,188
2024	60,073,138	-	848,750	848,750	4,685,000	12,068,625	16,753,625	77,675,513
2025	59,898,044	-	848,750	848,750	4,925,000	11,828,375	16,753,375	77,500,169
2026	59,712,850	-	848,750	848,750	5,170,000	11,576,000	16,746,000	77,307,600
2027	49,731,113	-	848,750	848,750	5,440,000	11,310,750	16,750,750	67,330,613
2028	55,053,844	-	848,750	848,750	5,720,000	11,031,750	16,751,750	72,654,344
2029	44,339,875	-	848,750	848,750	6,010,000	10,738,500	16,748,500	61,937,125
2030	44,309,125	-	848,750	848,750	6,315,000	10,430,375	16,745,375	61,903,250
2031	44,281,125	-	848,750	848,750	6,640,000	10,106,500	16,746,500	61,876,375
2032	44,263,125	-	848,750	848,750	6,985,000	9,765,875	16,750,875	61,862,750
2033	44,232,625	-	848,750	848,750	7,340,000	9,407,750	16,747,750	61,829,125
2034	44,207,125	-	848,750	848,750	7,720,000	9,031,250	16,751,250	61,807,125
2035	44,178,750	-	848,750	848,750	8,115,000	8,635,375	16,750,375	61,777,875
2036	44,144,750	-	848,750	848,750	8,530,000	8,219,250	16,749,250	61,742,750
2037	44,112,125	-	848,750	848,750	8,965,000	7,781,875	16,746,875	61,707,750
2038	44,077,625	-	848,750	848,750	9,425,000	7,322,125	16,747,125	61,673,500
2039	44,038,000	-	848,750	848,750	9,905,000	6,838,875	16,743,875	61,630,625
2040	43,999,750	-	848,750	848,750	10,420,000	6,330,750	16,750,750	61,599,250
2041	43,959,125	-	848,750	848,750	10,955,000	5,796,375	16,751,375	61,559,250
2042	43,922,125	-	848,750	848,750	11,515,000	5,234,625	16,749,625	61,520,500
2043	43,879,625	-	848,750	848,750	12,105,000	4,644,125	16,749,125	61,477,500
2044	43,832,500	-	848,750	848,750	12,725,000	4,023,375	16,748,375	61,429,625
2045	43,786,250	-	848,750	848,750	13,375,000	3,370,875	16,745,875	61,380,875
2046	24,011,875	-	848,750	848,750	14,065,000	2,684,875	16,749,875	41,610,500
2047	23,979,875	-	848,750	848,750	14,785,000	1,963,625	16,748,625	41,577,250
2048	-	-	848,750	848,750	15,545,000	1,205,375	16,750,375	17,599,125
2049	-	-	848,750	848,750	16,335,000	408,375	16,743,375	17,592,125
2050	-	16,975,000	424,375	17,399,375	-	-	-	17,399,375
	$ 1,316,633,431	$ 16,975,000	$ 24,189,375	$ 41,164,375	$ 248,170,000	$ 224,942,550	$ 473,112,550	$ 1,830,910,356

THE AIRPORT SYSTEM

The Airport primarily serves origin and destination ("O&D") passengers estimated to have accounted for approximately 95% of enplaned passengers in the City's fiscal year ended September 30, 2018, with the remaining 5% of passengers connecting between flights. Approximately 97% of enplaned passengers in fiscal year 2018 were domestic passengers who live in or who are visiting the Airport System's five-county service area, and approximately 3% 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 Aviation Department 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 38th largest airport in the United States based on calendar year 2017 total passengers.

ABIA opened in 1999 at the site of the former Bergstrom Air Force Base, replacing Robert Mueller Municipal Airport. The 700-acre Mueller Airport site, approximately three miles from downtown Austin, is being redeveloped as a mixed-use urban community by the City 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 four-lane divided highway running north-south. SH 71 provides access to Interstate Highway 35 (I-35) approximately six miles to the west.

The Airport's 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 main passenger terminal, the Barbara Jordan Terminal (the "Terminal" or the "North 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 1). 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 32 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 Aviation Department 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 12,700 public and 1,500 employee parking spaces are provided on Airport property in a three-level parking garage adjacent to the Terminal, and in surface lots served by shuttle buses. The parking garage provides 3,654 spaces for short-term and valet public parking. The first level of the garage is at the same level as the arrivals roadway and baggage claim level of the terminal. The third level of the garage is at the same level as the departures roadway and concourse level of the terminal. The new garage was substantially complete and operational in June 2019.

The CONRAC garage opened in September 2015 and provides 3,200 rental car spaces. When the rental car garage opened, the 1,100 spaces on the third level of the existing garage were converted to use for public parking. The consolidated rental car garage was financed with the proceeds of bonds that are 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, aviation support, 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, Executive Director of Aviation. Ms. Yaft succeeded retired Aviation Executive Director Jim Smith effective June 10, 2019 and 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, where she led airport operations throughout a series of major infrastructure projects at Los Angeles International Airport ("LAX"). 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.

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

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

Force, and Austin Hospitality Council. She is a graduate of the University of Texas at Austin with a Bachelor of Journalism degree, Public Relations.

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

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

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

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

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

Denise Hatch, Deputy Chief Operations Officers, Operations and Security. Ms. Hatch is responsible for airport operations, security and safety. She has been employed with the City of Austin Aviation Department for over 24 years serving in roles from Airport Police Chief, Security Manager to Airport Operations Chief. Ms. Hatch is an American Association of Airport Executives (AAAE) Airport Certified Employee. She proudly served in the Texas Army National Guard and was an adjunct faculty member at St. Edwards University for 8 years. She has a Bachelor's Degree in Criminal Justice from Southwest Texas State University and a Master's of Science in Criminal Justice Management from Sam Houston State University.

AIRPORT SERVICE REGION

Primary Service Region

The Airport's primary service region is the 4,220-square-mile, 5-county Austin-Round Rock Metropolitan Statistical Area (the "MSA"). According to the U.S. Department of Commerce, Bureau of the Census, the population of the MSA as of July 1, 2015 was 2,001,000, an increase of approximately 3.0% annually since July 1, 2010. The Airport is primarily an Origination and Destination ("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 2018. Approximately 52% of enplaned passengers live in the Airport's primary service region, and approximately 48% 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

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 2009 and 2018. As shown in Table 1, passenger enplanements in fiscal year 2018 increased by 15.0% as compared to enplanements in 2017 and increased by approximately 8.9% in fiscal year 2017. For fiscal year 2019 (through April 1, 2019), enplaned passengers are up 9.6% year to date from the same period in fiscal year 2018.

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

		Annual	Aircraft Departures*				
		Percent	Passenger Departures		Cargo Departures		Passengers
Fiscal Year	Enplaned Passengers	Increase (Decrease)	Annual	Daily	Annual	Daily	Enplaned per Departure
2009 (a)	4,150,710	(11.2)	47,020	129	3,400	9	82
2010 (a)	4,265,091	2.8	46,747	128	3,290	9	85
2011 (a)	4,529,342	6.2	48,401	133	3,293	9	88
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

Note: Calculated percentages may not match those shown because of rounding.
(a) Includes through passengers.
*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, 2019, 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

Passenger Airlines	All-Cargo Airlines
Aerovias de Mexico	ABX Air
Air Canada	Air Transport International
Alaska Airlines	Baron Aviation
Allegiant Air	Federal Express
American Airlines	United Parcel Services
British Airways	
Delta Airlines	
Frontier	
JetBlue	
Miami Air	
Norwegian Air UK *	
Southwest Airlines	
Spirit Airlines	
Sun Country Airlines	
Swift Air	
United Airlines	
Vacation Express *	
VIA Airlines **	

Source: City of Austin, Department of Aviation records.
*Seasonal service
**VIA Airlines discontinued service in May 2019.

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Table 3 presents the airlines' shares of enplaned passengers for fiscal years 2009-2018.

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

	Share of **enplaned** passengers									
Airline	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Southwest	38.1 %	36.8 %	36.7 %	37.8 %	39.0 %	38.1 %	36.6 %	38.4 %	37.7 %	35.7 %
American	22.5	21.1	20.6	20.2	18.9	18.1	17.3	20.5	19.3	17.9
United	1.7	0.9	1.2	1.8	4.9	16.5	16.8	15.7	16.1	15.2
Delta	6.4	10.4	11.4	11.8	12.1	12.2	12.1	12.0	12.5	13.2
Frontier	2.6	2.5	2.7	2.3	1.7	1.8	2.8	2.5	3.3	6.4
Jet Blue	5.0	6.0	6.0	6.2	6.4	5.6	4.8	4.5	4.4	3.8
Alaska Airlines	0.3	2.4	2.1	1.2	1.1	1.1	1.2	1.7	1.9	3.2
Allegiant Air	-	-	-	-	-	0.6	1.0	1.3	1.8	1.9
British Airways	-	-	-	-	-	0.7	1.0	1.0	0.9	1.0
Virgin America	-	-	-	-	0.3	0.9	1.8	1.6	1.2	0.3
Norwegian Air UK	-	-	-	-	-	-	-	-	-	0.3
Air Canada	-	-	-	-	-	-	0.1	0.3	0.3	0.3
Aero Mexico	-	-	-	-	-	-	-	-	0.2	0.3
Sun Country	-	-	-	-			-	-	-	0.1
Condor Airlines	-	-	-	-	-	-	-	0.1	0.1	0.1
VIA Airlines	-	-	-	-	-	-	-	-	0.0	0.1
Concesionaria Vuela Compania	-	-	-	-	-	-	-	-	-	0.1
Spirit Airlines	-	-	-	-	-	-	-	-	-	-
Volaris	-	-	-	-	-	-	-	-	0.1	-
US Airways	0.7	0.1	-	0.1	1.2	4.4	4.5	0.3	-	-
Transportes Aeromar	-	-	-	-	-	0.1	-	0.0	-	-
Continental [(a)]	11.3	10.7	9.5	8.1	2.6	-	-	-	-	-
Mesa	5.5	5.3	-	-	-	-	-	-	-	-
Skywest	1.2	1.5	-	-	-	-	-	-	-	-
Branson Air Express	-	0.1	-	-	-	-	-	-	-	-
Northwest	1.0	-	-	-	-	-	-	-	-	-
Pinnacle	0.3	-	-	-	-	-	-	-	-	-
	96.6 %	97.8 %	90.2 %	89.5 %	88.2 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0%
Commuters [(b)]	3.4	2.2	9.8	10.5	11.8	0.0	0.0	0.0	0.0	0.0
	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) Continental merged with United during FY 2013.

(b) 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 2009 – 2018.

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

Fiscal Year	Air Carrier	Air Taxi/ Commuter	General Aviation	Military	Total	Annual Increase/ (Decrease)
2009	94,484	17,157	59,601	5,882	177,124	(18.7)%
2010	92,372	17,433	57,463	6,899	174,167	(1.7)%
2011	95,095	18,466	59,696	6,879	180,136	3.4%
2012	96,823	15,962	50,867	5,828	169,480	(5.9)%
2013	101,006	16,979	52,582	6,698	177,265	4.6%
2014	103,710	17,289	51,231	6,994	179,224	1.1%
2015	112,079	15,830	54,401	7,771	190,081	6.1%
2016	114,150	16,194	51,231	10,435	192,010	1.0%
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%
	Average Annual Percent Increase (Decrease)					
2000-2003	(2.4)%	10.2%	2.5%	39.7%	2.2%	
2003-2008	2.8%	7.0%	(3.3)%	(18.0)%	0.0%	
2008-2009	(11.2)%	(44.3)%	(21.0)%	15.3%	(18.7)%	
2010-2018	3.9%	0.3%	(2.0)%	6.7%	1.9%	

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 2009 – 2018. 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	Annual Increase/ (Decrease)
2009	5,192,934	439,566	5,632,500	(9.8)
2010	5,143,676	397,117	5,540,793	(1.6)
2011	5,353,345	405,953	5,759,298	3.9
2012	5,394,633	420,904	5,815,537	1.0
2013	5,688,131	434,382	6,122,513	5.3
2014	5,944,339	433,628	6,377,968	4.2
2015	6,598,612	492,026	7,090,637	11.2
2016	6,939,722	481,109	7,420,831	4.7
2017	7,573,275	542,979	8,116,254	9.4
2018	8,756,890	528,280	9,285,170	14.4

	Average Annual Percent Increase (Decrease)		
2000-2003	(2.7)%	(7.9)%	(3.5)%
2003-2008	3.5%	(4.8)%	2.5%
2008-2009	(8.8)%	(26.9)%	(10.6)%
2010-2018	6.1%	2.3%	5.8%

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 2018, approximately 46% of Airport revenues is 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). The Terminal and other non-Airfield 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

The signatory airlines, accounting for approximately 86% of enplaned passengers at the Airport in fiscal year 2018 (the "Signatory Airlines"), are parties to Use and Lease Agreements with the City (the "Signatory Airline Agreements") that have continued month-to-month since their scheduled expiration date of September 30, 2014.

Five of the Signatory Airlines (American Airlines, Inc., Delta Airlines, Southwest Airlines, JetBlue, and United Airlines) executed an amendment to their Signatory Airline Agreement that extends the term for one year after the date of beneficial occupancy of the Airport Terminal Gate and Apron Expansion Project expected to occur on October 1, 2019, clarifies the landing fee billing process to complement the Airports third-party landing fee management program and updates the minimum gate usage requirement (seven departures or 800 seats) for Preferential Use of a gate per day (up from five departures per day). The Airport and Signatory Airlines have commenced discussions regarding an extension of the Signatory Airline Agreements.

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 Signatory Airline Agreements. An airline without a Signatory Airline 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 to be 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 54% of the Airport's operating revenue in fiscal year 2018.

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 has entered into new concession agreements, including agreements with prime concessionaires, with 10-year terms that began on December 1, 2017 and are scheduled to end on November 30, 2027. The interim and 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 the prior year's annual percentage concession fee or the prior year's MAG concession fee) or (2) specified percentage concession fees that range from 16% to 20.5% of annual gross receipts (net of taxes and other items) from sales of different categories of products.

Garage and Parking Agreements

The City receives revenue from approximately 20,000 public parking spaces, consisting of parking spaces in Garage 1, the Blue Garage and surface lots, at the Airport and also privilege fees from operators of approximately 6,400 off-Airport parking spaces. Five levels of the newly constructed Blue Garage are currently open. The Blue Garage is substantially complete and operational as of June 2019. 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. 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.

The Master Plan calls for a passenger processing facility in the current location of Garage 1, which is expected to be closed for public parking in or around fiscal year 2022.

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. The parking and pet hotel facility opened in May 2017, and the City received initial revenue in fiscal year 2018.

Rental Car Company Agreements

The City has concession agreements with each of the 12 on-site Airport car rental companies that operate at the consolidated rental car facility (the "CONRAC"), and each of those 12 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 Special Obligation Bonds for the CONRAC facilities, 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 MAG amount 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 Obligation Bonds and to make lease and other payments in connection with the Master Lease and financing of the Special Obligation Bonds.

On February 7, 2019, a concessionaire and lessee at the Austin CONRAC facility at ABIA filed for Chapter 11 bankruptcy protection. Clearwater Transportation, LTD., operates the Dollar Car Rental and Thrifty Car Rental franchises at ABIA. The City is listed as a creditor and is pursuing funds owed to the City by Clearwater. At this time, the City estimates its pre-petition claim to be approximately $1.7 million in fees and car rental taxes of which approximately $500,000 is attributable to ABIA. The Debtor is working on paying post-petition obligations timely. The automatic stay prevents the City from terminating the contract and lease at this time, but the City is actively pursuing its remedies in bankruptcy court. The failure to receive the fees and car rental taxes addressed in the pre-petition claim by the City does not impact the City's ability to repay obligations payable from either the fees or car rental taxes pledged to their payment. The City also collects privilege fees from off-Airport rental car companies in the amount of 8% of certain of the companies' gross receipts.

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 ridges) 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 2018, there were 161,658 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 while allowing the two carriers to reduce their operating costs and potentially increase services at the Airport. As of August 2019, these two air carriers are scheduled to operate approximately 83 weekly departures.

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 2014 through 2018 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, 2018 are included as APPENDIX B in this document.

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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)

	2014	2015	2016	2017	2018
Revenue					
User fees and rental	$ 108,960	$ 119,969	$ 135,765	$ 149,333	$ 167,284
Operating revenues	108,960	119,969	135,765	149,333	167,284
Expenses					
Operating expenses before depreciation	76,042	80,182	88,257	102,885	118,126
Depreciation and amortization	21,151	20,690	28,092	26,667	33,723
Total operating expenses	97,193	100,872	116,349	129,552	151,849
Operating income before nonoperating revenues (expenses) and operating transfers	11,767	19,097	19,416	19,781	15,435
Nonoperating revenues (expenses)					
Interest and other revenues	221	1,225	1,891	3,907	7,542
Interest on revenue bonds and other debt	(11,794)	(18,924)	(21,161)	(30,058)	(33,318)
Interest capitalized during construction	1,409	1,284	1,282	1,893	-
Passenger facility charges	19,806	22,384	24,101	29,100	30,142
Cost (recovered) to be recovered in future years	-	-	-	-	-
Other nonoperating expenses	(312)	(686)	535	(1,859)	(375)
Total nonoperating revenues (expenses)	9,330	5,283	6,648	2,983	3,991
Income (loss) before contributions and transfers	21,097	24,380	26,064	22,764	19,426
Capital contributions	4,808	8,405	3,018	14,751	7,593
Transfers in	3	-	5	-	-
Transfers out	(793)	(52)	(442)	(33)	(182)
Change in net position	25,115	32,733	28,645	37,482	26,837
Total net position, beginning	512,535	517,020 (1)	549,753	578,398	575,280 (2)
Total net position, ending	$ 537,650	$ 549,753	$ 578,398	$ 615,880	$ 602,117

(1) As restated, due to the implementation of GASB Statements No. 68 and 71.
(2) 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 2014 through 2018. The City's audited financial statements for the fiscal year ended September 30, 2018 are included as APPENDIX B in this document.

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

	2014	2015	2016	2017	2018
Airline Revenue					
Landing Fees	$20,852	$22,720	$23,699	$27,301	$28,302
Terminal Rental & Other Fees	23,424	26,906	29,986	34,628	43,640
Total Airline Revenue	$44,276	$49,626	$53,685	$61,929	$71,942
Non-Airline Revenue					
Parking	$33,723	$36,586	$39,382	$40,542	$40,092
Other Concessions	22,082	24,736	26,349	28,175	32,044
Other Rentals and Fees	8,879	9,020	16,349	18,687	23,206
Total Non-Airline Revenue	$64,684	$70,343	$82,080	$87,404	$95,342
Total Revenue	$108,960	$119,969	$135,765	$149,333	$167,284

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 Comprehensive Annual Financial Report ("CAFR").

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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 2014 through 2018. The amounts shown in Table 8 were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, "Gross Revenues," "Operation and Maintenance Expenses," "Administrative Expenses" and certain other amounts specified therein are not measured according to generally accepted accounting principles for purposes of the rate covenant and other provisions of the Ordinances and the Revenue Bond Ordinances. See the definitions of such terms in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

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

	2014	2015	2016	2017	2018
Gross Revenues	$ 109,263	$ 120,780	$ 137,826	$ 154,570	$ 176,235
Other Available Funds (1)	3,620	3,551	3,700	4,830	5,469
Funds Available to Pay Debt Service	$ 112,883	$ 124,331	$ 141,526	$ 159,400	$ 181,704
Operating Expenses (2)	(73,822)	(76,995)	(82,330)	(94,139)	(108,045)
Net Available Revenue	$ 39,061	$ 47,336	$ 59,196	$ 65,261	$ 73,659
Debt Service (3)	$ 14,480	$ 14,205	$ 14,800	$ 19,319	$ 21,875
Coverage	2.70	3.33	4.00	3.38	3.37

(1) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year.

(2) Amounts shown include "Operation and Maintenance Expenses" and "Administrative Expenses" (as such terms are defined in the Ordinances and the Revenue Bond Ordinances), and exclude depreciation and other unfunded postemployment benefits and pension obligation accruals. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City's rate covenant, and Administrative Expenses are not included in the coverage calculations for the purpose of issuing Additional Revenue Bonds.

(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 Ordinances 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 Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of "Other Available Funds" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" and "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 AAIA 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 signatory airline 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 "CAPITAL IMPROVEMENT PROGRAM – Passenger Facility Charges" and "Application of PFC Revenues" in APPENDIX A in this document.

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The City has approval from the FAA to impose a PFC per eligible enplaned passenger at the Airport. The PFC was imposed at $3.00 in August 1995 and increased to $4.50 (the maximum allowable under current law) in April 2004. The cumulative amount of PFC approvals received by the City is $831,089,379. Through December 31, 2018, cumulative PFC revenues, including investment earnings, totaled $378,819,257. 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 Ordinances. 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 2012-2018 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)
2012	$18,494,930	$ 11,032,005
2013	19,581,247	11,135,562
2014	19,855,510	11,082,223
2015	22,487,714	12,154,525
2016	24,399,643	11,915,324
2017	29,716,478	10,596,707
2018	31,499,634	18,577,353

(1) Appendix A uses data calculated as per the Revenue Bond Ordinances, which may differ from amounts paid and/or presented in the City's CAFR.
(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 Ordinances, PFCs are expressly excluded from the definition of "Gross Revenues." Consistent with the definition of "Debt Service Requirements" in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See "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 ORDINANCES – 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 Ordinances. 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 Additional Revenue Bonds, Subordinate Obligations, Federal grants, PFCs, internally generated funds or other legally available sources. Additional Revenue Bonds are anticipated to be issued in 2021 in the approximate aggregate principal amount of $341 million, 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. The City is developing a funding program for the CIP that may include the issuance of Additional Revenue Bonds after 2021.

In addition to the 2019-2023 Project, after several years of development, in December 2018 the Austin City Council approved submission of the Austin-Bergstrom International Airport Master Plan (the "Master Plan") to the FAA. The Master Plan (which has a 20-year planning horizon from 2018-2037) included several alternatives for future development of the Airport, with the possible addition of up to 20 new airline gates (range of new gates could be up to 32 gates, depending on demand) and commensurate passenger processing and baggage handling facilities. The City is evaluating its options for the phased delivery and funding of these future improvements based on a variety of factors. The preliminary cost of the Master Plan is approximately $3 to 4 billion over the next five to ten years. At this time, however, the cost of the projects to be included in, and the timing of implementing the Master Plan are not certain and are subject to change.

As noted in "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A", a portion of the planning for certain Landside, Terminal, and Airfield projects contained in the Master Plan is expected to be funded with Additional Revenue Bonds to be issued in 2021, as described above. For purposes of the Report, the financing of any other Master Plan 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 2019-2023 Project, historical and forecast air traffic activity for the 2019-2025 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 forecast 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 forecasts 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 forecasts. As noted in the Report, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. See "CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements" and "-Assumptions in the Airport Consultant's Report" in this document.

The following table provides the debt service coverage estimates and projections from the Report. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Financial Analysis – Exhibit G" in this document. Such table is qualified in its entirety by reference to the complete copy of the Report attached as APPENDIX A to this document. The information set forth in the following table was 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[(1)]

	Budgeted	Forecast					
	FY 2019	**FY 2020**	**FY2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Gross Revenues	$ 184,157	$ 191,496	$ 197,048	$ 209,837	$ 224,544	$ 237,967	$ 245,207
Less: Operation and Maintenance Expenses	(120,532)	(129,586)	(134,617)	(140,930)	(146,335)	(151,915)	(157,947)
Net Revenues	$ 63,625	$ 61,910	$ 62,430	$ 68,907	$ 78,209	$ 86,053	$ 87,260
Other Available Funds[(2)]	9,841	9,635	9,666	11,581	14,829	17,424	17,401
Net Revenues plus Other Available Funds	$ 73,466	$ 71,545	$ 72,096	$ 80,489	$ 93,038	$ 103,476	$ 104,661
Less: Administrative Expenses[(3)]	(659)	-	-	-	-	-	-
Subtotal	$ 72,807	$ 71,545	$ 72,096	$ 80,489	$ 93,038	$ 103,476	$ 104,661
Revenue Bond Debt Service Requirements[(4)]	$ 39,364	$ 38,538	$ 38,664	$ 46,326	$ 59,315	$ 69,696	$ 69,604
Debt service coverage	1.85	1.86	1.86	1.74	1.57	1.48	1.50
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 2019 are estimates, and amounts for fiscal years 2020 through 2025 are forecasts.

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

(3) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, moneys on deposit in the Revenue Fund are used to pay Debt Service on Revenue Bonds (including the Bonds) and any related Credit Agreement Obligations, prior to being used to pay Administrative Expenses. Further, pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City's rate covenant, 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.

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CERTAIN INVESTMENT CONSIDERATIONS

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

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 Ordinances. No mortgage of any of the physical properties forming a part of the Airport System or any lien thereon or security interest therein has been given. **The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State 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 Ordinances 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 of 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 Ordinances. 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 ORDINANCES" in this document.

Factors Affecting the Airline Industry

General

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

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

In addition to revenues received from the airlines, the City derives a substantial portion of its revenues from parking operations, food and beverage concessions, retail concessions, car rental companies, and 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.

Economic Conditions

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

Airline Concentration; Effect of Airline Industry Consolidation

The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airline mergers occurring over the last several years include: (a) in 2008, Delta acquired Northwest and its affiliated air carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass; (b) on October 1, 2010, United Airlines and Continental Airlines merged and began operating as a single airline (under the United brand) in March 2012; (c) on May 2, 2011, Southwest acquired Air Tran, and began operating as a single airline (under the Southwest brand) in March 2012; and (d) effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. The American Airlines and US Airways merger was completed in October 2015. As of the date of this Official Statement, none of these mergers have had any material impact on airline service or enplanements at ABIA. On December 14, 2016, Alaska Air Group, parent of Alaska Airlines, acquired Virgin American Airlines and began operating under one certificate on January 11, 2018. While prior mergers have not had any material impact on airline service and enplanements at the Airport or on Gross Revenues, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Gross Revenues, reduced PFC collections and/or increased costs for the other airlines serving ABIA.

International Conflict and the Threat of Terrorism

The City cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the City or the airlines operating at the Airport from such incidents or disruptions.

Structural Changes in the Travel Market

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

Effect of Airline Bankruptcies

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 Signatory Airline 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 – 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/registrar. 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. In 2009, while the United States Centers for Disease Control and Prevention ("CDC") and the World Health Organization ("WHO") did not recommend that people avoid domestic or international travel, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel, particularly to and from Mexico and Asia. More recently, the CDC issued travel alerts in 2016 warning pregnant women to avoid travel to areas where outbreaks of the Zika virus, which has been linked to birth defects, were occurring. The lists of such areas includes more than 50 countries and certain locations in Miami, Florida. These warnings were downgraded in early 2019. While the Airport is not in an area of concern identified by the CDC, further spread of the virus could impact the Airport by reducing travel to affected regions. This disease or future pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport. The City is unable to predict how serious the impact of the Zika virus or future pandemic may become, what effect it may have on air travel to and from the Airport, and whether any such affects will be material.

Delays and Cost Increases; Additional Indebtedness

The estimated costs of and schedules for capital improvement projects at the Airport, including the 2019-2023 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 Signatory Airline Agreements and the Operating Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the terrorist attacks of September 11, 2001, ABIA also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Department of Aviation management.

It is not possible to predict whether future restrictions or limitations on Airport System operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport System, whether additional requirements will be funded by the federal government or require funding by the City, or whether such restrictions or legislation or regulations would adversely affect Net Revenues. See "- Aviation Security and Health Safety Concerns" above in this document, "CAPITAL IMPROVEMENT PROGRAM" and "CAPITAL IMPROVEMENT PROGRAM – 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 Ordinances that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the rate covenant set forth in the Ordinances is met. In addition to Net Revenues, the City expects to use approximately $19.3 million to $34.8 million of PFCs in each of the Fiscal Years between 2019 through 2025, to pay a portion (approximately 34.3% - 35.0%) of the Debt Service on the Revenue Bonds. If PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for the Revenue Bonds, the principal and/or interest on such Revenue Bonds is excluded from the calculation of Debt Service Requirements; thus decreasing Debt Service Requirements and increasing debt service coverage for purposes of the rate covenant under the Ordinances. See "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 Ordinances provide for procedures under which the City would retain and request an Airport Consultant to make recommendations as to the revision of the City's rentals, rates, fees and other charges, its Operating and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the rate covenant set forth in the Ordinances. The Ordinances provide that so long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the rate covenant set forth in the Ordinances, so long as Debt Service is paid when due.

Increasing the schedule of rentals, rates, fees and other charges for the use of the Airport System and for services rendered by the City in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see "— Regulations and Restrictions Affecting the Airport" above 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 Signatory Airline Agreements acknowledge the existence of the rate covenant under the Ordinances and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges.

Availability of PFCs and PFC Approval

In addition to the use of Net Revenues, the City expects to use between $19.3 million and $34.8 million of PFCs each fiscal year between fiscal years 2019 and 2025, 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" and "CERTAIN INVESTMENT CONSIDERATIONS - Ability to Meet Rate Covenant" in this document. See "CAPITAL IMPROVEMENT PROGRAM" in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of "Gross Revenues". Consistent with the definition of "Debt Service Requirements" in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See "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 ORDINANCES – Selected Definitions" in this document. As described in "CAPITAL IMPROVEMENT PROGRAM – Passenger Facility Charges" in this document, under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of 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 "CAPITAL IMPROVEMENT PROGRAM - 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 Ordinances. A shortfall in PFC revenues may cause the City to increase rates and charges at ABIA to meet the debt service requirements on the Revenue Bonds (including the Bonds) that the City plans to pay from PFCs, and/or require the City to identify other sources of funding for its capital program, including 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 forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may and are likely to occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" in this document.

Transportation Network Companies

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 certainly 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 certainly 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 attach 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.

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 Ordinances include the following agreement by the City for the benefit of the Owners and beneficial owners of the Bonds. The Ordinances require 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 Ordinances 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 Ordinances, 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 2019 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 Ordinances provide 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 Ordinances.

As used in the preceding paragraph, the terms "Business Day" and "Financial Obligation" are defined in the Ordinances. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – 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 Ordinances further provide 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 Ordinances, 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 Ordinances 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 Ordinances 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 City's continuing disclosure agreement regarding the Rental Car Special Facility Revenue Bonds, the City failed to file rating upgrades from Moody's and Fitch within the ten day window which started on July 10, 2015 and August 17, 2016, respectively. The City filed the event notices with respect to the ratings upgrade on December 14, 2016. The failure to file the ratings upgrade in a timely manner was also filed on the same date. With respect to the continuing disclosure agreement entered into by ABLE, with respect to its Series 1999A & 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 failure to file notice was posted on September 1, 2017. The referenced ABLE bonds are no longer outstanding. With respect to the City's continuing disclosure reports regarding its outstanding Airport System Revenue Bonds, the City determined that a table had transposed years in the presentation of data in such report that was filed in 2015, and the City filed corrected information for such table on May 8, 2015. With respect to the City's continuing disclosure reports regarding its outstanding Combined Utility Revenue Bonds, Water and Wastewater System Revenue Bonds, and Electric Utility System Revenue Bonds, on April 25, 2016, the City filed updated financial information and operating data to reflect audited financial information as well as updated information in the "Comparative Analysis of Electric Utility System and Water and Wastewater System Operations," "Operating Statement Electric Utility System and Water and Wastewater System" and "The Electric Utility System and Water and Wastewater System (Plant Cost and Equity in Utility Systems)" tables previously filed. On February 3, 2017, the City filed a ratings upgrade notice for the Prior First-

Lien Combined Electric, Water and Wastewater Revenue Bonds, which took place on July 1, 2015. The failure to file the ratings upgrade in a timely manner was also filed on the same date. On June 30, 2017, the City filed updated 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 and will continue to provide updates to the financial information and operating data as changes occur.

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 – 2019A Bonds

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the 2019A Bonds is excludable from gross income for federal income tax purposes and (ii) the 2019A Bonds are not "private activity bonds" under the Code, and, as such, interest on the 2019A Bonds is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the 2019A 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 authorizing the 2019A Bonds (the "2019A Ordinance") that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the 2019A Ordinance pertaining to those sections of the Code that affect the excludability of interest on the 2019A 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 2019A Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2019A Bonds could become includable in gross income from the date of delivery of the 2019A Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the 2019A Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the 2019A 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 2019A 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 2019A 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 2019A Bonds could adversely affect the value and liquidity of the 2019A Bonds regardless of the ultimate outcome of the audit.

Tax Exemption – 2019B Bonds

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the 2019B 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 2019B 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 2019B 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 Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the 2019B 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 Service. The City has covenanted in the Ordinance authorizing the 2019B Bonds (the "2019B Ordinance") that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the 2019B Ordinance pertaining to those sections of the Code that affect the excludability of interest on the 2019B 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 2019B Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2019B Bonds could become includable in gross income from the date of delivery of the 2019B 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 2019B 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 any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the 2019B Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the 2019B 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 2019B Bonds from gross income for federal income tax purposes.

Each prospective purchaser should consult its own tax advisor as to the tax consequences from the receipt or accrual of interest on, the acquisition, ownership and disposition of the 2019B Bonds, including but not limited to the matters generally described in this "TAX MATTERS" section.

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 2019B 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 2019B Bonds could adversely affect the value and liquidity of the 2019B 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 Premium

The issue price of all of the Bonds exceeds 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.

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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 of the United States or its agencies and instrumentalities, including letters of credit;
(2) direct obligations of the State of Texas or its agencies and instrumentalities;
(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
(4) other obligations, the principal and interest of which 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 fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas;
(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 270 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 established an external irrevocable trust for decommissioning with JPMorgan Chase Bank, N.A., and as of October 2016, transferred the trust to Wilmington Trust, National Association. The decommissioning trust market value, as of March 31, 2019, was $226,219,592.

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 State 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.

Current Investments

As of March 31, 2019, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	18%
U. S. Agencies	38%
Money Market Funds	1%
Local Government Investment Pools	43%

The dollar weighted average maturity for the combined City investment portfolios is 216 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 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.

Deputy City Manager / Chief Financial Officer – Elaine Hart, CPA

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

Deputy Chief Financial Officer – Greg Canally

Mr. Greg Canally is currently the Interim Chief Financial Officer for the City. Prior to this appointment, Mr. Canally served as the Deputy Chief Financial Officer over the Treasury Office, Purchasing Office & Capital Contract Office, and worked as the Finance lead on economic development, transportation initiatives, facility master planning, and a variety of information technology issues for the City. Mr. Canally has been with the City for 18 years, entirely in the Finance Department. From 2004 thru 2008, he was the City's Budget Officer. He is past member of Government Finance Officers Association's Committee on Economic Development and Capital Planning. Prior to his work in municipal government, Mr. Canally worked as a project manager/economist for HDR Engineering, working with all levels of government to implement Water Planning solutions in Texas. Mr. Canally holds a Bachelor of Science degree in Economics from Villanova University and a Master of Science degree in Economics from the University of Texas at Austin.

Services Provided by the City

The City's major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, and maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including Austin Energy, 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 the municipal employees and 6% for police officers and a percentage based on the amount of increase in the Consumer Price Index for the firemen only if recommended by the independent actuary and approved by the retirement boards.

Pension Plans

The City has three contributory defined benefit retirement plans for 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 respective plans in amounts at least equal to the contribution of the related employee group. The contributions made by the City to the COAERS include the aggregate amounts allocable to the City employees within the City's Aviation Department ("Aviation"), the City's Water and Wastewater System ("Austin Water") and the City's Electric System ("Austin Energy"); The contributions allocable to an employee group are paid from gross revenues of the related system and constitute operating expenses of Aviation, Austin Water and Austin Energy, respectively.

As of October 1, 2018, municipal employees contribute 8.0% and the City contributes 18.0% of payroll to the COAERS. 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. Police officers contribute 13.0% and the City contributes 21.313% of payroll to the Police Retirement System.

The amounts of contributions to the pension plans are designed to fund current service costs and amortize the respective unfunded actuarial accrued liability. As of December 31, 2018, the amortization period of the unfunded actuarial accrued liability was 32 years for the COAERS, open or indefinite for the Police Retirement System, and 17.9 years for the Fire Fighters Retirement Fund.

The City's net pension liability was measured as of December 31, 2017 for all three systems and as of December 31, 2018 for the COAERS and the Fire Fighters Retirement Fund. Net pension liability information as of December 31, 2018 for the Police Retirement System is not yet available. Information on the liabilities and funding measurements of each plan is discussed below.

City of Austin Employees' Retirement System (COAERS)

As of December 31, 2018, the COAERS reported a net pension liability of $1.53 billion with a plan fiduciary net position as a percentage of the total pension liability of 61.7%. The actuarial accrued liability for the COAERS was $3,989,560,137 and the funded ratio was 67.6%. As of December 31, 2017, the COAERS reported a net pension liability of $1.15 billion with a plan fiduciary net position as a percentage of the total pension liability of 69.8%. The actuarial accrued liability for the COAERS was $3,797,823,303 and the funded ratio was 68.3%. The COAERS had no changes of assumptions or benefit terms that affected the total pension liability for the measurement period.

The COAERS funding policy is that contribution rates be 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 slight increase from the 30-year amortization period in the previous year. In 2005, a Supplemental Funding Plan ("SFP") was approved that increased the City's annual contribution rate to a maximum of 12%, but this additional funding was not sufficient to restore the long-term financial health of the COAERS. In FY 2011, City Council approved an amendment to the SFP that increased the City contribution rate to a maximum rate of 18% of payroll to be contributed by 2013. The City contributed an additional 6% in FY 2011, an additional 8% in FY 2012 and an additional 10% in FY 2013 pursuant to the terms of the SFP, which brought the City's contribution rate to the maximum of 18%. In addition, a new benefit tier for new employees hired on or after January 1, 2012 was approved by the COAERS Board of Trustees, the City Council and the Texas Legislature. The new benefit tier increased the age and service criteria necessary to reach retirement eligibility. It also decreased the pension multiplier, which is used to determine the final pension amount paid to future retirees. These two actions are expected to substantially improve the long-term financial health of the COAERS over time.

Police Retirement System

The Police Retirement System has not received its net pension liability information as of December 31, 2018. The actuarial accrued liability for the Police Retirement System as of December 31, 2018 was $1,389,660,616 and the funded ratio was 58.1%. The Police Retirement System, as of December 31, 2017, reported a net pension liability of $420.1 million with a plan fiduciary net position as a percentage of the total pension liability of 64.7%. The actuarial accrued liability for the Police Retirement System as of December 31, 2017 was $1,185,017,294 and the funded ratio was 65.8%.

The Police Retirement System adopted changes of assumptions in May 2019, including a reduction to the investment return assumption, a reduction of payroll growth assumption and adoption of a new mortality table. The assumption changes, among other contributing factors, has resulted in a decrease in the funded ratio and an increase in the amortization period.

Fire Fighters Retirement Fund

The Fire Fighters Retirement Fund, as of December 31, 2018, reported a net pension liability of $198.1 million with a plan fiduciary net position as a percentage of the total pension liability of 82.11%. The actuarial accrued liability for the Fire Fighters Retirement Fund was $1,084,533,608 and the funded ratio was 88.0%. As of December 31, 2017, the Fire Fighters Retirement Fund reported a net pension liability of $85.0 million and plan fiduciary net position as a percentage of the total pension liability of 91.8%. The actuarial accrued liability for the Fire Fighters Retirement Fund as of December 31, 2017 was $1,038,118,085 and the funded ratio was 88.3%.

The Fire Fighters Retirement Fund had no significant changes of assumptions during the measurement period but did have a change in benefit term that affected the total pension liability. Effective January 1, 2019, a cost-of-living adjustment increase of 2.30% 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 Comprehensive Annual Financial Report ("CAFR") for their web addresses.

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 postemployment benefits 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 other postemployment benefits for retirees or their dependents.

Other postemployment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and $1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other postemployment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate.

In fiscal year 2018, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which increased the total other postemployment benefits liability by $1.51 billion over the previously reported net other postemployment benefits obligation. The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

GASB Statement No. 75 requires governments offering postemployment benefits other than pensions to record a liability in the current period for total future postemployment benefit obligations for existing employees and retirees in excess of plan assets. In addition, it identifies accepted actuarial methods and assumptions, allows deferral of certain OPEB expense items, expands financial statement note disclosures, and changes disclosure of required supplementary information.

Day-to-day accounting and administration of the OPEB activities is 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 20% 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 estimated pay-as-you-go cost of providing medical and life benefits was $43.14 million in 2018 and $43.05 million in 2017. As of September 30, 2018, the total OPEB liability is $2.52 billion.

See "APPENDIX B – AUDITED FINANCIAL STATEMENTS – Note 8 and Note 18" 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 $4.44 million for claims and damages at the end of fiscal year 2018. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

OTHER RELEVANT INFORMATION

Ratings

The Bonds received ratings of "A1" (stable outlook) from Moody's Investors Service, Inc. ("Moody's"), "A" (positive outlook) from S&P Global Ratings ("S&P"), and "AA-" (stable 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 Ordinances. Issuance of the Bonds is also subject to receipt of the approving opinions of Bond Counsel. The forms of Bond Counsel's opinions are included in this document as APPENDIX D. The legal opinions 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 ORDINANCES," 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 Ordinances.

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 2019 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 2019 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 2019 financial information. The fiscal year 2019 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

Citigroup Global Markets Inc., Morgan Stanley and Co. LLC, Jefferies LLC and Raymond James (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the 2019A Bonds from the City at a price equal to $20,660,156.45, calculated as the par amount thereof plus an original premium of $3,748,589.25 and less an underwriting discount of $63,432.80. The Underwriters have agreed, subject to certain conditions, to purchase the 2019B Bonds from the City at a price equal to $300,399,829.23, calculated as the par amount thereof plus an original premium of $53,125,508.60 and less an underwriting discount of $895,679.37.

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.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Authenticity of Financial Data and Other Information

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Certification of the Official Statement

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

/s/ Steve Adler
Mayor
City of Austin, Texas

ATTEST:
/s/ Jannette S. Goodall
City Clerk
City of Austin, Texas

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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Appendix A
REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF AUSTIN, TEXAS

AIRPORT SYSTEM REVENUE BONDS
Series 2019A and Series 2019B (AMT)

Prepared for

City of Austin, Texas

Prepared by

LeighFisher
Burlingame, California

July 12, 2019

Leigh|Fisher

July 12, 2019

Ms. Jacqueline Yaft
Executive Director
Austin-Bergstrom International Airport
3600 Presidential Boulevard, Suite 411
Austin, Texas 78719

Re: **Report of the Airport Consultant**
City of Austin, Texas
Airport System Revenue Bonds
Series 2019A and Series 2019B (AMT)

Dear Ms. Yaft:

We are pleased to submit this Report of the Airport Consultant on the proposed issuance of Airport System Revenue Bonds by the City of Austin, Texas (the City). Austin-Bergstrom International Airport (the Airport or ABIA) comprises the Airport System operated by the City through its Department of Aviation. The Airport System is a self-sufficient enterprise of the City. This letter and the accompanying attachment and financial exhibits constitute our report.

The City's proposed Airport System Revenue Bonds, Series 2019A are being issued in the approximate principal amount of $20 million to fund certain of the costs of landside and airfield improvements, including completion of a new automobile parking garage.

The City's proposed Airport System Revenue Bonds, Series 2019B (AMT) are being issued in the approximate principal amount of $300 million to fund certain of the costs associated with completing the expansion of the passenger terminal and making other improvements to the Airport in 2019 through 2023, including new maintenance and IT facilities, a centralized baggage handling system, and a new administration building.

These proposed Series 2019A and 2019B bonds are referred to herein collectively as the 2019A-B Bonds. The report also assumes the issuance of approximately $341 million in principal amount of additional Airport System Revenue Bonds in 2021 (the 2021 Bonds) to fund utility infrastructure improvement projects at the Airport in 2020 through 2023, as well certain other projects recommended in the Airport's new Master Plan. The projects to be funded in part with the proceeds of the proposed 2019A-B Bonds and planned 2021 Bonds are referred to collectively in this report as the 2019-2023 Project.

The elements of the 2019-2023 Project, their estimated costs, and the Project funding plan are summarized in the attachment and in Exhibit A.* The estimated sources and uses of funds from the sale of the proposed 2019A-B Bonds and planned 2021 Bonds are shown in Exhibit B. The forecast Debt

*All financial exhibits are provided at the end of the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts."

Service Requirements of outstanding Revenue Bonds, proposed 2019A-B Bonds, and planned 2021 Bonds are shown in Exhibit C.

On April 23, 2019, the City issued the Airport System Revenue Refunding Bonds, Series 2019 (AMT), in the amount of $152 million, which fully refunded the Airport System Revenue Refunding Bonds, Series 2005 (AMT).

Revenue Bond Ordinances

The 2019A-B Bonds are to be issued under the terms of Revenue Bond Ordinances adopted by the City on June 20, 2019, which are substantially in the form of Revenue Bond Ordinances authorizing the prior issuance by the City of several series of Airport System Revenue Bonds in 2013-2019. The Revenue Bond Ordinances authorizing the issuance of such Bonds and the proposed 2019A-B Bonds, are collectively referred to as the Revenue Bond Ordinances. Capitalized terms are used in this report as defined in the Revenue Bond Ordinances or in the Airline Agreement (discussed later), except as defined otherwise. All references in this Report to the Revenue Bond Ordinances and the summaries of the provisions thereof are qualified in their entirety to complete copies of the Revenue Bond Ordinances.

Outstanding Bonds

As of May 1, 2019, the City had outstanding Revenue Bonds as follows:

Series	Principal amount	True interest cost	Final maturity (November 15)
2013 Bonds	$ 48,030,000	1.56%	2028
2014 Bonds	244,495,000	4.19	2044
2017A Bonds	185,300,000	3.96	2046
2017B Bonds	129,665,000	4.12	2046
2019 Refunding Bonds	151,720,000	2.06	2025
	$759,210,000		

All such outstanding Revenue Bonds were issued at fixed interest rates.

Gross and Net Revenues

The proposed 2019A-B Bonds and planned 2021 Bonds are to be Additional Revenue Bonds under the Revenue Bond Ordinances and are to be secured by and payable from a first lien on the Net Revenues of the Airport System (Gross Revenues less Operation and Maintenance Expenses) on a parity with all outstanding Revenue Bonds.

Gross Revenues are generally defined in the Revenue Bond Ordinances to be, with certain exclusions, all income and revenues derived directly or indirectly from the operation and use of, and otherwise pertaining to, all or any part of the Airport System. Expressly excluded from Gross Revenues are, among other amounts, (1) passenger facility charge (PFC) revenues, (2) rental car customer facility charge (CFC) revenues and any other revenues derived from Special Facilities, and (3) Other Available Funds transferred to the Revenue Fund (all as discussed later). Operation and Maintenance Expenses are generally defined in the Revenue Bond Ordinances to exclude operating and maintenance expenses for Special Facilities payable by lessees under Special Facilities Leases.

Passenger Facility Charge Revenues

The City has authority from the Federal Aviation Administration (FAA) to impose a Passenger Facility Charge (PFC) of $4.50 per eligible enplaned passenger at the Airport and to use PFC revenues to pay debt service on certain outstanding Revenue Bonds. Under the Revenue Bond Ordinances, PFC revenues are not a part of Gross Revenues but will be set aside during a Fiscal Year for the payment of Revenue Bond debt service 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 debt service coverage during the following Fiscal Year to less than 125%. Revenue Bond debt service paid from such set-aside PFC revenues is deducted in the calculation of Debt Service Requirements and debt service coverage for such following Fiscal Year. The City expects to use PFC revenues to pay debt service on the 2019A-B Bonds and to pay other pay-as-you-go costs of the 2019-2023 Project. The forecast sources and uses of PFC revenues are shown in Exhibit F, assuming the continued imposition of a $4.50 PFC and the use of PFC revenues to pay debt service to the maximum PFC-eligible amount.

Rental Car Customer Facility Charge Revenues

As of May 15, 2019, the City had outstanding $141.1 million principal amount of its Rental Car Special Facility Revenue Bonds, Taxable Series 2013 (the 2013 Rental Car Special Facility Bonds) issued to pay certain of the costs of constructing a consolidated rental car center at the Airport. The 2013 Rental Car Special Facility Bonds are secured by and payable from revenues derived from a CFC collected by the rental car companies from all Airport rental car customers, currently assessed at a rate of $5.95 per rental car transaction-day. Under the Revenue Bond Ordinances, the 2013 Rental Car Special Facility Bonds are not Revenue Bonds secured by the Net Revenues of the Airport System and CFC revenues are not included in Gross Revenues. In this report, rental car operations were considered insofar as they may affect Net Revenues, but the adequacy of CFC revenues to meet the debt service requirements of the 2013 Rental Car Special Facility Bonds was not analyzed.

Rate Covenant

In Section 5.03 of the Revenue Bond Ordinances (the Rate Covenant), the City covenants that it will impose and collect rentals, rates, fees, and other charges for the use of the Airport System so that, in each Fiscal Year, Net Revenues will be at least sufficient to equal the larger of either:

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

(b) An amount that, together with Other Available Funds, is not less than 125% of the Debt Service Requirements of Revenue Bonds plus 100% of budgeted Administrative Expenses for the Fiscal Year.

The amount specified in Section 5.03(b) is forecast to be the larger. The City's Fiscal Year (FY) is the 12 months ended September 30.

Other Available Funds

Under the Rate Covenant, Other Available Funds are defined in the Revenue Bond Ordinances as unencumbered amounts in the Capital Fund in excess of the Minimum Capital Reserve, up to a maximum of 25% of the Debt Service Requirements of Revenue Bonds for a Fiscal Year, that are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund. This transfer has the effect of providing "rolling" debt service coverage to contribute to meeting the 125% requirement of the Rate Covenant.

Forecasts of debt service coverage calculated according to the requirements of the Revenue Bond Ordinances and demonstrating compliance with the Rate Covenant are presented in Exhibit G.

Airline Use and Lease Agreement

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

American Airlines
Delta Air Lines
JetBlue Airways
Southwest Airlines
United Airlines.

These five airlines, referred to collectively in this report as the Signatory Airlines, accounted for approximately 86% of passengers enplaned at the Airport in FY 2018.

An amendment to the Airline Agreement has been executed by American, Delta, JetBlue, Southwest, and United, extending the term of the Agreement until one year after the Date of Beneficial Occupancy of the Terminal and Apron Expansion Project, now expected to be September 2019. The amendment clarified the landing fee billing process and updated the minimum gate usage requirement for preferential use of gate rights.

Under the Airline Agreement, landing fees are set according to cost-center residual principles while terminal rentals and other airline charges are set according to compensatory principles. Coverage at 25% debt service allocable to the airline cost centers is included in the airline rate base. For the purposes of this report, it was assumed that the provisions of the Airline Agreement relating to the calculation of airline rentals, fees, and charges will remain substantively unchanged through the forecast period. The Airline Agreement does not require majority-in-interest or other approvals of capital projects or financings.

Scope of Report

This report was prepared to evaluate the ability of the City to generate Gross Revenues from the Airport System sufficient to pay Operation and Maintenance Expenses; pay the Debt Service Requirements of outstanding Revenue Bonds, the proposed 2019A-B Bonds, and planned 2021 Bonds; and meet the debt service coverage requirements of the Rate Covenant.

In preparing the report, we analyzed:

- Future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the Airport service region, historical trends in airline traffic, and other factors that will affect future traffic

- Estimated sources and uses of funds for the 2019-2023 Project and associated annual Debt Service Requirements

- Historical and estimated future PFC revenues and the use of certain of such revenues to pay Revenue Bond debt service

- Historical relationships among revenues, expenses, and airline traffic at the Airport

- The facilities to be constructed or renovated as part of the 2019-2023 Project and other operational considerations affecting revenues and expenses

- The City’s policies and contractual agreements relating to the use and occupancy of Airport facilities, including the calculation of airline rentals, fees, and charges under the Airline Agreement; the operation of concession privileges; and the leasing of buildings and grounds.

We also identified key factors upon which the future financial results of the Airport may depend and formulated assumptions about those factors. On the basis of those assumptions, we assembled the financial forecasts through FY 2025, presented in the exhibits at the end of the report. Estimates of project costs, financing assumptions, and debt service were provided by the sources noted in the exhibits.

Forecast Debt Service Coverage

Exhibit G and the below table present forecast Revenue Bond debt service coverage, showing that the 125% coverage requirement of the Rate Covenant is exceeded in each year of the forecast period.

		Budgeted	Forecast					
		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Gross Revenues		$ 184,157	$ 191,496	$ 197,048	$ 209,837	$ 224,544	$ 237,967	$ 245,207
Less: Operation and Maintenance Expenses		(120,532)	(129,586)	(134,617)	(140,930)	(146,335)	(151,915)	(157,947)
Net Revenues		$ 63,625	$ 61,910	$ 62,430	$ 68,907	$ 78,209	$ 86,053	$ 87,260
Other Available Funds		9,841	9,635	9,666	11,581	14,829	17,424	17,401
Net Revenues plus Other Available Funds		$ 73,466	$ 71,545	$ 72,096	$ 80,489	$ 93,038	$ 103,476	$ 104,661
Less: Administrative Expenses (Net of payments from PFC revenues)		(659)	-	-	-	-	-	-
Subtotal	[A]	$ 72,807	$ 71,545	$ 72,096	$ 80,489	$ 93,038	$ 103,476	$ 104,661
Revenue Bond Debt Service		$ 63,837	$ 61,088	$ 61,312	$ 68,864	$ 81,926	$ 104,110	$ 103,950
Less: Paid from PFC revenues		(24,473)	(22,550)	(22,648)	(22,538)	(22,611)	(34,414)	(34,346)
Revenue Bond Debt Service Requirements	[B]	$ 39,364	$ 38,538	$ 38,664	$ 46,326	$ 59,315	$ 69,696	$ 69,604
Debt service coverage	[A/B]	1.85 x	1.86 x	1.86 x	1.74 x	1.57 x	1.48 x	1.50 x
Debt service coverage requirement		1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x

* * * * *

Leigh|Fisher

Ms. Jacqueline Yaft
July 12, 2019

The financial forecasts are based on information and assumptions that were provided by, or reviewed with and agreed to by, Airport management. Accordingly, the forecasts reflect Airport management's expected course of action during the forecast 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 forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in this report. We have no responsibility to update this report to reflect events and circumstances occurring after the date of the report.

We appreciate the opportunity to serve as the City's Airport Consultant for the financing of the 2019-2023 Project.

Respectfully submitted,

Leigh Fisher

LEIGHFISHER

Attachment
BACKGROUND, ASSUMPTIONS, AND RATIONALE
FOR THE FINANCIAL FORECASTS

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF AUSTIN, TEXAS

AIRPORT SYSTEM REVENUE BONDS
Series 2019A and Series 2019B (AMT)

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FINANCIAL ANALYSIS *(continued)*

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FIGURES

FINANCIAL EXHIBITS

AIRPORT FACILITIES AND CAPITAL IMPROVEMENTS

Austin-Bergstrom International Airport 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, was successfully redeveloped as a mixed-use urban community by the City of Austin under a public-private partnership agreement. The Mueller Airport property is not part of the Airport System.

The Airport is classified as a medium hub by the Federal Aviation Administration (FAA) and occupies a 4,240-acre site approximately eight miles southeast of downtown Austin. Airport access is provided by Texas State Highway 71 (SH 71), a six-lane divided highway running east-west, and U.S. Highway 183 (US 183), a four-lane divided highway running north-south. SH 71 provides access to Interstate Highway 35 (I-35) approximately six miles to the west and Texas State Highway 130 (SH 130 Toll Road) approximately six miles to the east.

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 and can facilitate the simultaneous arrival of aircraft in virtually all weather conditions.

BARBARA JORDAN TERMINAL

Figure 1 shows a site plan of the Airport's four-level, approximately 964,000-square-foot Barbara Jordan passenger terminal and adjacent public and rental car parking facilities. The square footages and gate count include the nine-gate east expansion. Four of the nine gates became operational in February 2019 and the remaining five gates are scheduled to become operational in September 2019.

> Level 1, the baggage claim level, provides 149,000 square feet of space for baggage claim devices and lobby and support facilities. The baggage claim level accommodates a 33,000-square-foot Customs and Border Protection (CBP) facility for the processing of international arriving passengers. The CBP facility was expanded by approximately 19,000 square feet in December 2014.
>
> 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 B). 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 (RON)" aircraft 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 support facilities. The concourse provides 32 loading bridge-equipped aircraft parking positions (gates) capable of accommodating up to B-757-size aircraft in domestic service. Four gates at the expanded concourse are capable of accommodating domestic and international flights by widebody aircraft. These four widebody gates, as well as two of the narrowbody gates provide, access to the CBP facility.

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

SOUTH TERMINAL

In March 2016, the City entered into a 30-year Lease and Concession Agreement on the South Terminal (a 30,000 square foot building and part of the original Air Force Base facilities) with LoneStar Airport Holdings, LLC. The building underwent an approximate $12 million renovation funded by LoneStar Airport Holdings, LLC and opened in April 2017.

Frontier Airlines and Allegiant Air have relocated from the Barbara Jordan Terminal to the South Terminal. ViaAir operated out of the South Terminal from May 2017 through May 2019. As of May 2019, these three air carriers operated approximately 56 weekly departures. Based on published schedules (which do not reflect the cessation of ViaAir's operations at ABIA), these carriers are expected to reach 122 weekly departures in July 2019.

LoneStar Airport Holdings, LLC is in the process of evaluating further means of increasing the capacity of the South Terminal.

The South Terminal is accessed from a separate entrance on the south side of the Airport from Burleson Road.

2019-2023 PROJECT

The projects to be funded in part with the proceeds of the proposed 2019A-B Bonds and planned 2021 Bonds, collectively referred to in this report as the 2019-2023 Project, are summarized in the following sections. Estimated project costs and funding sources for the 2019-2023 Project are shown in Exhibit A.

Terminal and Apron Expansion and Improvement Project

The Terminal and Apron Expansion and Improvement project widened and extended the existing 95-foot-wide concourse and enlarged the adjacent aircraft parking apron to provide nine additional gates equipped with loading bridges. Four of the gates at the expanded east concourse will be capable of accommodating domestic and international flights by widebody aircraft. The four widebody gates and three of the narrowbody gates will allow access to the CBP facility (the expansion of which was completed in September 2015). As shown in Exhibit A, $28 million of proceeds from the 2019B Bonds will fund the completion of this project. The total cost of this multi-year project was approximately $378 million, $186 million of which was used for the construction of the nine-gate terminal expansion, and had previously been funded with PFCs and proceeds from the 2014 Bonds and the 2017B Bonds.

Four of the nine gates became operational in February 2019. All gates in the east concourse are expected to be operational by September 2019.

Parking Garage

The Parking Garage project includes the construction of a new six-level parking structure with approximately 6,000 spaces at the Lot A site, north of the existing parking garage and west of the new rental car garage. The new garage will be connected to the existing garage and, net of the spaces lost at Lot A, will provide approximately 5,000 additional public parking spaces. The $52 million in project costs being funded with the 2019A-B Bonds represent the project completion costs for both the garage itself and the attached new Airport Administration Building. The Parking Garage project is anticipated to cost a total of $250 million and has been previously funded with proceeds from the 2014 Bonds and 2017B Bonds.

Five of the six floors of the garage are in use as of June 2019.

Other Building Projects

Proceeds from the 2019B Bonds will:

- Fully reimburse the City for its purchase of the Lynxs cargo buildings.
- Fully fund the construction of a new consolidated Maintenance Facility to allow for the co-location of building, airline, and field maintenance divisions of the Department of Aviation.
- Fully fund $12 million for future renovations to the Employment Center.
- Substantially fund the construction a new Information Technology (IT) building intended for use by Department of Aviation staff and certain customer and user groups.

Master Plan Projects

Looking beyond the 2019-2023 Project, the City prepared and submitted a new Master Plan to the FAA. The Master Plan, which has a 20-year planning horizon from 2018-2037, included several alternatives for future development of terminal facilities, with the possible addition of up to 20 new airline gates and commensurate passenger processing and baggage handling facilities. The City is evaluating its options for the phased delivery and funding of these future improvements.

As shown in Exhibit A, there are certain Landside, Terminal, and Airfield projects from the Master Plan anticipated to be funded with the planned 2021 Bonds. Included in Master Plan Terminal Projects is funding for the design and construction of utilities infrastructure to support additional terminal facilities.

The implementation of the remaining proposed Master Plan projects is not included in the forecast period presented in this report.

Other Capital Improvements

Other Airport renewal, replacement, and upgrade needs included in the 2019-2023 Project are:

- **Landside:** Renewal and replacement of roads, utilities, roadway and circulation improvements, and other Airport support facilities and systems, as well as the construction of a 2,000-space surface parking lot for employees.
- **Terminal:** Improvements to baggage handling systems and renewal and replacement of terminal facilities and systems.
- **Airfield:** Modifications to certain taxiways, reconstruction and repair of perimeter fences, apron repairs, and other airside improvements.
- **Other:** Replacement of capital equipment, vehicles, and information technology systems.

PUBLIC AND RENTAL CAR PARKING

Approximately 15,600 public and 1,500 employee parking spaces are provided by the City on Airport property in a three-level public parking garage adjacent to the terminal, consolidated rental car garage, and in surface lots (5,800 spaces) served by shuttle buses. The public parking garage, dating from the 1999 opening of the Airport, provides 2,900 spaces for short-term and valet public parking. The first level of the garage is at the same level as the arrivals roadway and baggage claim level of the terminal. The third level of the garage is at the same level as the departures roadway and concourse level of the terminal.

The consolidated rental car garage, opened in September 2015, provides 3,200 rental car spaces and 900 public parking spaces on five levels.

As discussed above, a second public parking garage with approximately 6,000 public parking spaces on six levels, five of which are in use and provide a total of 5,000 spaces, has been completed as part of the 2019-2023 Project and became operational in June 2019.

In addition to the on-Airport public parking facilities provided by the City, Scott Airport Parking, LLC, through a public-private-partnership with the City, provides passengers the option of parking in a 2,000 space surface lot located between the Barbara Jordan Terminal and the Hilton hotel. This parking lot opened in November 2016.

AIR CARGO

Air cargo facilities occupy approximately 61 acres and abut the northern boundary of the Airport site, adjacent to SH 71. Air freight and mail carried on all-cargo aircraft, which account for approximately 73% of air cargo enplaned and deplaned at the Airport, are handled at these facilities. Four air cargo buildings with a combined floor area of 230,000 square feet and 34 acres of apron for aircraft parking are provided. Three of the buildings, previously managed by Lynxs Group CargoPort, were acquired by the City in 2018 and are now operated by the City. The fourth cargo building is managed by Aeroterm. FedEx and UPS Air Cargo account for approximately 85% of air cargo at the Airport.

Air cargo carried in the bellies of passenger aircraft is handled at two buildings with a combined floor area of 60,000 square feet occupying 5 acres immediately west of the passenger terminal apron. These facilities are managed by Airport Facilities Company.

GENERAL AVIATION

General and business aviation at the Airport is served by two full-service fixed-base operators (FBOs), Atlantic Aviation Services and Signature Flight Support, at sites adjacent to Runway 17L-35R. Atlantic Aviation occupies a 47-acre site with five 12,000-square-foot hangars, a 14,000-square-foot terminal building, fuel storage facilities, and a 10-acre aircraft parking apron. Signature Flight Support occupies a 46-acre site with five 12,000-square-foot hangars, a 9,000-square-foot terminal building, fuel storage facilities, and a 9-acre aircraft parking apron. Three T-hangar buildings contiguous with the Signature Flight Support facility provide hangars for 54 aircraft. The City anticipates a third FBO, Million Air, will begin operations at a 49-acre site in FY 2020. Approximately 120 general aviation aircraft are based at the Airport.

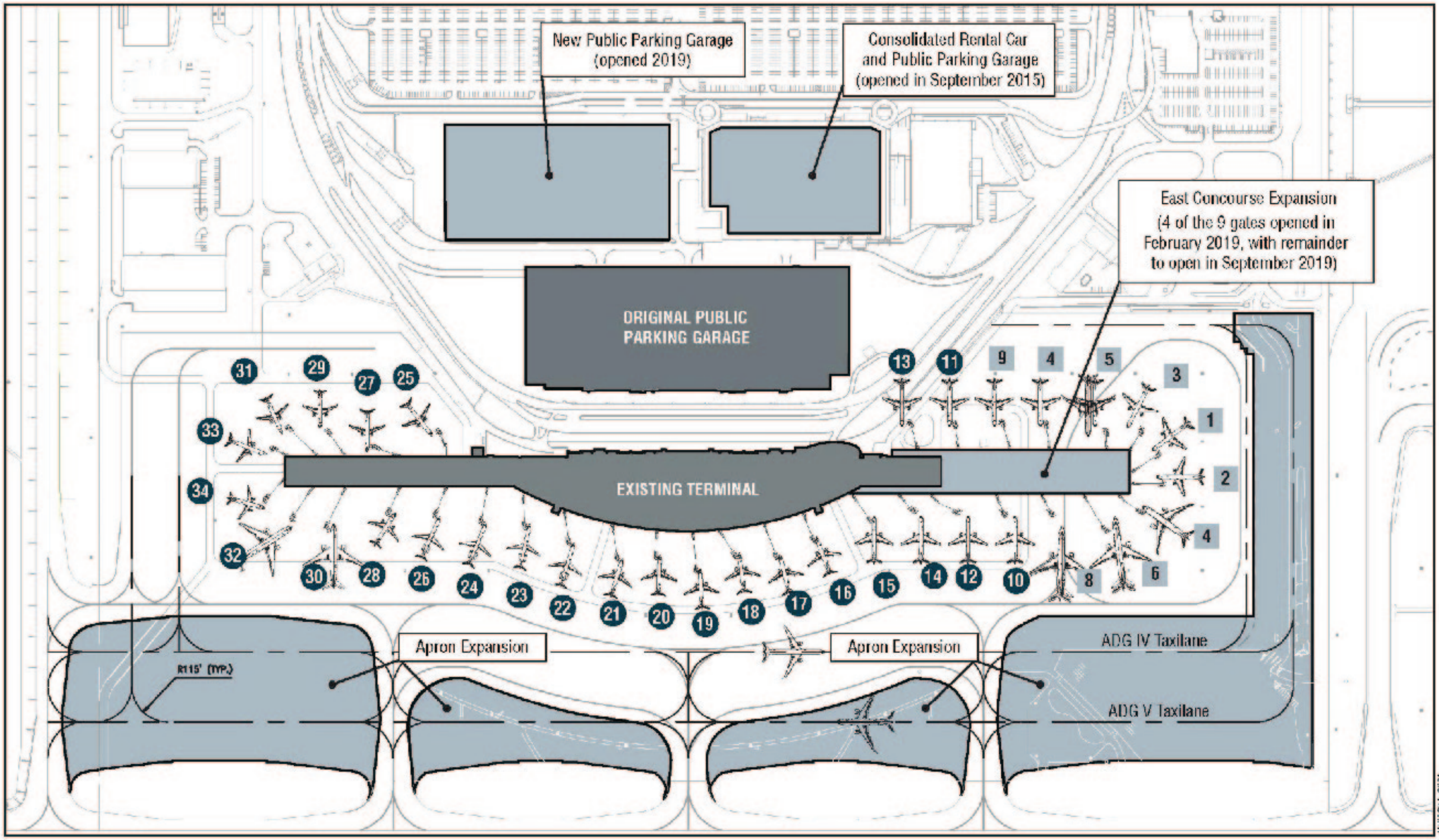


Figure 1

BARBARA JORDAN TERMINAL AND PARKING STRUCTURES

Austin-Bergstrom International Airport

OTHER AIRPORT FACILITIES

Texas State Department of Transportation. The State Aviation Division's Flight Services Section occupies a 13-acre site east of Runway 17L-35R with aircraft hangars, fueling facilities, a terminal building, and an aircraft parking apron where aircraft used by State officials and employees are operated and maintained.

Texas Air National Guard. The Guard occupies a 60-acre site at the southern boundary of the Airport site for its Army Aviation Support Facility (AASF), which consists of aircraft hangars and maintenance facilities, helicopter parking aprons, and administrative buildings. Adjacent to the site is a U.S. Armed Forces Reserve Center.

Federal Aviation Administration (FAA). An FAA Terminal Radar Approach Control (TRACON) facility is located at the Airport Traffic Control Tower.

Aviation Support. Support facilities include an aircraft fuel storage facility with two above-ground storage tanks with a combined capacity of 1.2 million gallons operated by Aircraft Service International Group; an airline ground service equipment (GSE) maintenance building; an in-flight catering building occupied by Sky Chefs; and Department of Aviation operations, maintenance, and engineering facilities. The Airport is constructing a new $78.5 million consolidated maintenance facility as part of the 2019-2023 Project for use by Department of Aviation maintenance and operations staff.

Nonaeronautical facilities. Nonaeronautical facilities on Airport property include a 262-room Hilton hotel at the entrance to the Airport, rental car service and storage facilities, and a City of Austin employee training facility (the Employment Center). In 2016, the City and ABIA Retail, LLC entered into a public-private-partnership arrangement for the two-phase development of 13 acres on-Airport. Phase 1 included the 3-acre development of a gas station, convenience store, restaurant, cell phone lot, and public restrooms opened in 2017. Phase 2 included the development of a new 140-room Hyatt hotel, opened in May 2018.

ECONOMIC BASIS FOR AIRLINE TRAFFIC DEMAND

AIRPORT SERVICE REGION

The Airport's primary service region is the 4,220-square-mile, 5-county Austin-Round Rock Metropolitan Statistical Area (the MSA), shown on Figure 2. According to the U.S. Department of Commerce, Bureau of the Census, the estimated population of the MSA in 2017 was 2,116,000.

Nearby Airports

As shown on Figure 2, the nearest airports classified as large or medium hub airports by the FAA are those serving San Antonio (a medium hub approximately 80 road miles to the southwest), Houston (approximately 160 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 Dallas/Fort Worth International, a large hub, and Dallas Love Field, a medium hub).

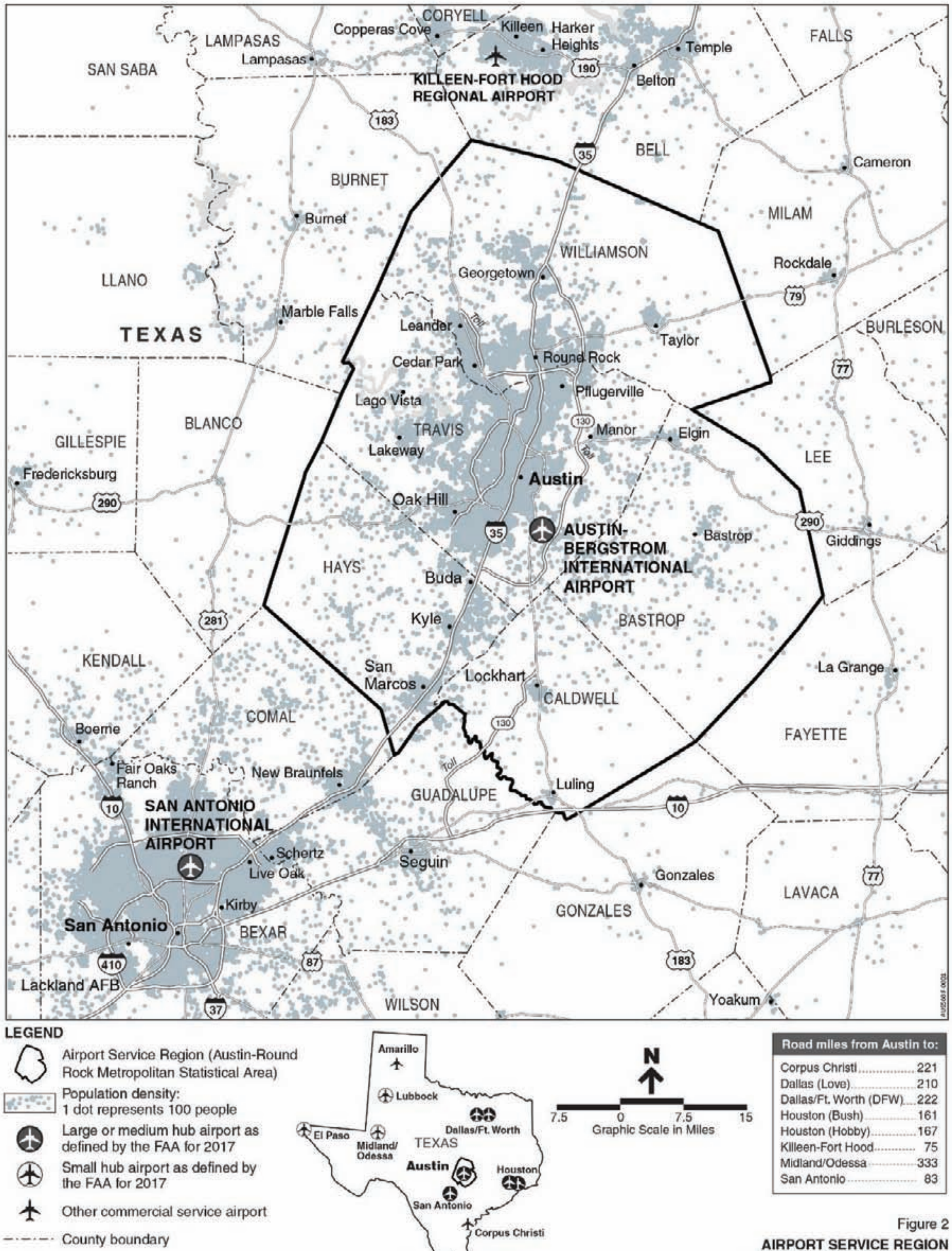
Table 1 provides data on airline service and passenger numbers at ABIA and selected other Texas airports.

San Antonio International Airport serves the San Antonio-New Braunfels MSA with a 2017 population of approximately 2.5 million. Passengers originating their journeys from the Austin and San Antonio airport service regions have airline service options from either airport. As shown in Table 1, in July 2018, 65% more scheduled departing seats were provided from ABIA than from San Antonio International. Between FY 2010 and FY 2018, the number of domestic originating passengers at ABIA increased 79.9% compared to 20.0% at San Antonio International.

Killeen-Fort Hood Regional Airport, 75 road miles to the north of the Airport, is classified as a nonhub airport by the FAA. The Killeen airport is conveniently accessible to northern parts of the MSA, but, as shown in Table 1, provides only limited airline service by regional airlines.

HISTORICAL SOCIOECONOMIC INDICATORS

In general, the population and economy of an airport's service region are the primary determinants of originating passenger numbers at the airport. Connecting passenger numbers are primarily determined by airline management decisions to provide connecting service at the airport. As discussed in the later section "Airline Traffic Analysis," approximately 95% of ABIA's passengers are originating, and 5% connect between flights. Approximately 53% of originating passengers are residents of the MSA and 47% are visitors.



Source: U.S. Census data, 2010.

Figure 2
AIRPORT SERVICE REGION
Austin-Bergstrom International Airport

Table 1
AIRLINE SERVICE AT SELECTED TEXAS AIRPORTS
July 2018 and Fiscal Year ended September 30

	AUS	DFW	IAH	HOU	DAL	SAT	GRK
Driving distance from AUS (miles)	--	222	161	167	210	83	75
Average daily departing seats *(a)*							
Domestic	27,843	102,834	54,762	24,007	28,175	16,490	563
International	1,142	17,072	20,879	2,200	--	1,114	--
Total	28,985	119,906	75,641	26,207	28,175	17,604	563
Average daily departures *(a)*							
Domestic	191.4	827.1	485.8	164.0	195.8	119.5	9.6
International	6.2	104.2	134.3	14.5	--	7.7	--
Total	197.5	931.3	620.1	178.5	195.8	127.2	9.6
Airports served nonstop *(a)*							
Domestic	68	167	111	48	56	39	3
International	8	54	68	11	--	5	--
Total	76	221	179	59	56	44	3
Domestic originating passengers (in thousands) *(b)*							
FY 2010	3,619	9,539	5,853	3,077	2,644	3,420	191
FY 2018	6,511	12,941	7,746	4,328	5,152	4,105	121
Percent change	79.9%	35.7%	32.3%	40.7%	94.9%	20.0%	(36.5)%

AUS = Austin-Bergstrom International Airport
DFW = Dallas/Fort Worth International Airport
IAH = George Bush Intercontinental Airport
HOU = William P. Hobby Airport
DAL = Dallas Love Field
SAT = San Antonio International Airport
GRK = Killeen-Fort Hood Regional Airport

Note: Columns may not add to totals shown because of rounding.

(a) OAG Aviation Worldwide Ltd, OAG Analyser database, accessed October 2018. Data shown are for scheduled domestic and international service in July 2018.
(b) U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1, accessed October 2018. Data shown are for the 12 months ended September 30.

The following subsections provide a discussion of the economic basis for passenger traffic at the Airport in terms of historical MSA socioeconomic data and the employment profile of the MSA by industry sector.

Table 2 shows historical data on population, nonagricultural employment, and per capita income for the MSA and the nation.

Table 2
HISTORICAL SOCIOECONOMIC DATA
Austin-Round Rock MSA and United States

	Population (thousands) *(a)*		Nonagricultural employment (thousands) *(b)*		Per capita income (2017 dollars) *(c)*	
	MSA	United States	MSA	United States	MSA	United States
2000	1,265	282,162	684	132,024	$46,843	$43,639
2001	1,321	284,969	685	132,087	48,475	43,722
2002	1,348	287,625	669	130,649	46,415	43,372
2003	1,376	290,108	664	130,347	45,145	43,537
2004	1,410	292,805	679	131,787	43,830	44,445
2005	1,453	295,517	705	134,051	45,295	44,994
2006	1,515	298,380	736	136,453	47,029	46,342
2007	1,578	301,231	772	137,999	46,812	47,104
2008	1,634	304,094	791	137,242	47,379	46,569
2009	1,682	306,772	774	131,313	44,794	44,884
2010	1,727	309,338	786	130,362	45,829	45,577
2011	1,781	311,644	812	131,932	47,680	46,560
2012	1,835	313,993	844	134,175	49,931	47,597
2013	1,884	316,235	884	136,381	49,728	47,166
2014	1,942	318,623	923	138,958	51,948	48,690
2015	2,001	321,040	963	141,843	53,485	50,613
2016	2,061	323,406	1,001	144,352	54,054	50,893
2017	2,116	325,719	1,033	146,624	54,817	51,640
	Average annual percent increase (decrease)					
2000-2003	2.8%	0.9%	(1.0)%	(0.4)%	(1.2)%	(0.1)%
2003-2007	3.5	0.9	3.8	1.4	0.9	2.0
2007-2010	3.1	0.9	0.6	(1.9)	(0.7)	(1.1)
2010-2017	2.9	0.7	4.0	1.7	2.6	1.8
2000-2017	3.1	0.8	2.5	0.6	0.9	1.0

MSA = Metropolitan Statistical Area comprising the 5 counties shown on Figure 2 for all years.

n.a. = not yet available.

Notes: Population numbers are estimated as of July 1 each year.
Calculated percentages may not match those shown because of rounding.

(a) Source: U.S. Department of Commerce, Bureau of the Census, www.census.gov, accessed October 2018.

(b) Source: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed October 2018. Employment numbers were revised and differ from the 2016 report.

(c) Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed October 2018. Adjusted to 2017 dollars using the U.S. Department of Labor *Consumer Price Index for All Urban Consumers*.

Population

Since 2000, the MSA has been one of the fastest growing major metropolitan areas in the nation. Between 2000 and 2017, the population of the MSA increased an average of 3.1% per year, compared with an increase of 0.8% per year for the nation. Population growth in the MSA between 2000 and 2007 averaged 3.2% per year and slowed only slightly between 2007 and 2010 as the economic recession reduced in-migration (3.1% per year, on average). Between 2010 and 2017, the population of the MSA increased an average of 2.9% per year, compared with an increase of 0.7% per year for the nation. During that 7-year period, population growth in the MSA was the highest among the nation's 35 largest MSAs.

Much of the MSA population growth resulted from in-migration caused by employment opportunities, a relatively low cost of living, and a high quality of life. Austin was ranked the number one place to live by U.S. News and World Report in both 2017 and 2018.

Austin's population is young, with 65.9% of the 2017 population under 45 (compared with 58.5% for the nation as a whole), and educated, with 44.8% of the MSA's adult population holding a bachelor's or more advanced degree (compared with 32.0% for the nation).

According to the Texas State Demographer and the Austin Chamber of Commerce, the Austin-Round Rock MSA is projected to grow at an annual rate of 2.8% between 2017 and 2045. This rate of growth would nearly double the MSA's population within 25 years.

Nonagricultural Employment

The MSA has similarly experienced much stronger growth in employment than for the nation as a whole. During and after the 2001 recession, MSA employment decreased more than for the nation, but since 2003, employment growth has been consistently stronger than for the nation. Employment in the MSA increased 16.3% between 2003 and 2007 (compared with a 5.9% increase for the nation), was less affected by the 2008-2009 recession, increasing 1.7% between 2007 and 2010 (compared with a 5.5% decrease for the nation), and increased 31.4% between 2010 and 2017 (compared with a 12.5% increase for the nation). Employment by industry sector is discussed in the later section "Economic Profile by Industry Sector."

Unemployment Rates

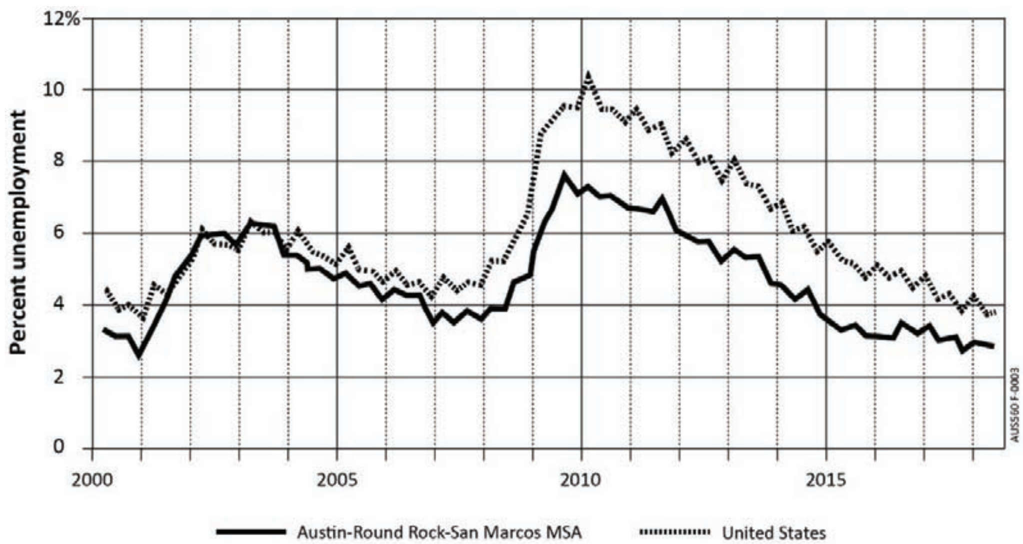
As shown in Figure 3, the 2001 recession affected the MSA more severely than the nation, and MSA unemployment rates were similar to national rates between 2001 and 2007. Since then, average unemployment rates for the MSA have been consistently lower than those for the United States.

The unemployment rate in the MSA increased sharply beginning in the third quarter of 2008, later than experienced in most of the nation, and peaked at 7.3% in the first quarter of 2010 (compared with a peak rate of 10.4% for the nation). In the second quarter of 2018, the MSA unemployment rate was 2.9%, compared with a national rate of 3.8%.

Per Capita Income

Strong economic growth in the MSA occurred primarily after the 2008-2009 economic recession. Between 2000 and 2010, per capita income for the MSA decreased an average of 0.4% per year (compared with an increase of 0.4% per year for the nation). Between 2010 and 2017, however, per capita income for the MSA recovered, increasing an average of 2.6% per year (compared with 1.8% per year for the nation).

Figure 3
TRENDS IN UNEMPLOYMENT RATES
Austin-Round Rock MSA and United States



Note: Data shown are 3-month moving averages of monthly unemployment rate data that are not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed October 2018.

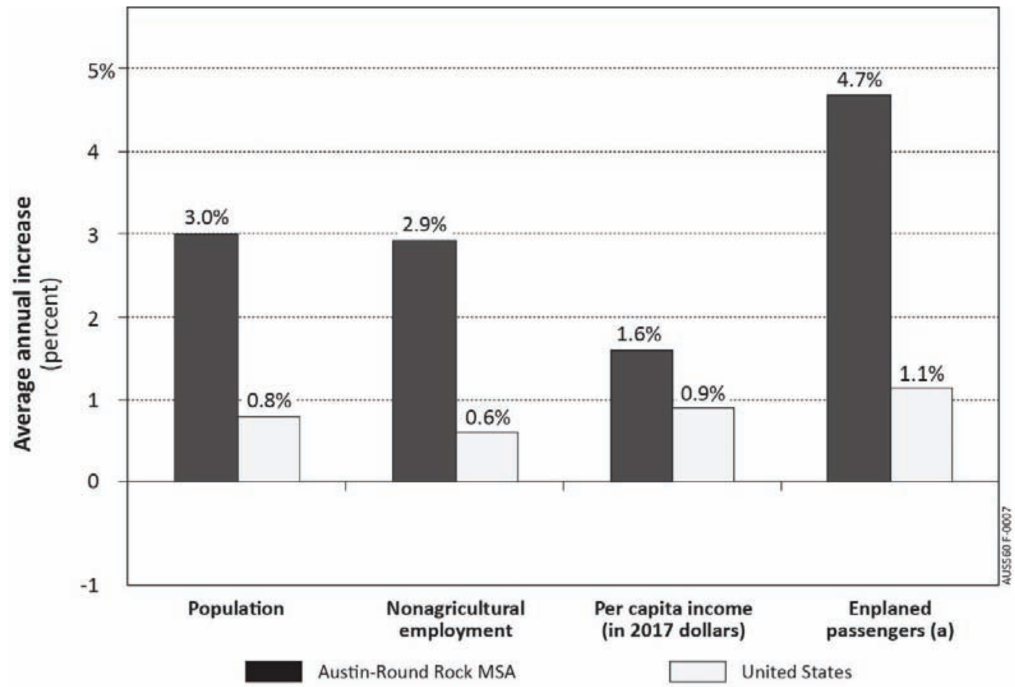
Cost of Living

The MSA has consistently had a lower cost of living than the nation as a whole, a key factor in attracting businesses and residents. The American Chamber of Commerce Researchers Association (ACCRA), reported a composite 2017 cost of living index of 97.3 for Austin, compared with a national index of 100.0. Austin ranks lower in costs related to groceries, utilities, transportation, and health care, but ranks slightly higher in housing costs.

Historical Socioeconomic Indicators and Enplaned Passengers

Figure 4 presents a comparison of historical growth rates for population, nonagricultural employment, per capita income, and enplaned passengers in the MSA and the United States between 2007 and 2017. Over the 10 years, enplaned passenger numbers at the Airport increased at an average annual rate of 4.7%, comparable to the rates for population and employment in the MSA.

Figure 4
CHANGES IN ECONOMIC INDICATORS AND ENPLANED PASSENGERS
Austin-Round Rock MSA and United States
(2007-2017)



Note: (a) Enplaned passengers for the 12 months ended September 30.

Sources: Population: U.S. Department of Commerce, Bureau of the Census, www.census.gov, accessed May 2019.

Employment: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed October 2018.

Per capita income: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed December 2018. Adjusted to 2017 dollars using the U.S. Department of Labor, *Consumer Price Index for All Urban Consumers.*

Enplaned passengers: City of Austin, Department of Aviation and U.S. Department of Transportation, Schedule T100, accessed October 2018.

EMPLOYMENT BY INDUSTRY SECTOR

Table 3 presents the changes in the distribution of nonagricultural employment by industry sector in the MSA and the United States for 2007 (before the 2008-2009 recession), 2010 (after the recession) and 2017. The unique combination of industries within the MSA provided for comprehensive employment growth averaging 4.0% per year between 2010 and 2017. Over that period the MSA experienced employment growth across all industry sectors.

Table 4 lists the largest private employers in the MSA in 2017. The companies listed accounted for approximately 10% of total nonagricultural employment in the MSA in 2017, with smaller businesses and organizations and public sector employers accounting for the remaining 90%. The following subsections provide a summary of employment in each industry sector, discussed in descending order of Austin MSA employment share.

Table 3

NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR

Austin-Round Rock MSA and United States

(calendar years)

	Share of total 2017		Average annual percent increase (decrease) 2007-2010		2010-2017	
Industry sector	Austin MSA	United States	Austin MSA	United States	Austin MSA	United States
Services						
Professional and business services	17.1%	14.0%	1.1%	(2.3)%	6.5%	2.9%
Leisure and hospitality	12.2	10.9	2.6	(0.9)	5.7	3.0
Education and health services	11.6	15.8	4.3	2.3	4.6	2.2
Other services	4.3	3.9	5.5	(1.0)	3.3	1.2
Subtotal services	45.3%	44.7%	2.8%	(0.3)%	5.5%	2.5%
Government	17.4%	15.2%	2.8%	0.4%	0.5%	(0.1)%
Trade, transportation, and utilities	17.1	18.8	0.2	(2.6)	4.1	1.6
Mining, logging, and construction	6.0	5.2	(6.5)	(9.3)	6.2	3.0
Financial activities	5.8	5.8	(1.6)	(2.7)	4.7	1.4
Manufacturing	5.5	8.5	(7.1)	(6.0)	1.1	1.1
Information	2.9	1.9	(3.7)	(3.7)	6.1	0.5
Total	100.0%	100.0%	0.6%	(1.9)%	4.0%	1.7%
Total Austin MSA employment	1,032,700					

Note: Columns may not add to totals shown because of rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed November 2018.

Table 4
LARGEST AUSTIN AREA PRIVATE SECTOR EMPLOYERS
2017

	Company	Head-quartered in MSA	Fortune 500 company	Principal industry	Number of area employees
1	H-E-B			Supermarkets	13,400
2	Dell Technologies	*	*	Computer technology	12,000
3	Ascension Seton *(a)*	*		Health-care services	10,300
4	Wal-Mart Stores, Inc.		*	Retail	9,100
5	St. David's Healthcare	*		Healthcare services	9,000
6	Apple, Inc.		*	Information technology	6,000
7	IBM Corporation		*	Information technology	6,000
8	NXP Semiconductors *(b)*			Semiconductors	4,000
9	Samsung Austin Semiconductor, LLC			Semiconductors	3,500
10	Whole Foods Market, Inc.	*		Supermarkets	3,000
11	AT&T Inc.		*	Telecommunications	2,800
12	Keller Williams Realty Inc. (KWRI)	*		Real Estate	2,500
13	National Instruments Corporation	*		Computer technology	2,500
14	Accenture Plc			Professional services	2,300
15	Baylor Scott & White Health			Health-care services	2,000
16	Applied Materials, Inc.		*	Semiconductors	1,800
17	Charles Schwab Corporation		*	Financial services	1,800
18	Austin Regional Clinic PA	*		Health-care services	1,700
19	Flex, LTD *(c)*			Electronic manufacturing services	1,600
20	Wells Fargo		*	Financial services	1,600
21	Advanced Micro Devices, Inc.		*	Semiconductors	1,600
22	Goodwill Industries of Central Texas	*		Department store (nonprofit)	1,600
23	HomeAway, Inc.	*		Vacation rental marketplace	1,500
24	Intel Corporation		*	Computer technology	1,500
25	Randalls Food Markets			Supermarkets	1,400

Notes: Ranking of area employers based on number of employees as of June 2017. Government entities are not shown. Includes full-time and part-time employees.

(a) Seton Healthcare Family changed its name to Ascension Seton in 2017.
(b) Freescale Semiconductor, Inc. was acquired by NXP Semiconductors in 2015.
(c) Flextronics America changed its name to Flex, LTD in 2015.

Sources: Company ranking: *Austin Business Journal*, “2017-2018 Book of Lists.” Only companies that responded to the survey are included.

Status as a Fortune 500 company for 2018: www.fortune.com, accessed October 2018.

Services

As in the United States as a whole, the services sector (professional, business, education, health, leisure, hospitality, and other services combined) is the largest industry sector in the MSA. Since 2007, the services sector has accounted for two-thirds of the increase in MSA employment. The sector accounted for 45.3% of MSA employment in 2017, an increase from 38.4% in 2007.

In contrast to most other industry sectors, the services sector added jobs between 2007 and 2010, and strong growth continued between 2010 and 2017. Employment in the services sector increased by 225,600 jobs between 2000 and 2017, more than any other sector.

Professional and Business Services. Of the 171,100 services sector jobs added in the MSA between 2007 and 2017, 66,900 were in the professional and business services sector, representing a 61.2% increase. This increase in jobs was higher than in any other sector, in both absolute and percentage terms. Many of these jobs were in the professional, scientific, and technical subsector and included jobs in such fields as engineering, computer science, software development, information technology, biosciences, and health technology that support key goods-producing and service-providing industries.

According to the Austin Chamber of Commerce, the Austin area supports 5,700 technology companies and 130,000 workers. Dell, headquartered in Round Rock, is one of the MSA's largest private sector employers, developing and manufacturing computer technology solutions and products. Other major employers engaged in engineering, design, research, and development in the computer, data analytics, information technology, and other high-technology industries are Apple, Advanced Micro Devices, Hewlett-Packard, IBM, Intel, and National Instruments.

Leisure and Hospitality Services. Between 2007 and 2017, the number of Austin MSA jobs in leisure and hospitality services increased by 46,800 (59.2%). Employment in this subsector grew by 6,400 jobs between 2007 and 2010 and by an additional 40,400 between 2010 and 2017.

Tourism has become an important contributor to the MSA's economy. Austin bills itself as the "Live Music Capital of the World." Each spring the city hosts the South by Southwest (SXSW) Music-Film-Interactive conference and festival, and each fall it hosts the Austin City Limits Music Festival, a two-week-long celebration of music performance. In 2012, the 1,500-acre Circuit of the Americas motorsports venue opened. The venue hosts the annual Formula One United States Grand Prix race among other sports and entertainment events. The Austin Convention Center, located in downtown Austin, provides 370,000 square feet of exhibit and meeting space convenient to 11,000 hotel rooms and various attractions and entertainment districts.

Education and Health Services. Between 2007 and 2017, the number of MSA jobs in the education and health services subsector increased by 42,900 (55.4%). The increases in this subsector are attributable mainly to the region's population growth. Notwithstanding the economic recession, 10,400 jobs were added in the education and health services subsector between 2007 and 2010 and a further 32,500 were added between 2010 and 2017.

The University of Texas at Austin, with a 2018 student enrollment of approximately 51,000, is the tenth largest public four-year university in the nation and employs approximately 24,000 faculty and staff. The university is known as a world-class center of education and research and is an important contributor to the region's economy. Texas State University, located in San Marcos, has a student population of over 38,000 and employs 3,300 full-time faculty and staff. Another approximately 91,000 students were enrolled at 25 other universities and colleges in the region. Other four-year colleges and universities include Huston-Tillotson University, St. Edward's University, Southwestern University, and Concordia University. Community colleges and technical schools include Austin Community College and Central Texas College.

According to the Austin Chamber of Commerce, the Austin area has 44 hospitals providing 5,450 beds, with the health care industry supporting approximately 101,000 jobs. Major health care employers are Seton Healthcare Family, St. David's Healthcare Partnership, and Baylor Scott & White Healthcare.

Research activities at the University of Texas at Austin, Texas State, and other universities and colleges have been the catalyst for the development of life sciences industries in the MSA. Approximately 240 companies provide approximately 15,000 jobs in the biotechnology, pharmaceutical, medical device, healthcare information technology, and related industries. Austin is home to Dell Medical School at the University of Texas, which accepted its first class in 2016. Adjacent to the medical school is a new teaching hospital that opened in 2017.

Government

Austin is the capital of Texas, and the government sector accounted for 17.4% of MSA employment in 2017, compared with 15.2% for the nation as a whole. The share of MSA employment related to the government has decreased, from 28.7% in 1990, as the MSA's economy has diversified. In 2017, local government accounted for 51.7% of government sector jobs, State government for 40.9%, and the federal government for 7.3%. Between 2007 and 2017, 20,000 jobs were added in the government sector.

The State of Texas is the largest single employer in the MSA, with 73,600 employees (excluding the 24,000 employees at the University of Texas at Austin who are accounted for in the services sector). An Internal Revenue Service regional processing center is the largest single federal employer, with over 5,000 employees. The largest local government employers are the City of Austin and the Austin and Round Rock independent school districts.

Trade, Transportation, and Utilities

The trade, transportation, and utilities sector accounted for a smaller share of employment in the MSA than in the nation as a whole in 2017 (17.1% versus 18.8%). Employment in the sector increased by 44,400 jobs between 2007 and 2017.

International trade is an important component of the MSA economy. Exports from the MSA include semiconductors, electronics, software, and information technology. A foreign trade zone covers the MSA and provides for the establishment of secure sites to allow qualifying export-import businesses to defer or avoid U.S. Customs duties and certain other taxes. The economy of the MSA benefited from the 1993 passage of the North American Free Trade Agreement (NAFTA), which reduced tariffs and trade barriers among Canada, Mexico, and the United States. In September 2018, Canada, Mexico, and the United States agreed to the terms of a free-trade agreement, to be called the United States-Mexico-Canada Agreement (USMCA), that will succeed NAFTA. The agreement is subject to Congressional ratification. The MSA's location on I-35 positions it to benefit particularly from trade with Mexico. Other important international trading partners are China, Taiwan, Malaysia, and South Korea.

Mining, Logging, and Construction

The mining, logging, and construction sector accounted for 6.0% of MSA employment in 2017, a higher share than that of the nation as a whole (5.2%). MSA employment in the sector increased by 7,800 jobs between 2000 and 2007 but lost 9,100 jobs during the recession. Decreases in construction employment in the MSA during the 2008-2009 recession were smaller than in the nation as a whole, and housing prices were reduced less (in part because housing prices in the MSA did not increase as much as those in the nation during the residential housing boom). Between 2010 and 2017, mining, logging, and construction employment in the MSA increased by 21,100 jobs, well above pre-recession levels.

Financial Activities

The financial activities sector accounted for 5.8% of both MSA and national employment in 2017. Between 2000 and 2007, employment in the sector increased by 9,800 jobs. As a result of the national banking and credit crisis, between 2007 and 2010, the sector lost 3,200 jobs. Between 2010 and 2017, the sector fully recovered, gaining 16,300 jobs. Large employers in the sector are Charles Schwab, JPMorgan Chase, Progressive Insurance, State Farm Insurance, and Wells Fargo.

Manufacturing

The manufacturing sector accounted for 5.5% of MSA employment in 2017, a lower share than for the nation as a whole (8.5%). MSA employment in the manufacturing sector decreased by 22,300 jobs between 2000 and 2007 and by a further 13,100 jobs between 2007 and 2010 before recording an increase of 4,300 jobs between 2010 and 2017. Between 2007 and 2017, MSA employment in the manufacturing sector decreased by 8,800 jobs, the only sector to experience a decrease during this time period.

Key manufacturers in the MSA produce computer, semiconductor, and electronic products. MSA employers in these industries include Dell, Applied Materials, Flex, NXP Semiconductor, Samsung, and 3M. Although still one of the largest private sector employers in the MSA, Dell has reduced its manufacturing employment in the MSA since 2007 as its share of the personal computer market has decreased and it has moved manufacturing overseas.

Information

The information sector accounted for 2.9% of MSA employment in 2017, higher than its share of national employment (1.9%). Between 2007 and 2017 the sector had a net gain of 7,800 jobs. Major employers in the information sector are AT&T, Oracle, Spectrum, and Visa.

ECONOMIC OUTLOOK

Outlook for the U.S. Economy

Between the fourth quarter of 2007 and the second quarter of 2009, the U.S. economy, as measured by real gross domestic product (GDP), contracted 4.1%. National GDP growth resumed in the second half of 2009, job growth began in 2010, but not until 2014 did total employment exceed pre-recession levels. Between 2014 and 2018, national GDP increased at an average rate of 2.4% per year.

Continued U.S. economic growth will depend on, among other factors, stable financial and credit markets, a stable value of the U.S. dollar versus other currencies, stable energy and other commodity prices, the ability of the federal government to reduce historically high deficits, inflation remaining within the range targeted by the Federal Reserve, and growth in the economies of foreign trading partners.

The Perryman Group published forecasts for the national economy in October 2018. As shown in Table 5, nationwide nonagricultural employment is forecast to increase 1.6% in 2018 and at an average annual rate of 1.4% in 2018 through 2023.

Table 5
EMPLOYMENT FORECASTS
Austin-Round Rock MSA and United States

	Historical average annual increase 2000-2017 *(b)*	Forecast annual increase *(a)* 2017-2018	2018-2023
Nonagricultural employment			
Austin-Round Rock MSA *(c)*	2.5%	3.4%	2.8%
United States	0.6	1.6	1.4

MSA = Metropolitan Statistical Area comprising the 5 counties shown on Figure 2 for all years

(a) Source: The Perryman Group, October 2018.
(b) Source: U.S. Department of Labor, Bureau of Labor Statistics (see Table 2).
(c) Forecast growth rate for wage and salary employment.

Outlook for the Austin-Round Rock MSA Economy

The Austin-Round Rock MSA experienced the effects of economic recession between 2007 and 2010, although job losses in the MSA were much less severe than for the nation as a whole and recovery from the recession was stronger. The MSA's economy has had one of the strongest recoveries among the nation's 50 largest MSAs. The MSA's nonagricultural employment in 2017 was 33.8% higher than the 2007 pre-recession level. For the nation, employment in 2017 was 6.3% higher than in 2007.

Continued economic growth in the MSA will generally depend on the same factors as those for the nation, although the MSA is seen as having particular advantages that will underpin its economic prosperity. In particular, a business-friendly economic environment, relatively low living costs, and a quality of life that will allow a young, well-educated labor force to be attracted and retained are seen as key factors to growth. Industries that Austin targets for growth are advanced manufacturing, clean energy and power technologies, data management, life sciences, and creative and digital media.

As shown in Table 5, The Perryman Group forecasts that nonagricultural employment in the MSA will increase 3.4% in 2018 and then increase 2.8% between 2018 and 2023, twice the average rate of the nation's 1.4%.

AIRLINE TRAFFIC ANALYSIS

HISTORICAL AIRLINE TRAFFIC AND SERVICE

Enplaned Passengers

Table 6 presents historical data on numbers of enplaned passengers and passenger aircraft departures at the Airport. Unless otherwise noted, all data in this section are presented by the City's Fiscal Year (FY) ended September 30.

Between FY 2000 and FY 2003, the number of enplaned passengers at the Airport decreased at an average yearly rate of 3.5% as a result of the 2001 economic recession and the decline in airline travel following the September 11 attacks. With the return of passenger confidence in the security of airline travel and the widespread availability of low fares, traffic growth returned. Between FY 2003 and FY 2008, enplaned passengers at the Airport increased an average of 6.4% per year, compared with 3.3% per year for the nation as a whole.

Between FY 2008 and FY 2009, enplaned passenger numbers at the Airport decreased 8.2% as the airlines reduced seat capacity in response to the contraction of demand during the 2008-2009 recession and increases in operating expenses. With the resumption of economic growth, enplaned passenger numbers at the Airport increased an average of 7.3% per year between FY 2009 and FY 2018, with the passenger number in FY 2018 exceeding the FY 2007 pre-recession number by 81.6%. For the nation, the number of enplaned passengers in FY 2018 was 17.6% above the FY 2007 number. Enplaned passengers at the Airport increased 15.0% in FY 2018, the ninth consecutive year of enplanement growth. The Airport accounted for 0.8% of passengers enplaned at all U.S. airports in FY 2017, an increase from 0.5% in FY 2000.

In FY 2018, approximately 95% of enplaned passengers at the Airport originated their airline travel at the Airport and 5% connected between flights.

Since 2001, growth in passenger numbers at ABIA has been among the strongest at medium-sized U.S. airports. Among the 31 U.S. airports classified as medium hubs by the FAA (those with between approximately 2 million and 8 million enplaned passengers in calendar year 2017), ABIA had the second largest absolute increase in the number of enplaned passengers between 2001 and 2017 (3.4 million). Between FY 2017 and FY 2018, the number of enplaned passengers at the Airport increased 15.0% while the number of enplaned passengers at all U.S. airports combined increased 5.0%.

Since FY 2000, the number of passenger aircraft departures at the Airport has increased at an average rate lower than the rate of increase in enplaned passengers as the average seating capacity of airline aircraft serving the Airport and passenger load factors have both increased. The average number of passengers per departure increased from 79.0 in FY 2000 to 119.1 in FY 2018.

Table 6
HISTORICAL ENPLANED PASSENGERS AND AIRCRAFT DEPARTURES
Austin-Bergstrom International Airport
Fiscal Years ended September 30

Fiscal Year	Enplaned passengers *(a)*	Annual increase (decrease)	Passenger aircraft departures		Enplaned passengers per departure
			Annual	Average daily	
2000	3,655,588		46,260	126.4	79.0
2001	3,679,949	0.7%	45,326	124.2	81.2
2002	3,264,847	(11.3)	41,959	115.0	77.8
2003	3,282,670	0.5	43,747	119.9	75.0
2004	3,482,196	6.1	47,207	129.0	73.8
2005	3,715,811	6.7	48,668	133.3	76.4
2006	3,981,081	7.1	50,663	138.8	78.6
2007	4,262,698	7.1	53,828	147.5	79.2
2008	4,473,485	4.9	56,597	154.6	79.0
2009	4,107,593	(8.2)	47,848	131.1	85.8
2010	4,256,806	3.6	46,745	128.1	91.1
2011	4,524,641	6.3	48,398	132.6	93.5
2012	4,662,738	3.1	48,372	132.2	96.4
2013	4,928,979	5.7	50,554	138.5	97.5
2014	5,275,464	7.0	51,877	142.1	101.7
2015	5,792,387	9.8	55,557	152.2	104.3
2016	6,180,464	6.7	56,349	154.0	109.7
2017	6,729,108	8.9	58,503	160.3	115.0
2018	7,739,811	15.0	65,000	178.1	119.1
	Average annual percent increase (decrease)				
2000-2003	(3.5)%		(1.8)%		
2003-2008	6.4		5.3		
2008-2009	(8.2)		(15.5)		
2009-2018	7.3		3.5		
2000-2018	4.3		1.9		

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

(a) Excludes through passengers.

Source: City of Austin, Department of Aviation records.

International Passengers

Passengers enplaned on international flights represent a small, but growing share of traffic at the Airport. Between FY 2013 and FY 2018 the number of international enplaned passengers increased nine-fold to approximately 210,000 as new international service was added, described in the later section “International Airline Service”. In FY 2018, international passengers represented 2.7% of all enplaned passengers at the Airport.

Airline Competition and Market Shares

Table 7 lists historical airline shares of enplaned passengers. As of July 2018, eight of the ten largest U.S. passenger airlines (all except Spirit Airlines, which commenced service in February 2019, and Hawaiian Airlines) and six foreign-flag airlines served the Airport. In all discussions of airline service and passenger traffic by airline in this report, unless otherwise noted, data for merged airlines are accounted for with the surviving airline (i.e., America West Airlines, Trans World Airlines, and US Airways with American Airlines; Northwest Airlines with Delta Air Lines; Continental Airlines with United Airlines; Midwest Airlines with Frontier Airlines; AirTran Airways with Southwest Airlines, and Virgin America with Alaska Airlines).

Southwest's share of enplaned passengers in FY 2018 was 35.7%, up from FY 2005 (33.1%) while American's share in FY 2018 was 17.9%, down from 30.3% in FY 2005. New and expanded service by the other airlines, particularly Frontier, JetBlue, Alaska, and Allegiant has replaced reduced service by American and has resulted in diversified airline service and passenger shares.

Domestic Airline Service and Originating Passengers

Table 8 presents data on domestic passengers and airline service for the top 25 city markets as ranked by domestic originating passengers at the Airport in the 12 months ended September 30, 2018. Also shown is a comparison of the numbers of average daily scheduled seats and departures by airport as scheduled for July 2008 and July 2018 and the airlines providing nonstop service from the Airport. The top five destinations—New York, Los Angeles, San Francisco, Denver, and Chicago—accounted for 30.8% of originating passengers at the Airport. Daily nonstop service was provided from the Airport to each of the 25 destinations. Competing service by two or more airlines was provided to 23 of the 25 destinations and competing service by three or more airlines was provided to 16 of the 25 destinations. In 2008, only 11 of the top 20 destinations had competing service. Airports for which there is a large difference between the numbers of originating passengers and departing seats (e.g., Dallas/Fort Worth) are hubs at which many passengers from ABIA connect to other flights. Figure 5 shows the airports served nonstop from the Airport in July 2018.

Figure 6 shows domestic originating passengers and average domestic airfares at the Airport from FY 2005 to FY 2018. The average fare paid for domestic flights at ABIA peaked in FY 2014 at $185.52 and has trended downward (an average -3.1% per year) through FY 2018. Domestic originating passengers over the same period increased 10.2% per year, on average. The decrease in average fare paid and increase in passengers coincide with the increase in service by Frontier and other new entrant airlines.

The average airfares shown in Figure 6, as reported by the airlines to the U.S. DOT, exclude charges for optional services, such as checked baggage, preferred seating, in-flight meals, entertainment, and ticket changes. Such charges have become widespread in the airline industry since 2006. As a result, the average airfares shown understate the amount actually paid by airline passengers for their travel. Optional service charges that were previously included in the ticket price are not all separately reported to the U.S. DOT. They have been estimated by industry analysts to amount to an effective average surcharge on domestic airfares of approximately 5% of ticket fare revenues, although the percentage varies widely by airline and by market.

Domestic originating passengers at all U.S. airports, combined, increased an average of 3.6% per year from FY 2010 to FY 2018, compared with an average increase of 7.6% per year at ABIA. The average domestic fare paid at ABIA is typically within five percent of the national average and has increased at a slightly slower rate (0.8% vs. 1.0%) since FY 2010.

International Airline Service

As of July 2018, three airlines provided nonstop daily international service from ABIA. British Airways has served London Heathrow since March 2014, Air Canada has served Toronto Pearson since May 2015, and Aeromexico has served Mexico City since November 2016. Seasonal international service is provided to Cancun and Los Cabos by Southwest, to Frankfurt by Condor, and to London Gatwick by Norwegian. In August 2016 Volaris started nonstop service three days per week to Guadalajara.

Table 7
HISTORICAL AIRLINE SHARES OF ENPLANED PASSENGERS
Austin-Bergstrom International Airport
Fiscal Years ended September 30

Airline	2000	2005	2010	2015	2016	2017	2018
Southwest	34.6%	33.1%	36.8%	36.6%	38.4%	37.7%	35.7%
American	33.2	30.3	25.5	21.8	20.8	19.3	17.9
United	16.4	14.1	16.4	16.8	15.7	16.1	15.2
Delta	14.9	15.5	10.4	12.1	12.0	12.5	13.2
Frontier	--	--	2.5	2.8	2.5	3.3	6.4
JetBlue	--	--	5.8	4.8	4.5	4.4	3.8
Alaska	--	--	2.4	3.0	3.2	3.0	3.5
Allegiant	--	--	--	1.0	1.3	1.8	1.9
British Airways	--	--	--	1.0	1.0	0.9	1.0
Norwegian	--	--	--	--	--	--	0.3
Air Canada	--	--	--	0.1	0.3	0.3	0.3
Aeromexico	--	--	--	--	--	0.2	0.3
ViaAir	--	--	--	--	--	0.0	0.1
Volaris	--	--	--	--	--	0.1	0.1
Other *(a)*	0.9	4.7	0.2	0.1	0.1	0.2	0.3
Airport total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

Source: City of Austin, Department of Aviation records.

Operations at the South Terminal

Allegiant relocated from the Barbara Jordan Terminal to the South Terminal when it opened in April 2017 and Frontier relocated to the South Terminal in June 2017. ViaAir started service at the South Terminal in May 2017 but ceased operating at ABIA in May 2019. As scheduled for July 2019, Allegiant serves 8 destinations (averaging 3 flights per day), and Frontier serves 19 destinations (averaging 11 flights per day). Allegiant, Frontier, and ViaAir together, accounted for 8.5% of ABIA's enplaned passengers in FY 2018.

Table 8

SCHEDULED DOMESTIC AIRLINE SERVICE BY DESTINATION

Austin-Bergstrom International Airport

Originating passenger rank	Destination *Airport*	Air miles from AUS	2018 *(a)* Average daily originating passengers	2018 *(a)* Percent of originating passengers	July 2008 *(b)* Average daily seats	July 2008 *(b)* Average daily departures	July 2018 *(b)* Average daily seats	July 2018 *(b)* Average daily departures	Airlines providing nonstop service *(b)* July 2008	Airlines providing nonstop service *(b)* July 2018
1	New York									
	Kennedy	1,519	610	3.4%	367	4	880	6	B6, DL	AA, B6, DL
	Newark	1,501	569	3.2	331	3	815	6	UA	WN, UA
	LaGuardia	1,520	129	0.7	--	--	--	--		
	White Plains	1,539	12	0.1	--	--	--	--		
	Islip (MacArthur)	1,559	7	0.0	--	--	--	--		
	Subtotal		1,328	7.4%	698	7	1,694	12		
2	Los Angeles									
	Los Angeles	1,238	858	4.8%	607	5	1,552	11	AA, WN, UA	AA, DL, WN, UA
	Long Beach	1,223	154	0.9	100	1	300	2	B6	B6
	Orange County (John Wayne)	1,209	111	0.6	50	1	--	--	AA	
	Ontario	1,196	120	0.7	136	1	99	1	UA	F9
	Burbank (Bob Hope)	1,241	35	0.2	--	--	--	--		
	Subtotal		1,278	7.2%	893	8	1,950	14		
3	San Francisco									
	San Francisco	1,501	650	3.6%	217	2	1,031	7	B6, UA	AS, WN, UA
	San Jose (Mineta)	1,472	367	2.1	386	3	522	4	AA	AS, F9, WN
	Oakland	1,494	141	0.8	124	1	143	1	WN	WN
	Subtotal		1,159	6.5%	727	6	1,696	12		
4	Denver	775	904	5.1%	1,032	9	1,740	12	F9, WN, UA	F9, WN, UA
5	Chicago									
	O'Hare	977	535	3.0%	887	8	1,029	7	AA, UA	AA, UA
	Midway	972	299	1.7	274	2	428	3	WN	WN
	Subtotal		834	4.7%	1,161	10	1,457	10		

Table 8 *(page 2 of 3)*
SCHEDULED DOMESTIC AIRLINE SERVICE BY DESTINATION
Austin-Bergstrom International Airport

Originating passenger rank	Destination *Airport*	Air miles from AUS	2018 *(a)* Average daily originating passengers	2018 *(a)* Percent of originating passengers	July 2008 *(b)* Average daily seats	July 2008 *(b)* Average daily departures	July 2018 *(b)* Average daily seats	July 2018 *(b)* Average daily departures	Airlines providing nonstop service *(b)* July 2008	Airlines providing nonstop service *(b)* July 2018
6	Washington, D.C.									
	Reagan	1,313	253	1.4	--	--	171	1		WN
	Dulles	1,294	244	1.4	196	3	348	3	UA	F9, UA
	Baltimore/Washington	1,339	219	1.2%	261	2	323	2	WN	WN
	Subtotal		716	4.0%	457	5	841	6		
7	Las Vegas	1,087	628	3.5	460	4	768	5	AA, WN	G4, F9, WN
8	Atlanta	811	575	3.2	803	7	1,833	11	DL	DL, F9, WN
9	Boston									
	Logan	1,695	487	2.7%	150	1	462	3	B6	DL, B6, WN
	Providence (T.F. Green)	1,662	51	0.3	--	--	6	0		F9
	Manchester	1,692	25	0.1	--	--	--	--		
	Subtotal		563	3.2%	150	1	468	3		
10	Dallas/Fort Worth									
	Love Field	189	337	1.9%	1,578	12	1,333	9	AA, WN	WN
	Dallas/Fort Worth	190	200	1.1	2,036	15	1,825	11	AA	AA
	Subtotal		536	3.0%	3,614	27	3,158	20		
11	Seattle-Tacoma	1,768	483	2.7	136	1	615	4	AA	AS, DL, F9
12	Miami									
	Fort Lauderdale	1,102	297	1.7%	224	2	432	3	B6, WN	B6, WN
	Miami	1,103	139	0.8	--	--	280	3		AA
	West Palm Beach	1,095	29	0.2	--	--	--	--		
	Subtotal		464	2.6%	224	2	712	6		
13	Phoenix	869	480	2.7%	941	8	1,141	8	AA, WN	AA, F9, WN
14	Orlando	992	447	2.5	255	2	507	4	B6, WN	F9, B6, WN
15	San Diego	1,161	405	2.3	257	2	582	4	WN	AS, F9, WN
16	Philadelphia	1,428	275	1.5	137	1	353	2	WN	AA, F9

Table 8 *(page 3 of 3)*

SCHEDULED DOMESTIC AIRLINE SERVICE BY DESTINATION

Austin-Bergstrom International Airport

			2018 *(a)*		July 2008 *(b)*		July 2018 *(b)*		Airlines providing nonstop service *(b)*	
Originating passenger rank	Destination *Airport*	Air miles from AUS	Average daily originating passengers	Percent of originating passengers	Average daily seats	Average daily departures	Average daily seats	Average daily departures	July 2008	July 2018
17	Portland, OR	1,712	277	1.6	--	--	361	2		AS, F9, WN
18	Minneapolis-Saint Paul	1,042	288	1.6	150	2	536	4	DL	DL, F9, SY
19	New Orleans	443	284	1.6	92	2	343	2	UA	F9, WN
20	Detroit	1,148	244	1.4	152	2	454	3	DL	DL, F9
21	Nashville	755	213	1.2	244	2	445	3	WN	WN
22	Salt Lake City	1,084	208	1.2	129	2	377	3	DL	DL, F9
23	Raleigh	1,159	205	1.1	132	1	140	1	AA	DL, F9
24	Charlotte	1,030	198	1.1	252	3	738	5	AA	AA, F9
25	St. Louis	721	191	1.1	92	2	235	2	AA	WN
	Top 25 destinations		13,182	73.9%	13,187	114	23,145	157		
	Other destinations		4,656	31.9	4,220	39	5,840	40		
	Total all destinations		17,839	100.0%	17,407	152	28,985	198		

Note: Columns may not add to totals shown because of rounding.

AA=American Airlines, AS=Alaska Airlines, B6=JetBlue Airways, DL=Delta Air Lines, F9=Frontier Airlines, G4=Allegiant, NK=Spirit Airways, SY=Sun Country, UA=United Airlines, WN=Southwest Airlines.

(a) U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100. Originating passengers for the 12 months ended June 30.
(b) OAG Aviation Worldwide Ltd, OAG Analyser database, accessed October 2018.

LEGEND

○ Destinations with service by only one airline

● Destinations with service by two or more airlines

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed October 2018.

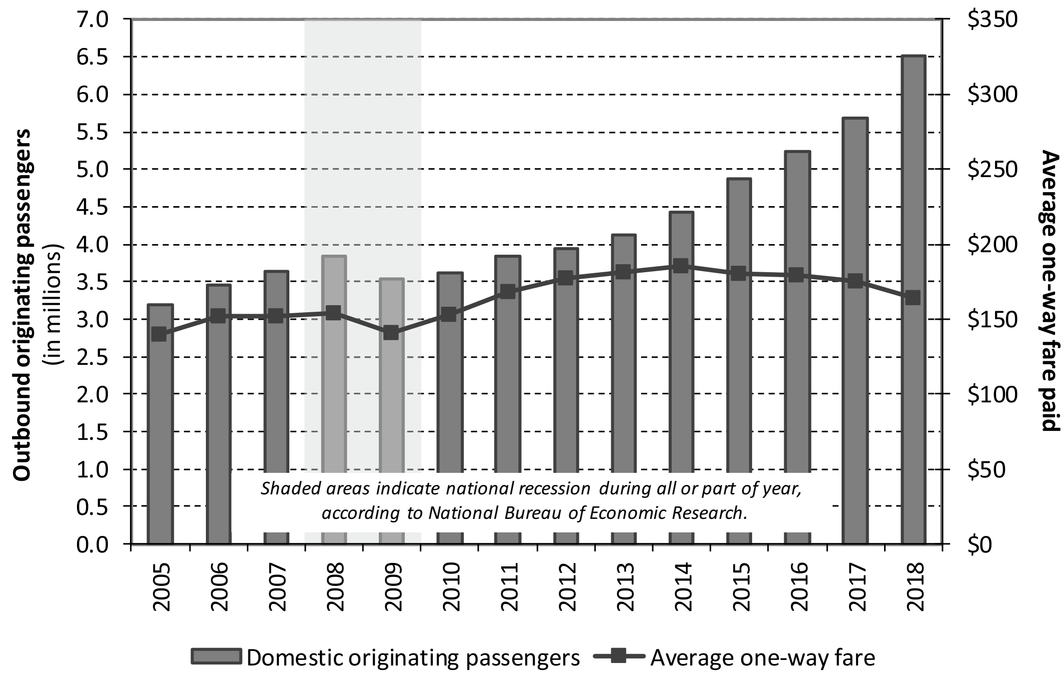
Figure 5
DESTINATIONS SERVED NONSTOP
Austin-Bergstrom International Airport
July 2018

Figure 6

DOMESTIC ORIGINATING PASSENGERS AND AVERAGE FARE PAID

Austin-Bergstrom International Airport

Fiscal Years ended September 30



Notes: Average one-way fares excluding taxes, fees, passenger facility charges, and charges for optional services.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Air Cargo

Table 9 presents historical data on enplaned and deplaned air cargo tonnage. Cargo tonnage (carried by all-cargo aircraft and as belly cargo on passenger airline aircraft) decreased between FY 2000 and FY 2018 at an average rate of 3.1% per year. For the nation as a whole, cargo tonnage increased at an average rate of 0.4% per year (for U.S. airlines only) between FY 2000 and FY 2017 (the latest year for which data are available). The decrease in air cargo tonnage is attributable to a combination of factors, including post-September 2001 security restrictions, increased use of time-definite ground transportation modes as the relative operating economics of air and truck modes have changed, changes in patterns of global trade and supply-chain functionality, and industry consolidation. Many medium-sized airports have experienced particularly large decreases in air cargo tonnages as more cargo has been moved by truck to nearby large hub airports for air transport (Dallas/Fort Worth and Houston Bush in ABIA's case). In FY 2018, FedEx accounted for 53.6% of the air cargo tonnage enplaned and deplaned at the Airport, UPS Air Cargo for 20.9%, and Air Transport International for 3.4%. The remaining 22.2% of air cargo tonnage was carried by passenger airlines (British Airways 6.0%, others 9.3%) and miscellaneous air cargo operators (6.8%).

Aircraft Landed Weight

Table 10 presents historical aircraft landed weight at the Airport, which generally correlates closely with airline aircraft departures. In FY 2018, the passenger airlines together accounted for 94.3% of landed weight and the all-cargo airlines accounted for the remaining 5.7%. Landed weight increased 14.4% from FY 2017 to FY 2018, with an increase of 15.6% for passenger airlines offsetting a 2.7% decrease for all-cargo airlines. The growth in passenger airline landed weight resulted primarily from increased service from Frontier, Southwest, Alaska, Delta, and new service from Norwegian.

Aircraft Operations

Table 11 presents historical data on aircraft operations (landings and takeoffs) at the Airport. Between FY 2000 and FY 2018, aircraft operations increased an average of 0.1% per year with operations increasing each year since FY 2012. The recent increases were largely driven by the passenger and air cargo carriers and, to a lesser extent, general aviation and military operations. The distribution of aircraft operations in FY 2018 was: air carrier, 63.6%; air taxi and commuter, 8.3%; general aviation, 23.4%; and military, 4.7%.

Table 9
HISTORICAL AIR CARGO
Austin-Bergstrom International Airport
Fiscal Years ended September 30

Fiscal Year	Weight of cargo enplaned and deplaned (tons) *(a)* Freight and express	Mail	Total	Annual increase (decrease)
2000	154,385	14,873	169,258	
2001	157,198	14,287	171,485	1.3%
2002	135,946	5,590	141,536	(17.5)
2003	127,423	5,018	132,441	(6.4)
2004	121,296	4,740	126,036	(4.8)
2005	121,900	4,052	125,952	(0.1)
2006	109,929	3,491	113,420	(9.9)
2007	105,089	2,274	107,363	(5.3)
2008	102,625	3,073	105,698	(1.6)
2009	77,829	2,800	80,629	(23.7)
2010	75,047	2,839	77,886	(3.4)
2011	73,528	2,344	75,872	(2.6)
2012	75,857	1,544	77,401	2.0
2013	76,637	1,668	78,305	1.2
2014	76,281	1,852	78,133	(0.2)
2015	75,694	3,358	79,052	1.2
2016	81,385	2,372	83,757	6.0
2017	91,076	3,290	94,366	12.7
2018	87,657	3,769	91,426	(3.1)
	Average annual percent increase (decrease)			
2000-2008	(5.0)%	(17.9)%	(5.7)%	
2008-2011	(10.5)	(8.6)	(10.5)	
2011-2018	2.5	7.0	2.7	
2000-2018	(3.1)	(7.3)	(3.4)	

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

(a) On all-cargo and passenger aircraft.

Source: City of Austin, Department of Aviation records.

Table 10

HISTORICAL AIRCRAFT LANDED WEIGHT

Austin-Bergstrom International Airport

Fiscal Years ended September 30

Fiscal Year	Passenger airlines	All-cargo airlines	Total	Annual increase (decrease)
2000	5,266,397	985,074	6,251,471	
2001	5,526,750	997,993	6,524,743	4.4%
2002	4,982,674	875,652	5,858,326	(10.2)
2003	4,844,743	768,318	5,613,062	(4.2)
2004	4,824,584	723,773	5,548,357	(1.2)
2005	5,061,919	743,608	5,805,526	4.6
2006	5,163,142	592,220	5,755,362	(0.9)
2007	5,578,438	543,275	6,121,713	6.4
2008	5,758,583	601,430	6,360,014	3.9
2009	5,249,325	439,566	5,688,891	(10.6)
2010	5,143,676	397,117	5,540,793	(2.6)
2011	5,353,345	405,953	5,759,298	3.9
2012	5,394,633	420,904	5,815,537	1.0
2013	5,688,131	434,382	6,122,513	5.3
2014	5,944,339	433,628	6,377,968	4.2
2015	6,598,612	492,026	7,090,637	11.2
2016	6,939,722	481,109	7,420,831	4.7
2017	7,573,275	542,979	8,116,254	9.4
2018	8,756,890	528,280	9,285,170	14.4
	Average annual percent increase (decrease)			
2000-2003	(2.7)%	(7.9)%	(3.5)%	
2003-2008	3.5	(4.8)	2.5	
2008-2009	(8.8)	(26.9)	(10.6)	
2009-2018	5.9	2.1	5.6	

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

Source: City of Austin, Department of Aviation records.

Table 11
HISTORICAL AIRCRAFT OPERATIONS
Austin-Bergstrom International Airport
Fiscal Years ended September 30

Fiscal Year	Air carrier	Air taxi/ commuter	General aviation	Military	Total	Annual increase (decrease)
2000	99,631	16,416	82,757	5,059	203,863	
2001	102,661	15,766	98,428	7,720	224,575	10.2%
2002	93,206	17,628	97,451	8,333	216,618	(3.5)
2003	92,602	21,993	89,087	13,797	217,479	0.4
2004	92,298	26,048	86,238	15,708	220,292	1.3
2005	101,296	27,242	79,738	10,386	218,662	(0.7)
2006	94,611	24,973	80,523	7,312	207,419	(5.1)
2007	100,672	28,177	73,450	5,679	207,978	0.3
2008	106,362	30,820	75,470	5,103	217,755	4.7
2009	94,484	17,157	59,601	5,882	177,124	(18.7)
2010	92,372	17,433	57,463	6,899	174,167	(1.7)
2011	95,095	18,466	59,696	6,879	180,136	3.4
2012	96,823	15,962	50,867	5,828	169,480	(5.9)
2013	101,006	16,979	52,582	6,698	177,265	4.6
2014	103,710	17,289	51,231	6,994	179,224	1.1
2015	112,079	15,830	54,401	7,771	190,081	6.1
2016	114,150	16,194	51,231	10,435	192,010	1.0
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
	Average annual percent increase (decrease)					
2000-2003	(2.4%)	10.2%	2.5%	39.7%	2.2%	
2003-2008	2.8	7.0	(3.3)	(18.0)	0.0	
2008-2009	(11.2)	(44.3)	(21.0)	15.3	(18.7)	
2009-2018	3.8	0.0	(2.2)	5.8	1.8	

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

Source: City of Austin, Department of Aviation records.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

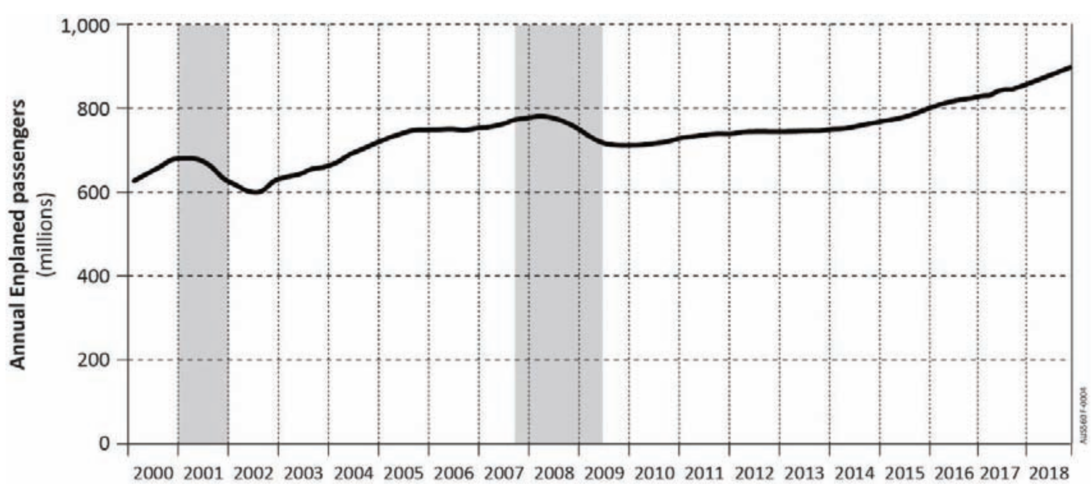
In addition to the demographics and economy of the MSA discussed earlier, key factors that will affect future airline traffic at ABIA include:

- Economic, political, and security conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

Economic, Political, and Security Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated in Figure 7, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and resulted in reduced airline travel. Future increases in domestic passenger traffic at the Airport will depend partly on national economic growth.

Figure 7
HISTORICAL ENPLANED PASSENGERS ON U.S. AIRLINES



Notes: Data shown are 12-month moving averages of enplaned passengers on scheduled and nonscheduled flights to domestic and international destinations. Shaded areas indicate months of economic recession.

Sources: U.S. DOT, Bureau of Transportation Statistics, T100 Market and Segment, www.transtats.bts.gov, accessed March 2019; National Bureau of Economic Research, *U.S. Business Cycle Expansions and Contractions*, www.nber.org.

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 political relationships.

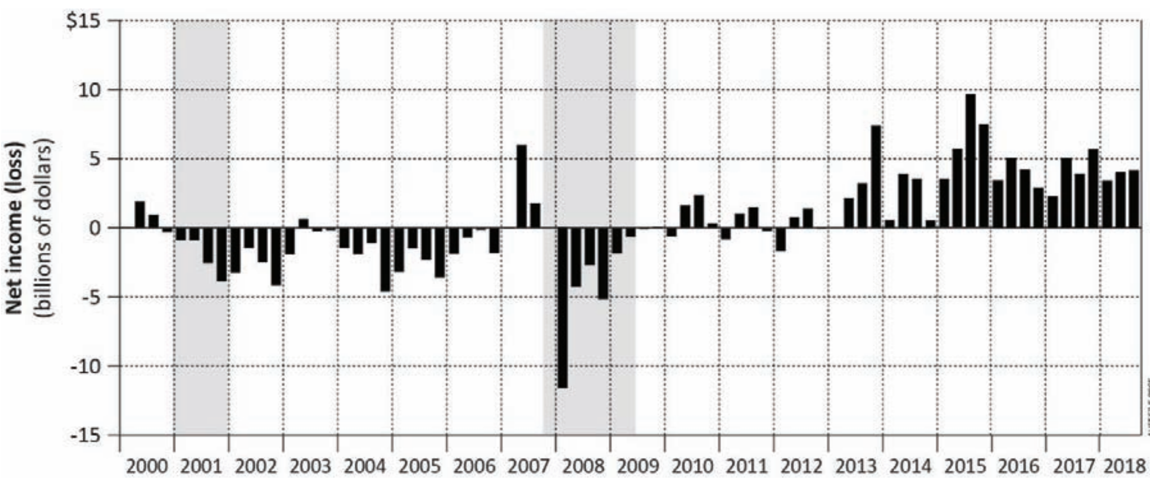
Concerns about hostilities, terrorist attacks, and other perceived security and public health risks, and associated travel restrictions also affect travel demand to and from particular international destinations. Beginning in March 2017, the Trump administration issued various orders seeking to restrict travel to the United States from certain countries, mainly in the Middle East and Africa. Following court challenges, in June 2018, the U.S. Supreme Court upheld the administration's most recent travel restrictions. As the restrictions are implemented, increased scrutiny by U.S. Customs and Border Protection will likely prevent or discourage some travel.

Sustaining current passenger traffic nationally and at the Airport, and achieving forecast increases at the Airport, will depend partly on global economic growth, a stable and secure international environment, and government policies that do not unreasonably restrict or deter travel.

Financial Health of the Airline Industry

The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to provide service. Figure 8 shows historical net income for U.S. airlines.

Figure 8
NET INCOME FOR U.S. AIRLINES



Notes: Includes scheduled service on U.S. carriers only. Shaded areas indicate quarters of economic recession. Data for the fourth quarter of 2005 and the first quarter of 2006 were adjusted to account for United bankruptcy claims which were settled for less than had been originally reported.

Source: U.S. DOT, Bureau of Transportation Statistics, Net Income, F41 Schedule P12, www.transtats.bts.gov, accessed March 2019.

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced financial losses. From 2001 through 2006, the major U.S. passenger airlines collectively recorded net losses of approximately $46 billion. To mitigate those losses, the major network airlines restructured their route networks and flight schedules and reached agreements with their employees, lessors, vendors, and creditors to cut costs. Between 2002 and 2005, Delta, Northwest, United, and US Airways all filed for bankruptcy protection and restructured their operations.

In 2007, the U.S. passenger airline industry was once again profitable, recording net income of approximately $7 billion, but in 2008, as oil and aviation fuel prices increased to unprecedented levels and the U.S. economy contracted, the U.S. passenger airline industry recorded net losses of approximately $26 billion. The industry responded by grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic available seat-mile capacity by approximately 10%.

From 2010 to 2013, the U.S. passenger airline industry recorded net income of approximately $18 billion, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Between 2009 and 2013, the airlines collectively increased domestic seat-mile capacity by an average of 1.0% per year. American filed for bankruptcy protection in 2011.

In 2014, the U.S. passenger airline industry reported net income of $9 billion, assisted by reduced fuel prices. In 2015, the industry achieved record net income of $26 billion as fuel prices decreased further, demand remained strong, and capacity control allowed average fares and ancillary charges to remain high. Strong industry profitability continued in 2016 through 2018.

Recent agreements between the major airlines and their unionized employees have resulted in increased labor costs. According to Airlines for America, U.S. airlines increased wages and benefits per full-time employee by 28% between 2013 and 2018. Contributing to the increased costs, a shortage of qualified airline pilots, resulting from retirements and changed FAA qualification standards and duty and rest rules, has required the airlines to increase salaries and improve benefits to attract and retain pilots.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, and stable fuel prices and labor costs.

Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World Airlines by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), the merger of American and US Airways (2013), and the acquisition of Virgin America by Alaska (2016).

Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 80% of domestic seat-mile capacity. The consolidation has contributed to industry profitability, a trend that is expected by airline industry analysts to continue over the near term. However, any resumption of financial losses could cause one or more U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports and change airline travel patterns nationwide. The Airport is almost exclusively an origin-destination airport, so it would be less directly affected by any such liquidations.

Airline Service and Routes

The Airport serves as a gateway to the Austin MSA and Texas Hill Country. The number of originating passengers at the Airport depends primarily on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airfares and service provided at the Airport and at other competing airports. By contrast, the number of connecting passengers depends almost entirely on the airline service provided. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport.

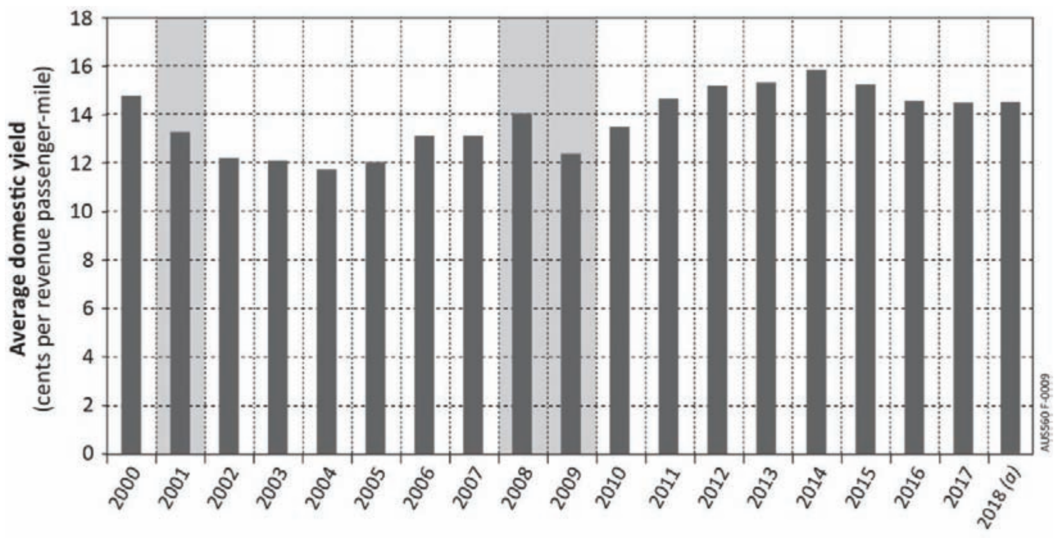
The large airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry consolidated, airline service has been drastically reduced at many former connecting hub airports, including those serving St. Louis (American, 2003-2005), Dallas-Fort Worth (Delta, 2005), Pittsburgh (US Airways, 2006-2008), Las Vegas (US Airways, 2007-2010), Cincinnati (Delta, 2009-2012), Memphis (Delta, 2011-2013), and Cleveland (United, 2014). The Airport serves almost exclusively originating passengers and is not dependent on connecting passengers.

Airline Competition and Airfares

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.

Figure 9 shows the historical average domestic yield (airfare per passenger-mile) for U.S. airlines. Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and the 2001 recession combined to reduce the average yield between 2000 and 2004. The average yield then increased between 2004 and 2008 before again decreasing during the 2008-2009 recession. The average yield then increased between 2009 and 2014 as airline travel demand strengthened and the airlines collectively reduced available seat capacity and were able to sustain airfare increases. Between 2014 and 2016, the average yield decreased, but since 2016, the average yield has been fairly stable.

Figure 9
HISTORICAL DOMESTIC YIELD FOR U.S. AIRLINES



Notes: Average yields shown are net of taxes, fees, and passenger facility charges and exclude fees charged by the airlines for optional services. Shaded areas indicate economic recession during all or part of year.

(a) Data are for the 12 months ended September 30, 2018, the most recent available.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Beginning in 2006, charges were introduced by most airlines for optional 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.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Figure 10 shows the historical fluctuation in aviation fuel prices caused by the many factors influencing the global demand for and supply of oil.

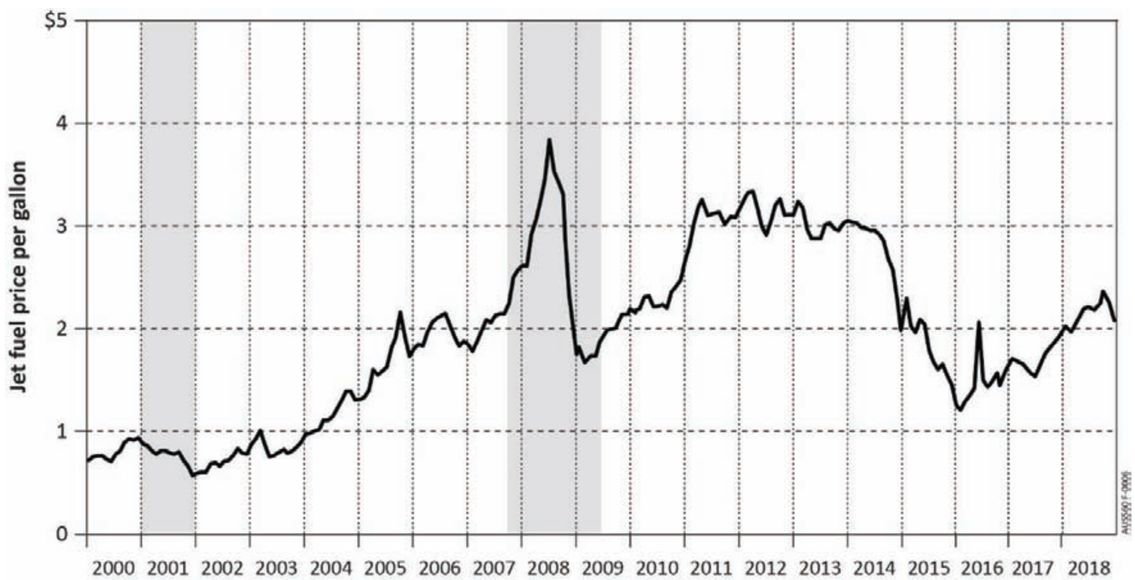
Between 2011 and 2014, aviation fuel prices were relatively stable, partly because of increased oil supply from U.S. domestic production, made possible by the hydraulic fracturing of oil-bearing shale deposits and other advances in extraction technologies. As of mid-2014, average fuel prices were approximately three times those at the end of 2003 and accounted for between 30% and 40% of expenses for most airlines.

Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel through the end of 2015. Fuel prices have since increased, but the average price of aviation fuel at end of 2018 was still approximately 30% below the price at mid-2014. Lower fuel prices are having an overall positive effect on airline profitability as well as far-reaching implications for the global economy.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, although absent unforeseen disruptions, prices are expected to remain stable. There is widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite oil supplies that are becoming more expensive to extract. Some economists predict that the development of renewable sources of energy, pressures to combat global climate change, the widespread use of electric cars, and other trends will eventually result in a decline in the demand for oil and resulting downward pressure on fuel prices.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to climate change.

Figure 10
HISTORICAL MONTHLY JET FUEL PRICES FOR U.S. AIRLINES



Notes: Data shown are monthly averages. Shaded areas indicate months of economic recession.
Source: U.S. DOT, Bureau of Transportation Statistics, Airline Fuel Cost and Consumption, F41 Schedule P12A, www.transtats.bts.gov, accessed March 2019.

Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching 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 federal marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks.

Following the fatal crashes of B-737 MAX aircraft that are suspected to have been caused by the malfunction of the aircraft’s automated flight control system, all B-737 MAX aircraft were grounded in March 2019. Among North American airlines, Air Canada, American, Southwest, and United are being affected. At the time of the grounding, B-737 MAX aircraft accounted for approximately 1.5% of U.S. airline seat capacity.

Southwest has the largest MAX fleet of any airline and its flight operations are being particularly affected by the grounding. At ABIA, where Southwest has the largest share of seat capacity, before the grounding, operations by MAX aircraft accounted for 5.8% of seat capacity on Southwest and 2.2% of seat capacity on all airlines. Before the grounding, daily departing seats (on all airlines at ABIA) as scheduled for May 2019 averaged 30,000, compared with 29,300 as now scheduled, a 2.5% reduction. It is expected that the grounding will last several months while the flight control system software is updated and approved by the FAA and pilot training is completed.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, and other aviation safety concerns. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, future demand for airline travel will depend primarily on economic, not safety or security, factors.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased because of reduced numbers of aircraft operations (down approximately 15% between 2007 and 2018), but, as airline travel increases in the future, flight delays and restrictions can be expected.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and national airport systems, future growth in airline traffic at ABIA will depend on the capacity at the Airport itself.

The Airport’s two parallel air carrier runways are able to accommodate the simultaneous arrival of aircraft in virtually all-weather conditions and will not constrain airfield capacity for the foreseeable future. The additional terminal facilities being constructed as part of the 2019-2023 Project and the further expansion of the South Terminal will likewise provide terminal capacity to meet demand during the forecast period.

AIRLINE TRAFFIC FORECAST

The forecasts of airline traffic at the Airport through FY 2025 were developed on the basis of the economic outlook for the MSA, trends in historical airline traffic, and key factors likely to affect future airline traffic, all as discussed earlier in this report. The forecast for the Airport included in the FAA's most recent *Terminal Area Forecast* (TAF), issued in January 2019, was also reviewed.

In developing the forecasts in this report, it was assumed that, over the long term, airline traffic at the Airport will increase as a function of the growth in the economy of the MSA and continued airline service. It was assumed that airline service at the Airport will not be constrained by the availability of aviation fuel, the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

The traffic forecasts for the Airport were developed on the basis of the assumptions that:

- The U.S. economy will experience sustained growth in GDP averaging between 2.0% and 2.5% per year, an average rate of GDP growth generally consistent with that projected by the Congressional Budget Office.

- Employment in the MSA will increase at a faster rate than the United States as a whole.

- Demand for passenger travel to and from the MSA will remain strong based on the strength of the local economy, population growth, and the region's relative attractiveness as a tourist and convention destination.

- The Airport will continue to be primarily an origin-destination airport and the small percentage of passengers connecting at the Airport will not change materially.

- Airlines will add service to meet travel demand at the Airport and competition among airlines will ensure competitive airfares for flights from the Airport.

- A generally stable international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.

- There will be no major disruption of airline service or airline travel behavior as a result of international hostilities, terrorist acts or threats, or government policies restricting or deterring travel.

- Reduced airline seat capacity caused by the grounding of B-737 MAX aircraft will be temporary and not have a material effect on numbers of enplaned passengers forecast at the Airport for FY 2020 and beyond.

Enplaned Passenger Forecast

FY 2018 total enplaned passengers at the Airport equaled 7.7 million, a 15.0% increase from the 6.7 million enplaned in FY 2017. The number of enplaned passengers for FY 2019, 8.4 million, was estimated taking into account actual results for the first half of the year (through March) and published flight schedules for the remainder of the year. The published flight schedules reflect the seat capacity expected to be lost to the grounding of the B-737 MAX aircraft. Two passenger forecasts were developed for FY 2019 through FY 2025, a base forecast and a stress test forecast, as presented in Table 12. The forecasts are presented graphically on Figure 11.

In the base forecast, the number of enplaned passengers at the Airport is forecast to increase from 7.7 million in FY 2018 to 10.0 million in FY 2025, or an average of 3.7% per year. In its *Terminal Area Forecast*, the FAA forecasts an average increase of 3.7% per year in enplaned passengers at the Airport over the same period.

Stress Test Forecast and Assumptions

The stress test forecast of enplaned passengers was developed to provide the basis for a test of the Airport's financial results to a hypothetical reduction in enplaned passenger numbers. The same assumptions underlie the stress test forecast as the base forecast, except that passenger traffic at the Airport was assumed to be decreased by approximately 20% from the base forecast in FY 2020. In FY 2021 through FY 2025 passenger numbers were then increased at rates similar to those for the base forecast. The stress test in effect postulates a six-year deferral of forecast passenger growth, i.e., reaching 7.8 million enplaned passengers, approximately the number enplaned in FY 2018, by FY 2024. The percentage reduction in passenger numbers adopted for the stress test was selected to demonstrate that the 1.25 times debt service coverage requirement of the Rate Covenant would be exceeded even under a severe reduction in passenger traffic.

Landed Weight Forecast and Assumptions

The forecasts of passenger airline departures and landed weight shown in Table 12 assumed gradually increasing aircraft seating capacities and load factors, resulting in an average rate of increase in total landed weight of 3.5% per year between FY 2018 and FY 2025. Corresponding assumptions were made for the stress test forecast.

Table 12

AIRLINE TRAFFIC FORECAST

Austin-Bergstrom International Airport

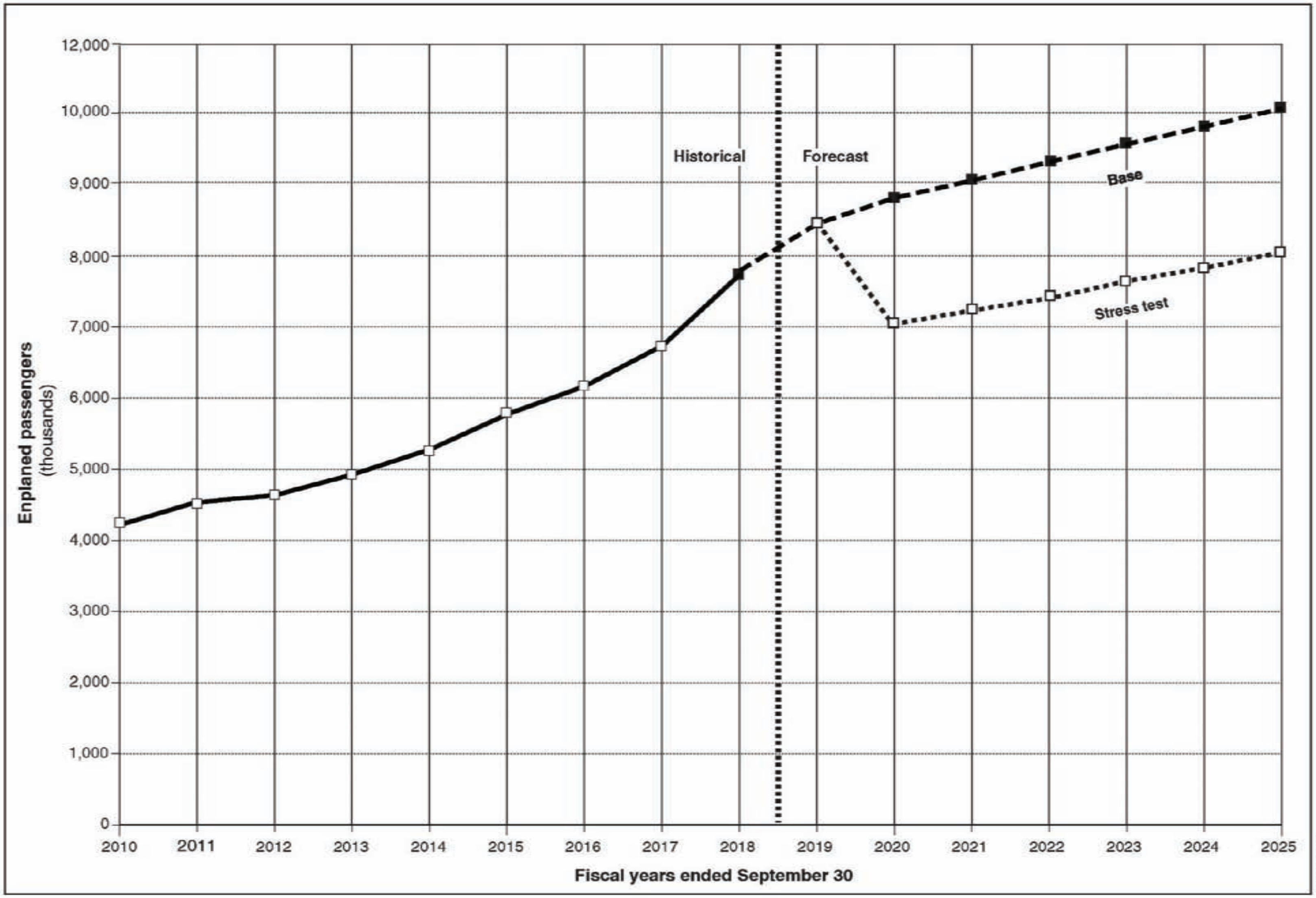
Fiscal Years ended September 30

(in thousands)

The forecasts presented in this figure were prepared using the information and assumptions described in the accompanying text. Inevitably, some of the assumptions will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical					Forecast							Average annual increase
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2018-2025
BASE FORECAST													
Enplaned passengers (thousands)	5,275	5,792	6,180	6,729	7,740	8,400	8,750	9,000	9,250	9,500	9,750	10,000	3.7%
Percent annual change	7.0%	9.8%	6.7%	8.9%	15.0%	8.5%	4.2%	2.9%	2.8%	2.7%	2.6%	2.6%	
Passenger airline departures	51,877	55,557	56,349	58,503	65,000	70,700	73,600	75,300	76,900	78,500	80,100	81,700	3.3%
Percent annual change	2.6%	7.1%	1.4%	3.8%	11.1%	8.8%	4.1%	2.3%	2.1%	2.1%	2.0%	2.0%	
Average enplaned passengers per departure	102	104	110	115	119	119	119	120	120	121	122	122	
Landed Weight (millions of pounds)													
Passenger airlines	5,944	6,599	6,940	7,573	8,757	9,560	9,980	10,250	10,500	10,760	11,010	11,270	3.7%
All-cargo airlines	434	492	481	543	528	530	540	540	540	540	540	540	0.3%
	6,378	7,091	7,421	8,116	9,285	10,090	10,520	10,790	11,040	11,300	11,550	11,810	3.5%
Percent annual change	4.2%	11.2%	4.7%	9.4%	14.4%	8.7%	4.3%	2.6%	2.3%	2.4%	2.2%	2.3%	
STRESS TEST FORECAST													
Enplaned passengers (millions)						8,400	7,000	7,200	7,400	7,600	7,800	8,000	
Percent below base forecast						0.0%	(20.0)%	(20.0)%	(20.0)%	(20.0)%	(20.0)%	(20.0)%	

Sources: Historical: City of Austin, Department of Aviation records.
Forecast: LeighFisher, May 2019.



The forecasts presented in this figure were prepared using the information and assumptions described in the accompanying text. Inevitably, some of the assumptions will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Sources: Historical—City of Austin, Department of Aviation records.
Base forecast and stress test—LeighFisher, May 2019.

Figure 11
AIRLINE PASSENGER FORECASTS
Austin-Bergstrom International Airport

FINANCIAL ANALYSIS

FRAMEWORK FOR AIRPORT FINANCIAL OPERATIONS

The City of Austin develops, operates, and maintains the Airport System as a self-supporting enterprise fund of the City through its Department of Aviation. The Department consists of a staff of approximately 430 people under the direction of an Executive Director. Certain accounting, budgeting, financing, treasury, and related functions are performed by the City's Financial Services Department. Airport System funds are held in separate City accounts.

Revenue Bond Ordinances

The financial operations of the Airport are governed, in large part, by the Revenue Bond Ordinances, under the provisions of which all outstanding and future Revenue Bonds, including the proposed 2019A-B Bonds and the planned 2021 Bonds are to be secured by a first lien and pledge of Net Revenues.

In the Rate Covenant (Section 5.03(b) of the Revenue Bond Ordinances), the City covenants that it will impose and collect rentals, rates, fees, and other charges for the use of the Airport System so that in each Fiscal Year, Net Revenues will be at least sufficient to equal an amount that, together with Other Available Funds, is not less than 125% of the Debt Service Requirements of Revenue Bonds plus 100% of budgeted Administrative Expenses associated with Swap Agreements or other Credit Agreements related to Revenue Bonds for the Fiscal Year.

The Revenue Bond Ordinances provide for the issuance of Additional Revenue Bonds and prescribe the application of Airport System Revenues to the funds and accounts established under the Revenue Bond Ordinances, as described in the later section "Application of Revenues."

Airline Agreement

Effective the beginning of FY 2010, the City executed an Airport Use and Lease Agreement (the Airline Agreement) with Signatory Airlines that collectively accounted for approximately 92% of enplaned passengers at the Airport in FY 2018. The Airline Agreement continues on a month-to-month basis. As described in the later sections "Landing Fees" and "Airline Terminal Rentals and Fees," the Airline Agreement provides for the calculation of Signatory Airline rentals, fees, and charges according to cost-recovery principles. Other airlines operate at the Airport under Airline Lease and Operating Agreements (Operating Agreements) that, while not providing Signatory Airline status, provide for the payment of rentals, fees, and charges at the Signatory Airline rates. Airline revenues presented in this report were forecast on the assumption that the Signatory Airlines and Operating Agreement Airlines will pay rentals, fees, and charges in accordance with the provisions of the Airline Agreement through the forecast period.

An amendment to the Airline Agreement has been executed by each of the Signatory Airlines, extending the term of the Agreement for an additional one year from the Date of Beneficial Occupancy of the Terminal and Apron Expansion Project. The Airport opened four of the nine planned gates in February 2019 and expects DBO of the Project to be September 2019. The amendment clarified the landing fee billing process and updated the minimum gate usage requirement for preferential use of gate rights.

SOURCES OF FUNDS

Exhibit A summarizes estimated funding sources for the 2019-2023 Project, described above.

Federal Grants-in-Aid

The City is eligible to receive grants-in-aid under the FAA's Airport Improvement Program (AIP) for up to 75% of the costs of airfield and other approved projects. Some of these grants are entitlement grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and landed weight of all-cargo aircraft at the Airport. Other, discretionary, grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports in the nation.

In the City's funding plan shown in Exhibit A, AIP entitlement and discretionary grants totaling $76.5 million are assumed to be received in FY 2019 through FY 2023 (average of $15.3 million per year) for airfield, safety, and security projects.

Passenger Facility Charge Revenues

The City has approval from the FAA to impose a PFC per eligible enplaned passenger at the Airport. The PFC was imposed at $3.00 in August 1995 and increased to $4.50 in April 2004. Through September 2018, cumulative PFC revenues, including investment earnings, totaled $370.7 million, of which $264.6 million had been expended for approved project costs, essentially all to pay Revenue Bond debt service. Under FAA approvals received to date, the City is authorized to continue to impose the PFC and use PFC revenues to pay certain debt service on outstanding bonds. The City's PFC collection and spending authorization as of the date of this report totals $831.1 million at the $4.50 level and is projected to expire November 1, 2034.

The City is discussing with the FAA the possible use of PFC revenues to pay debt service on eligible portions of the 2019A-B Bonds and to cover certain pay-as-you-go costs of the 2019-2023 Project. As shown in Exhibit A, the City plans to use $25.0 million for pay-as-you-go funding for utilities infrastructure associated with terminal projects that are part of the 2019-2023 Project.

Exhibit F presents historical and forecast sources and uses of PFC revenues by year, assuming the continued imposition of a $4.50 PFC to allow the collections and expenditures shown. Although $56.0 million in PFC pay-as-you-go funding appears in FY 2019 in Exhibit F, because it was initially scheduled to be spent prior to FY 2019, this report does not consider it to constitute a source of funding for the 2019-2023 Project.

Capital Fund

As shown in Exhibit A, the City plans to use $53.5 million of amounts accumulated in the Capital Fund to pay certain of the costs of various elements of the 2019-2023 Project. Monies accumulated in the Capital Fund represent the net revenues remaining (see Application of Gross Revenues) after satisfying all other requirements in the Revenue Bond Ordinances.

Revenue Bonds

Project costs not paid from federal grants, PFC revenues, and contributions from the Capital Fund are to be paid from the proceeds of Revenue Bonds. Exhibit B presents the estimated sources and uses of funds from the proposed 2019A-B Bonds and planned 2021 Bonds. Financing assumptions, as provided by PFM Financial Advisors LLC, the City's independent registered municipal advisor, are shown in Exhibit B.

The estimated sources of Bond funds are proceeds from the sale of the Revenue Bonds after original issue premium (discount).

The estimated uses of Revenue Bond funds are (1) deposits to the Construction Fund to pay project costs of the 2019-2023 Project; (2) deposits to the Capitalized Interest Account to pay Revenue Bond interest during construction; (3) deposits to meet the Debt Service Reserve Fund Requirement; and (4) payment of underwriters' discount, financing, legal, and other Bond issuance expenses.

Revenue Bond Debt Service Requirements

Exhibit C presents Debt Service Requirements (amounts to be accrued for the Fiscal Years ended September 30) for outstanding Revenue Bonds, the proposed 2019A-B Bonds, and the planned 2021 Bonds. Debt Service Requirements are allocated to Airport cost centers in accordance with the provisions of the Airline Agreement.

Five series of Revenue Bonds are now outstanding. The 2013 Bonds were issued to fund various Airport improvements. The 2014 Bonds were issued to fund various Airport improvements, including the Terminal East Infill project and certain construction and design costs for the Terminal and Apron Expansion Project and design costs of the new automobile parking garage. The 2017A and 2017B Bonds were issued to pay portions of the construction costs of the new parking garage, associated roadway work, and the East Concourse Expansion. The 2019 Refunding Bonds were issued to fully refund the 2005 Refunding Bonds.

OPERATION AND MAINTENANCE EXPENSES

Operation and Maintenance (O&M) Expenses are defined in the Revenue Bond Ordinances as all reasonable and necessary current expenses of operating, maintaining, and repairing the Airport System (as paid or accrued), including allocated City overhead expenses and costs of direct support services provided by City departments other than the Department of Aviation.

Exhibits D-1 and D-2 present Operation and Maintenance Expenses by function and by cost center. Data for FY 2015 through FY 2018 are from the City's annual *Rates and Charges Reconciliation* reports, and data for FY 2019 are from the *FY 2019 Rates and Charges Budget* report. Expenses are allocated to cost centers in accordance with the provisions of the Airline Agreement. The FY 2019 Budget includes additional operating expenses associated with the East Concourse Expansion and the new parking garage.

The forecast Operation and Maintenance Expenses shown in Exhibits D-1 and D-2 were based off FY 2019 budgeted figures and account for increases in unit costs resulting from inflation, forecast aircraft and passenger activity, and planned Airport development.

For the purposes of this Report, the following assumptions were made:

1. The unit costs of salaries, wages, benefits, materials, services, and supplies will increase an average of approximately 3.0% per year due to inflation.

2. In addition to inflation-related increases, the costs of operating, maintaining, and administering airfield, terminal, and other Airport facilities will increase as a function of the forecast passenger and aircraft activity documented in Table 12 in the earlier section, "Airline Traffic Forecasts."

3. As facilities such as the consolidated Maintenance Facility and New Information Technology Building are completed as part of the 2019-2023 Project, additional expenses will be incurred.

REVENUES

Exhibit E presents Gross Revenues. Data for FY 2015 through FY 2018 are from the City's annual *Rates and Charges Reconciliation Reports*, and data for FY 2019 are from the *FY 2019 Rates and Charges Budget* report. The distributions of operating revenues by major category in FY 2017 and FY 2018 were as follows:

	FY 2017		FY 2018	
	Revenues	Share	Revenues	Share
Airline Revenues				
Landing Fees	$ 27,657	19.0%	$ 28,860	19.4%
Terminal Building Rentals	22,259	15.3	26,143	16.8
Other Rentals and Fees	12,013	8.3	16,939	10.1
Subtotal	$ 61,929	42.6%	$ 71,941	46.3%
Nonairline Revenues				
Terminal Concessions	$ 13,393	9.2%	$ 16,756	9.8%
Parking and Ground Transportation	56,461	38.9	59,807	35.0
Other	13,432	9.2	15,099	8.8
Subtotal	$ 83,286	57.4%	$ 91,663	53.7%
Total	$145,215	100.0%	$170,810	100.0%

Individual components of Gross Revenues shown in Exhibit E were forecast, using FY 2018 actual and/or FY 2019 budgeted amounts as the base, accounting for unit price inflation at 3.0% per year, planned terminal and parking developments, and the provisions of the Airline Agreement and other leases and agreements with tenants and users of the Airport.

Revenues from sources related to passenger numbers, such as concession, parking, and rental car revenues, and from sources related to aircraft movements, such as landing fees, were forecast as a function of the activity forecasts documented in Table 12 in the above section "Airline Traffic Forecasts." The specific assumptions underlying individual components of Gross Revenues are described in the following sections.

AIRLINE REVENUES

Airline revenues shown in Exhibits E and E-1 are as calculated under the provisions of the Airline Agreement (on the assumption that the provisions of any successor agreement(s) relating to the calculation of rentals, fees, and charges will be substantially the same as those of the Airline Agreement).

The Airline Agreement establishes cost centers to which debt service, 25% debt service coverage, amortization of investments from the Capital Fund, O&M expenses, O&M Reserve Account deposits, and other requirements are allocated. Amounts allocated to the airline cost centers provide the basis for calculating rentals, fees, and charges paid by the airlines. Amounts allocable to nonairline cost centers are met by the City from concession, parking, rental car, and other nonairline revenues.

Airline Cost Centers

Airfield: Runways, taxiways, air navigation aids, and associated land, facilities, and equipment. The Signatory Airlines and all other airlines pay landing fees, calculated according to a residual methodology, to recover the requirements allocated to the cost center after the credit of fuel flowage fee revenues.

Terminal Apron: Aircraft parking apron at the terminal building, including apron areas for overnight aircraft parking (RON). The Signatory Airlines and all other airlines pay apron fees calculated to recover the requirements allocated to the cost center over leased parking positions.

Terminal Building: Airline-leased space and facilities in the terminal. The Signatory Airlines pay terminal building rentals, calculated according to a compensatory methodology, to recover the requirements allocated to the cost center over leased space.

Terminal Equipment: The Signatory Airlines separately pay terminal equipment fees to allow recovery of the costs of passenger loading bridges, flight information display systems, and baggage handling systems.

Fuel Facility: Fuel storage and distribution facilities. The Signatory Airlines pay fuel facility fees calculated to meet the capital recovery requirements of the cost center (shown under other revenues in Exhibit E).

Nonairline Cost Centers

Terminal Building: All terminal space and facilities not leased to the Signatory Airlines, including unleased airline space, public circulation space, and concession space.

Automobile Parking: Public and employee automobile parking garages and lots and associated facilities and equipment.

Other Nonairline Areas: Rental car, air cargo, and other facilities, buildings, and grounds including utilities, roads, bridges, and other infrastructure.

PBX/STS/PDS: Telecommunication systems and other shared tenant services.

Allocation of Requirements to Cost Centers

Requirements are allocated to the airline and nonairline cost centers as follows.

Debt Service: Debt service on outstanding Revenue Bonds and on the proposed 2019A-B Bonds and planned 2021 Bonds are allocated in accordance with the project costs funded (as shown in Exhibit C).

Debt Service Coverage: Coverage at 25% allocated pro rata according to each cost center's share of debt service.

Amortization of Capital Fund investments: Amounts to recover project costs funded from the Capital Fund.

Operation and Maintenance Expenses: Allocated according to percentages as agreed to by the Signatory Airlines under the Airline Agreement (as shown in Exhibit D).

Operating Reserve Account Deposit: Allocated pro rata according to each cost center's share of O&M Expenses.

Landing Fees

Exhibit E-1 shows historical and forecast Landing Fees and Signatory Airline landing fee rates per 1,000 pounds of landed weight. Airlines operating under Operating Agreements pay rentals, fees, and charges at the Signatory Airline rates. For the financial forecasts in this report, it was assumed that airlines accounting for substantially all landed weight at the Airport will pay Landing Fees at the Signatory Airline rate.

Terminal Rentals and Fees

Terminal Apron Revenues. Exhibit E-1 shows historical and forecast Terminal Apron fees and overnight parking fees.

Terminal Building Rentals. Exhibit E-1 shows historical and forecast Terminal Building rentals and the average terminal rental rate per square foot of leased space.

Other Terminal Building and Airline Fees. Exhibit E-1 also shows other Terminal Building charges for baggage claim, Terminal Equipment fees, Shared Use revenues, fees for the use of the CBP international arrivals facility (US Customs fees), and a credit for airline service incentives. The City waives certain landing fees and space rentals for airlines providing new airline service under its air service incentive program. For FY 2018, landing fees and terminal rents waived were $560,000 and $620,000, respectively.

Terminal Occupancy. For the purposes of the forecasts of Terminal Building rentals and other terminal fees shown in Exhibit E-1, it was assumed that the additional airline-leasable space to be constructed for the East Concourse Expansion project will be approximately 80% occupied when the expansion is fully operational in September 2019.

Airline Payments per Enplaned Passenger

Exhibit E-1 summarizes airline payments and the average of such payments per enplaned passenger.

NONAIRLINE REVENUES

Exhibit E presents nonairline revenues. Assumptions underlying the forecasts of the major line items of revenues are described in the following sections.

Terminal Concession Revenues

In FY 2017 and FY 2018, concessions and other services in the terminals generated 9.2% and 9.8% of total Airport operating revenues, respectively, as follows:

	FY 2017		FY 2018	
	Revenues	Share	Revenues	Share
Food and Beverage	$ 8,261	61.7%	$10,202	60.9%
Retail	3,281	24.5	3,981	23.8
Advertising	1,723	12.9	1,950	11.6
Passenger Services	128	1.0	623	3.7
Total	$13,393	100.0%	$16,756	100.0%

Food, beverage, and retail outlets in the terminal are operated under two prime concession agreements with Delaware North Companies Travel Hospitality Services and LS Travel Retail. Certain outlets are operated by local and disadvantaged business enterprise partners. The City entered into new concession agreements with the prime concessionaires with 10-year terms that began on December 1, 2017 and extend to November 30, 2027.

Food and Beverage. Thirty food and beverage outlets are operated in the terminals. In FY 2018, gross receipts for food and beverage concessions totaled approximately $62.0 million, or $8.01 per enplaned passenger, of which the City received approximately $10.2 million, or 16.4%, in concession fees.

Retail. Eleven news, gift, and other retail merchandise concession outlets are operated in the terminals. In FY 2018, gross receipts for retail merchandise concessions totaled $20.3 million, or $2.62 per enplaned passenger, of which the City received approximately $4.0 million, or 19.7%.

Advertising. Advertising in the terminal is managed by Clear Channel Airports under a concession agreement that provides for concession fees calculated as a percentage of gross revenues against a minimum annual guaranteed amount. In FY 2018, the City received approximately $2.0 million, or $0.25 per enplaned passenger, in advertising revenues.

Passenger Services. Other passenger convenience services from which the City derives revenues include telephone, wireless, ATM, luggage carts, currency exchange, massage, and shoeshine. In FY 2018, the City received approximately $0.6 million, or $0.08 per enplaned passenger, in fees from the providers of such services.

Forecast Assumptions. It was assumed that terminal concession revenues will increase as a function of inflation and forecast increases in numbers of enplaned passengers, with allowances for increased sales per passenger during FY 2019 when additional concession space opens in the expanded east concourse.

Public Parking Revenues

As of June 2019, the City provided approximately 14,600 public parking spaces, as follows:

- Terminal parking garage directly across from the terminal (2,900 spaces including spaces used for valet parking). Garage parking rates are $3 per hour (or part thereof) up to a daily maximum of $23.
- 900 spaces in the consolidated rental car facility.
- 5,000 spaces in the new parking garage.
- Long-term parking lots served by shuttle buses (5,800 spaces in normal use plus 1,225 overflow spaces not included in the above total used for special events and at holiday times). Rates are $3 per hour (or part thereof) up to a daily maximum of $7.

In addition to the on-Airport public parking facilities provided by the City, Scott Airport Parking, LLC operates an on-Airport 2,000-space surface lot.

All Airport public parking facilities and shuttle bus services are provided under a management fee contract with SP Plus Corporation under which SP Plus is reimbursed for operating and maintenance expenses and paid a management fee of approximately $0.4 million per year. The management fee contract became effective on October 1, 2016, and, assuming the exercise of one three-year option, will extend through September 2023.

In FY 2018, parking revenues totaled approximately $40.1 million, or 23.5% of the total revenues shown in Exhibit E. Included in this amount are privilege fees paid by off-Airport parking operators and parking charges derived from the approximately 1,500 parking spaces provided by the City for Airport and airline employees.

Two private operators provide approximately 6,400 covered parking spaces in off-Airport lots. Rates charged by the off-Airport operators are, subject to various discounts, about $10 per day higher than the rates charged by the City for long-term parking. The City collects a privilege fee from the off-Airport parking operators calculated as 10% of their gross receipts. In FY 2018, off-Airport privilege fees totaled approximately $2.5 million (included with parking in Exhibit E).

The City of Austin and Scott Airport Parking, LLC entered into a public-private-partnership arrangement for a surface parking lot and pet hotel on 64 acres of Airport property. The parking facilities are covered by a canopy, with approximately 100 spaces at the pet hotel and 2,000 public parking spaces in the surface lot. The parking facilities opened in November 2016. In addition to ground rent, the Developer pays percentage rent on a sliding scale from 1 to 10% of gross parking revenue and the greater of a) a sliding minimum annual guarantee or b) a sliding scale of 1-10% percentage of pet hotel gross revenues. The term of this arrangement is 30 years. The Developer is responsible for all maintenance and operation of the facilities.

Parking revenues were forecast assuming that:

1. Approximately 5,000 net parking spaces become available with the opening of the new garage in June 2019.

2. The additional spaces associated with the opening of the garage will provide capacity for on-Airport parking transactions, transactions being a function of parking tendency, to increase as well as result in a diversion of parkers from long-term lots to garage parking.

3. Parking tendency, as measured by parking transactions per enplanement, will be a function of a) passenger enplanements at the South Terminal, and thereby South Terminal parking lot transactions, b) the continued presence of off-Airport, third-party parking operators, and c) the increasing tendency of passengers to use Transportation Network Companies (discussed later in this section) to get to and from the Airport.

4. Parking revenue per transaction will remain at the FY 2019 level across all facilities managed by SP Plus Corporation on behalf of the Airport.

5. Parking facilities will continue to be operated under management fee agreements with financial terms substantially the same as the current agreement.

Rental Car Revenues

Rental car revenues shown in Exhibit E are derived from concession privilege fees under the terms of concession agreements that became effective at the date of beneficial occupancy of the new rental car facility in October 2015, and extend for eleven years with two additional five-year renewals at the City's option. Under these agreements, the rental car companies pay 10% of their gross revenues, against minimum annual guaranteed amounts, for the privilege of operating on Airport. The rental car companies also pay ground rentals for their storage and maintenance facilities (shown in Exhibit E under building and ground rentals).

The rental car companies operating on Airport and their shares of gross revenues in FY 2018 were as follows:

	FY 2018	
Company	Gross Revenues	Share
Hertz (a)	$ 34,944,000	24.6%
Alamo / Vanguard (b)	32,626,000	22.9%
Avis (c)	22,669,000	15.9%
Enterprise (b)	20,977,000	14.7%
Budget (c)	12,248,000	8.6%
Fox Rent-A-Car	4,747,000	3.3%
Advantage	4,670,000	3.3%
Thrifty (a)	2,977,000	2.1%
Payless (c)	2,843,000	2.0%
Dollar (a)	2,672,000	1.9%
E-Z Rent-A-Car	898,000	0.6%
	$ 142,271,000	100.0%

(a) Operates as a subsidiary of Hertz Global Holdings, Inc.

(b) Operates as a subsidiary of Enterprise Holdings, Inc.

(c) Operates as a subsidiary of Avis Budget Group.

In FY 2018, rental car privilege fees from these companies totaled $14.3 million or $1.85 per enplaned passenger. Off-Airport rental car companies pay privilege fees of 8% of certain of their gross revenues, which amounted to approximately $91,000 in FY 2018 (shown with rental cars in Exhibit E). Rental car privilege fees were forecast to increase with inflation and enplaned passengers.

On behalf of the City, each on-Airport rental car company collects a customer facility charge (CFC) of $5.95 per transaction-day. As discussed in the letter at the beginning of this report, the 2013 Rental Car Special Facility Bonds issued to fund construction of the consolidated rental car facility are secured by and payable from revenues derived from the CFC. Under the Revenue Bond Ordinances, CFC revenues are not included in Gross Revenues and are not shown in Exhibit E.

Transportation Network Companies

Since May 2017, Transportation Network Companies (TNCs) have been permitted to operate at the Airport, following the passage of state legislation that established statewide operating standards for TNCs. From May 2017 through March 2018, the City levied a fee of $2.50 on both pick-ups and drop-offs at the Airport. Since April 2018, the City has levied a fee of $2.00 on both pick-ups and drop-offs at the Airport. In FY 2018, the City generated $4.8 million in TNC trip fees, or $0.62 per enplaned passenger. Forecast TNC revenue accounts for increases in enplaned passengers as well as the increasing tendency of passengers to choose TNCs over other modes of transport to and from the Airport.

Other Ground Transportation Fees

The City collects commercial ground transportation fees from the operators of taxicabs, limousines, and shuttle buses and vans. In FY 2018, such fees totaled approximately $0.5 million, or $0.07 per enplaned passenger, and were forecast to increase with inflation and enplaned passengers.

Fuel Flowage Fees

General and business aviation at the Airport is presently served by two fixed base operators (FBOs), Atlantic Aviation Services and Signature Flight Support. The FBOs collect fuel flowage fees on behalf of the City. In FY 2018, such revenues totaled approximately $0.8 million, and were forecast to increase with inflation. Ground and facility rentals paid by the FBOs are included in Exhibit E with other building and ground rentals.

Fuel Facility Fees

In FY 2018, fuel facility fees (calculated to meet capital recovery requirements of the fuel storage facility) were $0.8 million and were forecast to remain unchanged. These facility payments from the airlines are not included in the calculation of airline payments per enplaned passenger.

Cargo Apron Fees

In FY 2018, aircraft parking fees paid to the City for the use of the apron at the Cargo Port were $0.5 million and were forecast to increase with inflation.

Hotel Fees

A Hilton hotel at the entrance to the Airport provides approximately 260 rooms, restaurants, and meeting facilities. Revenues paid to the City are calculated as approximately 5% of gross hotel receipts.

In May 2017, the Hyatt Place Austin Airport hotel opened with 140 rooms. Revenue to the City is derived through ground rent per square foot—with CPI adjustments occurring annually—and 25% of net operating income beyond a target return on investment. In FY 2018, hotel revenues totaled $0.8m and were forecast to increase with inflation.

Building and Ground Rentals

The City derives revenues from Airport property located outside the passenger terminal complex. Such revenues include rents from building and ground leases with the fixed base operators and various other aeronautical and nonaeronautical tenants, including the City of Austin's Employment Center, the South Terminal, ABIA Retail, and Scott Parking. Also included are rentals for space in the passenger terminal paid by the CBP, TSA, and other nonairline tenants.

In FY 2018, revenues from building and ground rentals totaled approximately $7.4 million and were forecast assuming that the provisions of existing leases or other business arrangements (with payments generally increasing with inflation) will continue through the forecast period.

South Terminal

For the use of the South Terminal, LoneStar Airport Holdings, LLC pays the Airport an annual rent of $300,000, plus a sliding scale from 0 to 20% of gross revenues based on enplanements in the South

Terminal. LoneStar operates approximately 900 spaces in an automobile surface parking lot adjacent to the South Terminal. LoneStar receives concession revenues generated at the South Terminal, airline fees for use of the facility, and a share of rental car revenues earned by the Airport (in proportion to South Terminal enplanements relative to total Airport enplanements).

The airline users of the South Terminal pay landing fees at the Signatory rate to the City.

Other Revenues

In FY 2018, revenues from various other sources totaled approximately $3.6 million.

In-flight catering fees. In-flight catering services to the airlines are provided by Sky Chefs under a concession agreement that provides for fees to the City calculated as 10% of airline catering sales. FY 2018, fees from such services were $0.5 million, and were forecast to increase with inflation and enplaned passengers.

Shared tenant service fees. In FY 2018, fees paid by airlines and others for telecommunications and other shared tenant services were $0.4 million and were forecast to increase with inflation.

Rental car facility contributions. The City receives revenues from the rental car facility trust as reimbursements of foregone parking revenues and operating expenses associated with the construction and operation of the rental car facility. In FY 2018, such revenues were approximately $830,000, and are anticipated to total approximately $840,000 in FY 2019. The City anticipates receiving these reimbursements through the forecast period and until the Rental Car Special Facilities Bonds reach maturity.

Interest Income

Interest income shown in Exhibit E represents investment earnings on balances in the Revenue Fund. In FY 2018, such earnings totaled $1.2 million and are forecast to grow with inflation through the forecast period based on the amount budgeted for in FY 2019. Interest income on balances in the Debt Service Reserve Fund are retained in said fund and are not included.

APPLICATION OF REVENUES

Exhibit G presents the application of Gross Revenues and Other Available Funds credited to the Revenue Fund in the amounts and order of priority established by the Revenue Bond Ordinances:

- **Operation and Maintenance Expenses**. Pay all reasonable and necessary expenses of operating, maintaining, and repairing the Airport System. (Operation and Maintenance Expenses as shown in Exhibit D are forecast.)

- **Debt Service Fund**. Pay Debt Service on Revenue Bonds and any related Credit Agreement Obligations. (Debt Service Requirements as shown in Exhibit C, net of amounts paid from PFC revenues as shown in Exhibit F, are forecast.)

- **Administrative Expense Fund**. Pay fees, expenses, and other amounts payable as Administrative Expenses associated with Revenue Bonds and related Credit Agreement Obligations. (Letter of credit and remarketing fees associated with the Swap Agreement for the 2005 Refunding Bonds are shown in historical and budgeted years only.)

- **Debt Service Reserve Fund**. Transfer any amounts to maintain a balance equal to the Debt Service Reserve Fund Requirement. (The increase in such requirement is forecast to be met from the proceeds of the proposed 2019A-B Bonds and planned 2021 Bonds and no transfers are forecast to be required from the Revenue Fund.)

- **Subordinate Obligations**. Pay any Debt Service or other amounts due on Subordinate Obligations. (No such payments are forecast to be required.)

- **General Obligation Airport Bonds**. Pay Debt Service on City of Austin General Obligation Bonds. (Payments on such bonds allocable to the Airport System are forecast to be made.)

- **Operation and Maintenance Reserve Fund**. Transfer any amounts required to maintain a balance at least equal to two months budgeted Operation and Maintenance Expenses. (Amounts increasing with Operation and Maintenance are forecast.)

- **Renewal and Replacement Fund**. Transfer any amounts required to maintain the Renewal and Replacement Fund Requirement, currently established at $5.0 million. (No such transfers are forecast to be required.)

- **Capital Fund**. Amounts remaining after all other funding requirements of the Revenue Bond Ordinances have been met are transferred to the Capital Fund. Forecast amounts are shown in Exhibit G.

Amounts credited to the Capital Fund may be used at the City's discretion to pay the costs of renewal, replacement, or other capital expenditures or for any other lawful purpose. Amounts designated at the City's discretion as Other Available Funds are transferred to the Revenue Fund. (Amounts equal to 25% of the Debt Service Requirements of Revenue Bonds are forecast to be transferred in each Fiscal Year as Other Available Funds to contribute to meeting the debt service coverage requirement of the Rate Covenant.)

APPLICATION OF PFC REVENUES

All PFC revenues are deposited by the City into the PFC Fund to be used for FAA-approved PFC-eligible projects, either to pay project costs directly or to pay debt service on Revenue Bonds. Under the Revenue Bond Ordinances, PFC revenues are not a part of Gross Revenues but will be set aside during a Fiscal Year for the payment of PFC-eligible debt service 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 debt service coverage during the following Fiscal Year to less than 125%. Revenue Bond debt service paid from such set-aside PFC revenues is deducted in the calculation of Debt Service Requirements and debt service coverage for such following Fiscal Year. As shown in Exhibit F, the balance in the PFC Fund at the end of each Fiscal Year is forecast to exceed the amount to be set aside and used to pay debt service on Revenue Bonds in the following Fiscal Year. Such excess balance would, subject to FAA approval, be available for the payment of the costs of PFC-eligible projects.

DEBT SERVICE COVERAGE

Exhibit G shows the calculation of debt service coverage. As required by the Rate Covenant, Net Revenues (Gross Revenues less Operation and Maintenance Expenses) and Other Available Funds are forecast to be sufficient to pay at least 125% of the Debt Service Requirements of all outstanding Revenue Bonds, 100% of Administrative Expenses, and all other amounts required under the Revenue Bond Ordinances in each Fiscal Year of the forecast period.

BASE FORECASTS AND STRESS TEST PROJECTIONS

Exhibit H-1 summarizes the forecast financial results as presented in Exhibits A through G and discussed in the preceding sections assuming the “base” forecast of enplaned passengers and aircraft landed weight presented earlier in Table 12.

Exhibit H-2 is an identical presentation of financial results in which the projected revenues and expenses reflect the “stress test” forecast of enplaned passengers and aircraft landed weight, as also presented in Table 12.

The assumptions underlying the stress test projections are the same as those for the base passenger forecasts, except:

1. Nonairline revenues related to passenger numbers, such as terminal concession revenues, parking, and rental car revenues, are reduced proportionately.

2. PFC revenues are similarly reduced in proportion to reduced passenger numbers.

3. Certain operating and maintenance expenses are reduced to reflect the lower passenger and flight activity (overall O&M Expenses in FY 2025 approximately 11% lower than for the base case). The amounts of such reduced expenses allocated to the airline and nonairline cost centers are likewise reduced.

4. Airline landing fee and terminal rental payments are reduced to reflect the lower allocation of O&M Expenses to the airline cost centers. Airline terminal rentals are further reduced because the occupancy of terminal facilities is lower.

For the stress test, the entire 2019-2023 Project was assumed to be implemented and funded by Revenue Bonds to the same schedule as for the base case with projected debt service remaining unchanged. Required airline payments per passenger are projected to increase, as shown in Exhibit H-2. Projected Revenue Bond debt service coverage ratios are reduced but still exceed the Rate Covenant requirements.

Exhibit A

PROJECT COSTS AND FUNDING SOURCES
2019 - 2023 PROJECT
Austin-Bergstrom International Airport
(in thousands)

	Project Costs	Federal Grants	Pay-As-You-Go PFC Revenues	Capital Fund	2019A Bonds	2019B Bonds	2021 Bonds
East Concourse Expansion (a)	$ 28,000	$ -	$ -	$ -	$ -	$ 28,000	$ -
Parking Garage (b)	9,250	-	-	-	9,250	-	-
Adminstration Building (c)	42,250	-	-	-	-	42,250	-
Cargo Buildings (d)	20,000	-	-	-	-	20,000	-
Employment Center	12,000	-	-	-	-	12,000	-
Maintenance Facility	78,500	-	-	-	-	78,500	-
IT Facility	50,000	-	-	2,750	-	47,250	-
Master Plan Terminal Projects	220,000	-	25,000	-	-	-	195,000
Master Plan Airfield Projects	84,400	63,300	-	-	-	-	21,100
Master Plan Landside Projects	7,494	-	-	-	1,000	-	6,494
Other Terminal Projects	54,448	-	-	3,240	-	40,838	10,370
Other Airfield Projects	33,064	13,173	-	750	3,266	875	15,000
Other Landside Projects	88,555	-	-	3,130	4,725	5,000	75,700
Information Technology Projects	30,410	-	-	30,410	-	-	-
Capital Equipment and Vehicles	13,238	-	-	13,238	-	-	-
Total	$ 771,609	$ 76,473	$ 25,000	$ 53,518	$ 18,241	$ 274,713	$ 323,664

Source: City of Austin, Department of Aviation, June 24, 2019.
(a) The East Concourse Expansion is projected to cost $378 million, which includes associated apron and taxiway work, and was previously funded with PFCs and proceeds from the 2014 Bonds and 2017A Bonds.
(b) The Parking Garage is projected to cost $250 million and was previously funded with proceeds from the 2014 Bonds and 2017B Bonds.
(c) Constructed as part of the Parking Garage project and anticipated to house Department of Aviation staff. This subtotal includes $5 million for technology components for the Administration Building.
(d) Reimbursement amount for the City's purchase of the Lynxs cargo buildings.

Exhibit B

SOURCES AND USES OF REVENUE BOND FUNDS
Austin-Bergstrom International Airport
(in thousands)

	2019A Bonds	2019B Bonds	2021 Bonds	Total
Sources of Bond Funds				
Bond proceeds				
Principal amount of Bonds	$ 19,725	$ 299,555	$ 341,795	$ 661,075
Original issue premium (discount)	2,455	30,789	40,072	73,316
Net proceeds	$ 22,180	$ 330,344	$ 381,867	$ 734,391
Total sources of Bond funds	$ 22,180	$ 330,344	$ 381,867	$ 734,391
				$ -
Uses of Bond Funds				
Project costs	$ 18,241	$ 274,713	$ 323,664	$ 616,618
Other fund deposits				
Debt Service Reserve Fund	$ 1,311	$ 19,880	$ 22,327	$ 43,518
Capitalized Interest Fund	2,212	33,591	33,756	69,559
Total other fund deposits	$ 3,523	$ 53,471	$ 56,083	$ 113,077
Delivery Date Expenses				
Cost of issuance	$ 335	$ 960	$ 750	$ 2,045
Underwriter's discount	79	1,198	1,367	2,644
Other uses of funds	2	1	3	6
Total delivery date expenses	$ 416	$ 2,160	$ 2,120	$ 4,695
Total uses of Bond funds	$ 22,180	$ 330,344	$ 381,867	$ 734,391
Key Financing Assumptions				
Projected true interest cost	4.19%	4.25%	4.12%	
Issuance date (beginning of Fiscal Year)	2019	2019	2021	
Capitalized interest period (Years)	2.0	2.0	2.0	
Interest-only period thereafter (Years)	0.0	0.0	0.0	
Principal amortization period (Years)	28.0	28.0	28.0	

Source: PFM Financial Advisors LLC, June 20, 2019.

Exhibit C

DEBT SERVICE REQUIREMENTS
Austin-Bergstrom International Airport
(for Fiscal Years ending September 30; in thousands)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical				Budgeted	Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue Bonds											
2005 Refunding Bonds	$ 24,746	$ 12,005	$ 10,495	$ 24,002	$ 32,843	$ -	$ -	$ -	$ -	$ -	$ -
2013 Bonds	-	1,466	1,499	1,800	5,415	5,409	5,413	5,412	5,408	5,415	5,413
2013A Refunding Bonds	1,188	14,951	16,906	3,325	173	-	-	-	-	-	-
2014 Bonds	-	-	1,159	1,856	11,202	12,225	12,225	12,225	12,225	12,225	12,225
2017A Bonds	-	-	-	-	7,721	9,265	9,265	9,265	9,265	9,265	9,265
2017B Bonds	-	-	-	-	6,483	6,483	6,483	6,483	6,483	6,483	6,483
2019 Refunding Bonds	-	-	-	-	-	27,706	27,926	27,497	27,360	27,206	27,053
Proposed 2019A Bonds	-	-	-	-	-	-	-	493	1,308	1,311	1,308
Proposed 2019B Bonds	-	-	-	-	-	-	-	7,489	19,877	19,879	19,878
Planned 2021 Bonds	-	-	-	-	-	-	-	-	-	22,326	22,325
Subtotal Revenue Bond Debt Service	$ 25,935	$ 28,421	$ 30,059	$ 30,983	$ 63,837	$ 61,088	$ 61,312	$ 68,864	$ 81,926	$ 104,110	$ 103,950
Less: Paid from PFC revenues	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,550)	(22,648)	(22,538)	(22,611)	(34,414)	(34,346)
Revenue Bond Debt Service Requirements	$ 14,853	$ 16,267	$ 18,144	$ 20,386	$ 39,364	$ 38,538	$ 38,664	$ 46,326	$ 59,315	$ 69,696	$ 69,604
Other obligations											
2005 Refunding Bonds Administrative Expense	$ 1,499	$ 1,378	$ 1,336	$ 1,317	$ 1,181	$ -	$ -	$ -	$ -	$ -	$ -
Less: Paid from PFC revenues	(637)	(586)	(502)	(495)	(522)	-	-	-	-	-	-
Subtotal 2005 Refunding Bonds	$ 862	$ 792	$ 834	$ 821	$ 659	$ -	$ -	$ -	$ -	$ -	$ -
General Obligation Airport Bonds	26	26	27	3	3	-	-	-	-	-	-
Total other obligations	$ 888	$ 818	$ 861	$ 825	$ 662	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue Bonds and other obligations	$ 15,741	$ 17,085	$ 19,004	$ 21,211	$ 40,026	$ 38,538	$ 38,664	$ 46,326	$ 59,315	$ 69,696	$ 69,604
Allocation By Cost Center											
Airline Cost Centers											
Airfield	$ 4,243	$ 4,558	$ 4,788	$ 4,916	$ 5,575	$ 4,587	$ 4,620	$ 5,738	$ 7,672	$ 8,409	$ 8,386
Terminal Apron	278	295	469	566	1,898	1,914	1,916	2,461	3,369	3,523	3,521
Terminal Building (Airline)	2,807	3,412	4,210	5,006	9,961	9,653	9,677	11,734	15,194	20,610	20,593
Terminal Equipment	-	-	5	9	30	32	32	702	1,808	1,809	1,809
Subtotal Airline Cost Centers	$ 7,328	$ 8,265	$ 9,473	$ 10,496	$ 17,465	$ 16,186	$ 16,245	$ 20,635	$ 28,043	$ 34,350	$ 34,308
Nonairline Cost Centers											
Terminal Building (Nonairline)	$ 2,648	$ 2,862	$ 3,206	$ 3,629	$ 5,702	$ 5,207	$ 5,228	$ 6,541	$ 8,766	$ 11,219	$ 11,204
Parking	3,856	3,716	3,953	4,404	12,820	13,522	13,552	14,012	14,852	15,563	15,540
Other Nonairline Cost Centers	1,909	2,241	2,373	2,682	4,039	3,623	3,639	5,138	7,654	8,564	8,552
Subtotal Nonairline Cost Centers	$ 8,412	$ 8,819	$ 9,531	$ 10,715	$ 22,562	$ 22,352	$ 22,419	$ 25,691	$ 31,272	$ 35,345	$ 35,296
Total Debt Service	$ 15,741	$ 17,085	$ 19,004	$ 21,211	$ 40,026	$ 38,538	$ 38,664	$ 46,326	$ 59,315	$ 69,696	$ 69,604

Source: City of Austin, Department of Aviation & PFM, June 20, 2019.

Exhibit D-1

OPERATION AND MAINTENANCE EXPENSES BY FUNCTION

Austin-Bergstrom International Airport

(for Fiscal Years ending September 30; in thousands)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical				Budgeted	Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses by Function											
Administration											
Management	$ 3,486	$ 4,095	$ 3,813	$ 4,769	$ 8,134	$ 8,499	$ 8,829	$ 9,243	$ 9,598	$ 9,964	$ 10,342
Information technology	4,161	5,106	7,052	7,852	11,317	12,563	13,050	13,662	14,186	14,727	15,377
Finance and purchasing	2,034	2,129	2,771	2,606	3,682	3,847	3,997	4,184	4,344	4,510	4,681
City support services	5,119	5,616	5,579	7,836	10,403	10,871	11,293	11,823	12,276	12,744	13,227
Other administration	3,702	4,700	5,155	5,466	7,850	8,203	8,521	8,921	9,263	9,616	9,981
Subtotal administration	$ 18,503	$ 21,645	$ 24,370	$ 28,528	$ 41,386	$ 43,983	$ 45,691	$ 47,833	$ 49,668	$ 51,562	$ 53,609
Operations and maintenance											
Operations	$ 1,265	$ 1,688	$ 2,549	$ 2,257	$ 3,186	$ 3,531	$ 3,668	$ 3,840	$ 3,987	$ 4,139	$ 4,322
Parking	8,840	9,697	9,810	10,224	11,430	12,243	12,718	13,315	13,825	14,352	14,897
Custodial services	6,969	8,110	8,072	8,243	8,862	9,820	10,202	10,680	11,090	11,512	12,021
Airfield maintenance	5,080	5,742	5,540	6,385	8,333	8,708	9,046	9,470	9,834	10,209	10,596
Building maintenance	4,867	5,808	6,478	6,575	8,362	9,380	9,744	10,201	10,592	10,996	11,480
Grounds maintenance	1,373	1,942	1,670	1,883	1,858	2,059	2,139	2,239	2,325	2,414	2,520
Utilities	6,154	5,803	5,875	6,043	6,596	7,188	7,467	7,817	8,117	8,426	8,746
Aircraft Rescue and Firefighting	5,171	5,449	6,089	6,370	6,314	6,598	6,855	7,176	7,451	7,735	8,029
Security	11,275	12,257	13,805	14,814	17,571	19,145	19,889	20,821	21,620	22,444	23,296
Planning and Engineering	2,445	2,410	3,704	4,022	5,371	5,613	5,831	6,104	6,338	6,580	6,829
Other operations and maintenance	727	819	985	909	1,261	1,318	1,369	1,433	1,488	1,545	1,603
Subtotal operations and maintenance	$ 54,165	$ 59,723	$ 64,577	$ 67,726	$ 79,147	$ 85,603	$ 88,926	$ 93,096	$ 96,667	$ 100,353	$ 104,339
Total Expenses	$ 72,667	$ 81,368	$ 88,946	$ 96,253	$ 120,532	$ 129,586	$ 134,617	$ 140,930	$ 146,335	$ 151,915	$ 157,947
Annual change		12.0%	9.3%	8.2%	25.2%	7.5%	3.9%	4.7%	3.8%	3.8%	4.0%

Source: City of Austin, Department of Aviation, Annual Rates and Charges Reconciliation Reports.

Exhibit D-2

OPERATION AND MAINTENANCE EXPENSES BY COST CENTER
Austin-Bergstrom International Airport
(for Fiscal Years ending September 30; in thousands)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical				Budgeted	Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses by Cost Center											
Airline Cost Centers											
Airfield	$ 17,590	$ 18,791	$ 22,046	$ 23,162	$ 29,319	$ 31,218	$ 32,430	$ 33,951	$ 35,253	$ 36,597	$ 38,037
Terminal Apron	5,910	6,075	7,452	7,585	9,959	10,646	11,059	11,578	12,022	12,481	12,971
Terminal Building (Airline)	12,982	14,673	16,388	17,133	21,908	23,752	24,674	25,831	26,822	27,845	28,974
Terminal Equipment	2,128	3,733	3,507	4,295	4,760	5,110	5,309	5,558	5,771	5,991	6,218
Shared Use	669	1,068	1,286	1,765	2,106	2,200	2,286	2,393	2,485	2,579	2,677
Subtotal Airline Cost Centers	$ 39,279	$ 44,340	$ 50,680	$ 53,940	$ 68,052	$ 72,927	$ 75,758	$ 79,311	$ 82,353	$ 85,493	$ 88,877
Nonairline Cost Centers											
Terminal Building (Nonairline)	$ 18,039	$ 20,392	$ 22,121	$ 23,381	$ 29,633	$ 32,122	$ 33,369	$ 34,934	$ 36,273	$ 37,656	$ 39,195
Parking	11,610	12,662	11,660	13,566	15,747	16,905	17,561	18,385	19,090	19,818	20,578
South Terminal	-	29	405	863	1,562	1,633	1,696	1,776	1,844	1,914	1,987
Other Nonairline Cost Centers	3,740	3,945	4,081	4,505	5,539	6,000	6,233	6,525	6,775	7,034	7,310
Subtotal Nonairline Cost Centers	$ 33,388	$ 37,028	$ 38,266	$ 42,314	$ 52,481	$ 56,659	$ 58,859	$ 61,619	$ 63,982	$ 66,422	$ 69,070
Total Expenses	$ 72,667	$ 81,368	$ 88,946	$ 96,253	$ 120,532	$ 129,586	$ 134,617	$ 140,930	$ 146,335	$ 151,915	$ 157,947
Annual change		12.0%	9.3%	8.2%	25.2%	7.5%	3.9%	4.7%	3.8%	3.8%	4.0%

Source: City of Austin, Department of Aviation, Annual Rates and Charges Reconciliation Reports.

Exhibit E

GROSS REVENUES
Austin-Bergstrom International Airport
(for Fiscal Years ending September 30; in thousands)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical				Budgeted	Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Airline revenues											
Landing fees	$ 23,390	$ 24,212	$ 27,657	$ 28,860	$ 35,317	$ 37,576	$ 38,632	$ 41,602	$ 45,277	$ 47,539	$ 48,901
Terminal building rentals	16,681	18,860	22,259	26,143	26,411	26,290	26,893	31,140	35,932	41,504	42,313
Other rentals and fees	8,987	10,614	12,013	16,939	26,248	25,291	25,905	28,014	30,668	32,603	33,950
Total airline revenues	$ 49,059	$ 53,686	$ 61,929	$ 71,941	$ 87,976	$ 89,157	$ 91,431	$ 100,756	$ 111,877	$ 121,647	$ 125,163
Airline revenues as a share of total revenues	41.1%	40.9%	42.6%	44.0%	47.8%	46.6%	46.4%	48.0%	49.8%	51.1%	51.0%
Nonairline revenues											
Terminal concession revenues											
Food and beverage	$ 6,195	$ 7,189	$ 8,261	$ 10,202	$ 10,962	$ 12,349	$ 13,083	$ 13,850	$ 14,651	$ 15,487	$ 16,361
Retail	3,056	3,178	3,281	3,981	3,810	4,292	4,548	4,814	5,092	5,383	5,687
Advertising	1,574	1,609	1,723	1,950	2,188	2,465	2,612	2,765	2,925	3,092	3,266
Passenger services	154	171	128	623	591	704	724	744	765	785	805
Subtotal terminal concession revenues	$ 10,979	$ 12,146	$ 13,393	$ 16,756	$ 17,551	$ 19,811	$ 20,966	$ 22,173	$ 23,432	$ 24,747	$ 26,119
Revenue per enplaned passenger	$ 1.90	$ 1.97	$ 1.99	$ 2.16	$ 2.09	$ 2.26	$ 2.33	$ 2.40	$ 2.47	$ 2.54	$ 2.61
Parking and ground transportation											
Parking	$ 36,586	$ 39,382	$ 40,542	$ 40,092	$ 44,697	$ 44,246	$ 44,744	$ 45,704	$ 46,874	$ 48,041	$ 49,205
Rental cars	13,279	13,849	14,055	14,394	14,239	15,773	16,224	16,674	17,125	17,576	18,026
Transportation Network Companies	-	-	1,188	4,791	4,890	7,042	7,762	8,140	8,362	8,585	8,807
Other ground transportation	508	577	675	530	539	562	578	594	610	626	642
Subtotal parking and ground transportation	$ 50,373	$ 53,807	$ 56,461	$ 59,807	$ 64,365	$ 67,623	$ 69,307	$ 71,112	$ 72,971	$ 74,827	$ 76,681
Revenue per enplaned passenger	$ 8.70	$ 8.71	$ 8.39	$ 7.73	$ 7.66	$ 7.73	$ 7.70	$ 7.69	$ 7.68	$ 7.67	$ 7.67
Other revenues											
Fuel flowage fees	$ 693	$ 695	$ 784	$ 817	$ 886	$ 913	$ 940	$ 968	$ 998	$ 1,027	$ 1,058
Fuel facility fees	763	759	758	759	759	759	759	759	759	759	759
Cargo apron fees	500	490	500	548	523	538	554	571	588	606	624
Hotel fees	728	753	665	825	720	742	764	787	810	835	860
Building and ground rentals	3,218	4,304	4,580	7,374	5,800	6,174	6,359	6,550	6,746	6,949	7,157
Other	2,917	4,360	5,494	3,570	4,798	4,977	5,141	5,310	5,486	5,668	5,856
Interest income	153	312	652	1,206	778	802	826	851	876	902	930
Subtotal other revenues	$ 8,972	$ 11,672	$ 13,432	$ 15,099	$ 14,265	$ 14,905	$ 15,344	$ 15,797	$ 16,264	$ 16,746	$ 17,244
Annual change		30.1%	15.1%	12.4%	-5.5%	4.5%	2.9%	3.0%	3.0%	3.0%	3.0%
Total nonairline revenues	$ 70,324	$ 77,625	$ 83,286	$ 91,663	$ 96,181	$ 102,339	$ 105,617	$ 109,081	$ 112,667	$ 116,320	$ 120,044
Annual change		10.4%	7.3%	10.1%	4.9%	6.4%	3.2%	3.3%	3.3%	3.2%	3.2%
Total revenues	$ 119,383	$ 131,310	$ 145,215	$ 163,604	$ 184,157	$ 191,496	$ 197,048	$ 209,837	$ 224,544	$ 237,967	$ 245,207
Annual change		10.0%	10.6%	12.7%	12.6%	4.0%	2.9%	6.5%	7.0%	6.0%	3.0%

Source: City of Austin, Department of Aviation, Annual Rates and Charges Reconciliation Reports.

Exhibit E-1

AIRLINE REVENUES
Austin-Bergstrom International Airport
(for Fiscal Years ending September 30; in thousands except as noted)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

		Historical				Budgeted	Forecast					
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Airfield revenues												
Landing fees	[A]	$ 23,390	$ 24,212	$ 27,657	$ 28,860	$ 35,317	$ 37,576	$ 38,632	$ 41,602	$ 45,277	$ 47,539	$ 48,901
Landed weight (millions of pounds)	[B]	7,091	7,421	8,116	9,285	10,090	10,520	10,790	11,040	11,300	11,550	11,810
Average landing fee rate (a)	[A]/[B]	$ 3.30	$ 3.26	$ 3.41	$ 3.11	$ 3.50	$ 3.57	$ 3.58	$ 3.77	$ 4.01	$ 4.12	$ 4.14
Terminal apron revenues												
Terminal apron fees		$ 2,774	$ 2,814	$ 3,171	$ 3,358	$ 4,840	$ 5,165	$ 5,302	$ 5,767	$ 6,364	$ 6,614	$ 6,802
RON fees		3,510	3,967	4,678	6,115	6,031	7,480	7,679	8,352	9,217	9,578	9,851
Subtotal terminal apron revenues		$ 6,284	$ 6,780	$ 7,849	$ 9,473	$ 10,871	$ 12,644	$ 12,981	$ 14,119	$ 15,582	$ 16,192	$ 16,654
Terminal building revenues												
Average terminal rental rate (b)	[C]	$ 101.22	$ 90.12	$ 109.75	$ 139.22	$ 132.22	$ 133.33	$ 136.73	$ 149.79	$ 167.38	$ 193.37	$ 197.47
Airline leased conditioned space (c)	[D]	101,122	110,064	110,064	110,064	110,022	120,268	120,268	120,268	120,268	120,268	120,268
Air-conditioned space rentals (d)	[C]*[D]	$ 10,235	$ 9,919	$ 12,080	$ 15,323	$ 14,547	$ 16,036	$ 16,444	$ 18,015	$ 20,130	$ 23,256	$ 23,749
Other terminal building revenues												
Baggage claim conveyor revenues		$ 4,680	$ 6,895	$ 7,595	$ 7,205	$ 8,637	$ 6,895	$ 7,101	$ 8,287	$ 10,037	$ 11,048	$ 11,305
Conditioned apron space rentals		426	586	714	1,057	856	1,154	1,163	1,401	1,792	2,412	2,403
Unconditioned apron space rentals		280	292	449	449	660	853	860	1,036	1,324	1,782	1,776
Mezzanine space rentals		1,059	1,167	1,421	2,107	1,711	1,352	1,325	2,401	2,648	3,006	3,080
Subtotal terminal building revenues		$ 6,446	$ 8,941	$ 10,179	$ 10,819	$ 11,864	$ 10,255	$ 10,449	$ 13,125	$ 15,802	$ 18,248	$ 18,563
Other airline revenues												
Shared use revenues		$ 3,110	$ 2,390	$ 2,764	$ 3,830	$ 4,718	$ 6,729	$ 6,615	$ 6,856	$ 7,441	$ 8,104	$ 8,292
US Customs fees		219	691	826	2,639	2,184	3,919	4,420	4,951	5,512	6,103	6,723
Less: Airline incentive credits		(1,757)	(1,235)	(1,035)	(1,181)	6,037	-	-	-	-	-	-
Subtotal other airline revenues		$ 1,572	$ 1,846	$ 2,555	$ 5,288	$ 12,939	$ 10,648	$ 11,035	$ 11,807	$ 12,953	$ 14,207	$ 15,015
Terminal equipment revenues												
Loading bridge and MUFID fees		$ 928	$ 1,738	$ 1,387	$ 1,917	$ 2,219	$ 1,758	$ 1,640	$ 1,700	$ 1,557	$ 1,620	$ 1,686
Baggage makeup equipment fees		203	250	222	261	219	241	249	388	576	584	594
Subtotal terminal equipment revenue		$ 1,131	$ 1,988	$ 1,609	$ 2,178	$ 2,438	$ 1,999	$ 1,889	$ 2,088	$ 2,133	$ 2,205	$ 2,281
Airline payments per enplaned passenger												
Total airline payments made to City		$ 49,059	$ 53,686	$ 61,929	$ 71,941	$ 87,976	$ 89,157	$ 91,431	$ 100,756	$ 111,877	$ 121,647	$ 125,163
Less: Landing fees paid by all-cargo airlines		(1,999)	(1,831)	(2,309)	(2,051)	(1,855)	(1,929)	(1,933)	(2,035)	(2,164)	(2,223)	(2,236)
Net airline payments		$ 47,060	$ 51,854	$ 59,620	$ 69,890	$ 86,121	$ 87,228	$ 89,497	$ 98,721	$ 109,713	$ 119,424	$ 122,927
Enplaned passengers		5,792	6,180	6,729	7,740	8,400	8,750	9,000	9,250	9,500	9,750	10,000
Airline payments per enplaned passenger (e)		$ 8.12	$ 8.39	$ 8.86	$ 9.03	$ 10.25	$ 9.97	$ 9.94	$ 10.67	$ 11.55	$ 12.25	$ 12.29

Source: City of Austin, Department of Aviation, Annual Rates and Charges Reconciliation Reports.
(a) Rate per 1,000 lbs.
(b) Rate per square foot per year.
(c) Total square footage.
(d) Calculated as average terminal rental rate times airline leased conditioned space.
(e) Rate per Enplaned Passenger.

Exhibit F

SOURCES AND USES OF PFC REVENUES
Austin-Bergstrom International Airport
(for Fiscal Years ending September 30; in thousands except as noted)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical				Budgeted	Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Enplaned passengers	5,792	6,180	6,729	7,740	8,400	8,750	9,000	9,250	9,500	9,750	10,000
Percent eligible passengers paying PFC	88.0%	88.8%	85.9%	86.8%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%
Net PFC per passenger (a)	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
PFC collections	$ 22,384	$ 24,101	$ 25,378	$ 29,493	$ 32,082	$ 33,419	$ 34,374	$ 35,329	$ 36,283	$ 37,238	$ 38,193
Investment earnings	103	299	617	1,358	530	288	344	392	441	416	432
Total sources of PFC revenues	$ 22,488	$ 24,400	$ 25,995	$ 30,851	$ 32,613	$ 33,707	$ 34,718	$ 35,721	$ 36,725	$ 37,654	$ 38,625
Uses of PFC revenues											
Debt service on Revenue Bonds	$ 11,082	$ 12,155	$ 11,915	$ 10,597	$ 24,473	$ 22,550	$ 22,648	$ 22,538	$ 22,611	$ 34,414	$ 34,346
2005 Bonds Administrative Expenses	637	586	502	495	522	-	-	-	-	-	-
Pay-As-You-Go expenditures	-	-	-	-	56,000	-	2,432	3,394	19,173	-	-
Total PFC expenditures	$ 11,720	$ 12,740	$ 12,417	$ 11,092	$ 80,995	$ 22,550	$ 25,080	$ 25,932	$ 41,784	$ 34,414	$ 34,346
PFC revenues less expenditures	$ 10,768	$ 11,659	$ 13,578	$ 19,759	$ (48,382)	$ 11,157	$ 9,638	$ 9,789	$ (5,059)	$ 3,240	$ 4,280
PFC Fund balance	$ 61,085	$ 72,745	$ 86,322	$ 106,082	$ 57,699	$ 68,857	$ 78,494	$ 88,283	$ 83,224	$ 86,464	$ 90,744
Required set-aside for payment of PFC-eligible debt service in following Fiscal Year	$ 12,155	$ 11,915	$ 10,597	$ 24,473	$ 22,550	$ 22,648	$ 22,538	$ 22,611	$ 34,414	$ 34,346	$ 29,181

Source: City of Austin, Department of Aviation, Annual PFC Reports.
(a) $4.50 less airline collection fee of $0.11 per passenger.

Exhibit G

APPLICATION OF REVENUES AND DEBT SERVICE COVERAGE

Austin-Bergstrom International Airport

(for Fiscal Years ending September 30; in thousands except coverage)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

		Historical				Budgeted	Forecast					
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross Revenues and Other Available Funds												
Airline revenues		$ 49,059	$ 53,686	$ 61,929	$ 71,941	$ 87,976	$ 89,157	$ 91,431	$ 100,756	$ 111,877	$ 121,647	$ 125,163
Nonairline revenues		70,324	77,625	83,286	91,663	96,181	102,339	105,617	109,081	112,667	116,320	120,044
Gross Revenues (a)		$ 119,383	$ 131,310	$ 145,215	$ 163,604	$ 184,157	$ 191,496	$ 197,048	$ 209,837	$ 224,544	$ 237,967	$ 245,207
Other Available Funds (b)		3,713	4,067	4,536	5,097	9,841	9,635	9,666	11,581	14,829	17,424	17,401
Gross Revenues and Other Available Funds		$ 123,096	$ 135,377	$ 149,751	$ 168,701	$ 193,998	$ 201,131	$ 206,714	$ 221,418	$ 239,373	$ 255,391	$ 262,608
Application of Gross Revenues and Other Available Funds												
Operation and Maintenance Expenses (c)		$ 72,667	$ 81,368	$ 88,946	$ 96,253	$ 120,532	$ 129,586	$ 134,617	$ 140,930	$ 146,335	$ 151,915	$ 157,947
Revenue Bond Debt Service Requirements (d)		14,853	16,267	18,144	20,386	39,364	38,538	38,664	46,326	59,315	69,696	69,604
Administrative Expenses (d)		862	792	834	821	659	-	-	-	-	-	-
Debt Service Reserve Fund		-	-	-	-	-	-	-	-	-	-	-
General Obligation Airport Bonds		26	26	27	3	3	-	-	-	-	-	-
Operation and Maintenance Reserve Fund		877	1,368	1,294	1,351	3,864	1,509	839	1,052	901	930	1,005
Renewal and Replacement Fund		-	-	-	-	-	-	-	-	-	-	-
Capital Fund		33,811	35,556	40,506	49,886	29,576	31,498	32,593	33,111	32,822	32,851	34,051
Total application		$ 123,096	$ 135,377	$ 149,751	$ 168,701	$ 193,998	$ 201,131	$ 206,714	$ 221,418	$ 239,373	$ 255,391	$ 262,608
Calculation of Debt Service Coverage												
Gross Revenues		$ 119,383	$ 131,310	$ 145,215	$ 163,604	$ 184,157	$ 191,496	$ 197,048	$ 209,837	$ 224,544	$ 237,967	$ 245,207
Less: Operation and Maintenance Expenses		(72,667)	(81,368)	(88,946)	(96,253)	(120,532)	(129,586)	(134,617)	(140,930)	(146,335)	(151,915)	(157,947)
Net Revenues		$ 46,716	$ 49,942	$ 56,268	$ 67,351	$ 63,625	$ 61,910	$ 62,430	$ 68,907	$ 78,209	$ 86,053	$ 87,260
Other Available Funds		3,713	4,067	4,536	5,097	9,841	9,635	9,666	11,581	14,829	17,424	17,401
Net Revenues plus Other Available Funds		$ 50,429	$ 54,009	$ 60,804	$ 72,447	$ 73,466	$ 71,545	$ 72,096	$ 80,489	$ 93,038	$ 103,476	$ 104,661
Less: Administrative Expenses (d)		(862)	(792)	(834)	(821)	(659)	-	-	-	-	-	-
Subtotal	[A]	$ 49,567	$ 53,217	$ 59,970	$ 71,626	$ 72,807	$ 71,545	$ 72,096	$ 80,489	$ 93,038	$ 103,476	$ 104,661
Revenue Bond Debt Service Requirements (d)	[B]	$ 14,853	$ 16,267	$ 18,144	$ 20,386	$ 39,364	$ 38,538	$ 38,664	$ 46,326	$ 59,315	$ 69,696	$ 69,604
Debt service coverage	[A]/[B]	3.34 x	3.27 x	3.31 x	3.51 x	1.85 x	1.86 x	1.86 x	1.74 x	1.57 x	1.48 x	1.50 x
Debt service coverage requirement		1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x

(a) See Exhibit E.

(b) Amounts, up to a maximum of 25% of Revenue Bond Debt Service Requirements, transferred from the Capital Fund as permitted under the Rate Covenant of the Revenue Bond Ordinances.

(c) See Exhibit E.

(d) See Exhibit C. Amounts are net of payments from PFC revenues.

Exhibit H-1

SUMMARY OF FORECAST FINANCIAL RESULTS: FORECAST - BASE CASE

Austin-Bergstrom International Airport

(for Fiscal Years ending September 30; in thousands except as noted)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical				Budgeted	Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross Revenues and Other Available Funds											
Airline revenues	$ 49,059	$ 53,686	$ 61,929	$ 71,941	$ 87,976	$ 89,157	$ 91,431	$ 100,756	$ 111,877	$ 121,647	$ 125,163
Terminal concession revenues	10,979	12,146	13,393	16,756	17,551	19,811	20,966	22,173	23,432	24,747	26,119
Parking and ground transportation revenues	50,373	53,807	56,461	59,807	64,365	67,623	69,307	71,112	72,971	74,827	76,681
Other revenues	8,972	11,672	13,432	15,099	14,265	14,905	15,344	15,797	16,264	16,746	17,244
Gross Revenues	$ 119,383	$ 131,310	$ 145,215	$ 163,604	$ 184,157	$ 191,496	$ 197,048	$ 209,837	$ 224,544	$ 237,967	$ 245,207
Other Available Funds	3,713	4,067	4,536	5,097	9,841	9,635	9,666	11,581	14,829	17,424	17,401
Gross Revenues and Other Available Funds	$ 123,096	$ 135,377	$ 149,751	$ 168,701	$ 193,998	$ 201,131	$ 206,714	$ 221,418	$ 239,373	$ 255,391	$ 262,608
Enplaned passengers	5,792	6,180	6,729	7,740	8,400	8,750	9,000	9,250	9,500	9,750	10,000
Annual change	9.8%	6.7%	8.9%	15.0%	8.5%	4.2%	2.9%	2.8%	2.7%	2.6%	2.6%
Airline payments per enplaned passenger	$ 8.12	$ 8.39	$ 8.86	$ 9.03	$ 10.25	$ 9.97	$ 9.94	$ 10.67	$ 11.55	$ 12.25	$ 12.29
Application of Gross Revenues and Other Available Funds											
Operation and Maintenance Expenses	$ 72,667	$ 81,368	$ 88,946	$ 96,253	$ 120,532	$ 129,586	$ 134,617	$ 140,930	$ 146,335	$ 151,915	$ 157,947
Revenue Bond debt service	25,935	28,421	30,059	30,983	63,837	61,088	61,312	68,864	81,926	104,110	103,950
Less: Paid from PFC revenues	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,550)	(22,648)	(22,538)	(22,611)	(34,414)	(34,346)
Other applications	1,766	2,186	2,155	2,176	4,526	1,509	839	1,052	901	930	1,005
Capital Fund	33,811	35,556	40,506	49,886	29,576	31,498	32,593	33,111	32,822	32,851	34,051
Total application	$ 123,096	$ 135,377	$ 149,751	$ 168,701	$ 193,998	$ 201,131	$ 206,714	$ 221,418	$ 239,373	$ 255,391	$ 262,608
Passenger Facility Charges											
PFC revenues	$ 22,488	$ 24,400	$ 25,995	$ 30,851	$ 32,613	$ 33,707	$ 34,718	$ 35,721	$ 36,725	$ 37,654	$ 38,625
Less: PFC revenues used to pay debt service	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,550)	(22,648)	(22,538)	(22,611)	(34,414)	(34,346)
Less: PFC revenues used to pay administrative expenses	(637)	(586)	(502)	(495)	(522)	-	-	-	-	-	-
Less: Pay-as-you-go expenditures	-	-	-	-	(56,000)	-	(2,432)	(3,394)	(19,173)	-	-
PFC revenues less expenditures	$ 10,768	$ 11,659	$ 13,578	$ 19,759	$ (48,382)	$ 11,157	$ 9,638	$ 9,789	$ (5,059)	$ 3,240	$ 4,280
PFC Fund balance	61,085	72,745	86,322	106,082	57,699	68,857	78,494	88,283	83,224	86,464	90,744
Debt Service Coverage											
Debt service coverage	3.34 x	3.27 x	3.31 x	3.51 x	1.85 x	1.86 x	1.86 x	1.74 x	1.57 x	1.48 x	1.50 x
Debt service coverage requirement	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x

Source: Preceding Exhibits and accompanying text.

Exhibit H-2

SUMMARY OF FORECAST FINANCIAL RESULTS: FORECAST - STRESS TEST
Austin-Bergstrom International Airport
(for Fiscal Years ending September 30; in thousands except as noted)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical				Budgeted	Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross Revenues and Other Available Funds											
Airline revenues	$ 49,059	$ 53,686	$ 61,929	$ 71,941	$ 87,976	$ 78,768	$ 81,145	$ 90,474	$ 102,196	$ 112,147	$ 115,845
Terminal concession revenues	10,979	12,146	13,393	16,756	17,551	15,849	16,773	17,738	18,746	19,798	20,895
Parking and ground transportation revenues	50,373	53,807	56,461	59,807	64,365	53,998	55,343	56,784	58,268	59,750	61,230
Other revenues	8,972	11,672	13,432	15,099	14,265	14,905	15,344	15,797	16,264	16,746	17,244
Gross Revenues	$ 119,383	$ 131,310	$ 145,215	$ 163,604	$ 184,157	$ 163,520	$ 168,605	$ 180,793	$ 195,474	$ 208,441	$ 215,215
Other Available Funds	3,713	4,067	4,536	5,097	9,841	9,757	9,789	11,703	14,950	17,544	17,520
Gross Revenues and Other Available Funds	$ 123,096	$ 135,377	$ 149,751	$ 168,701	$ 193,998	$ 173,277	$ 178,394	$ 192,496	$ 210,424	$ 225,985	$ 232,735
Enplaned passengers	5,792	6,180	6,729	7,740	8,400	7,000	7,200	7,400	7,600	7,800	8,000
Annual change	9.8%	6.7%	8.9%	15.0%	8.5%	-16.7%	2.9%	2.8%	2.7%	2.6%	2.6%
Airline payments per enplaned passenger	$ 8.12	$ 8.39	$ 8.86	$ 9.03	$ 10.25	$ 11.01	$ 11.03	$ 11.98	$ 13.19	$ 14.12	$ 14.22
Application of Gross Revenues and Other Available Funds											
Operation and Maintenance Expenses	$ 72,667	$ 81,368	$ 88,946	$ 96,253	$ 120,532	$ 110,552	$ 115,310	$ 122,047	$ 128,087	$ 134,360	$ 141,110
Revenue Bond debt service	25,935	28,421	30,059	30,983	63,837	61,088	61,312	68,864	81,926	104,110	103,950
Less: Paid from PFC revenues	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,061)	(22,155)	(22,053)	(22,128)	(33,934)	(33,868)
Other applications	1,766	2,186	2,155	2,176	4,526	-	-	253	1,007	1,045	1,125
Capital Fund	33,811	35,556	40,506	49,886	29,576	23,698	23,927	23,385	21,532	20,404	20,418
Total application	$ 123,096	$ 135,377	$ 149,751	$ 168,701	$ 193,998	$ 173,277	$ 178,394	$ 192,496	$ 210,424	$ 225,985	$ 232,735
Passenger Facility Charges											
PFC revenues	$ 22,488	$ 24,400	$ 25,995	$ 30,851	$ 32,613	$ 27,024	$ 27,812	$ 28,592	$ 29,372	$ 30,076	$ 30,821
Less: PFC revenues used to pay debt service	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,061)	(22,155)	(22,053)	(22,128)	(33,934)	(33,868)
Less: PFC revenues used to pay administrative expenses	(637)	(586)	(502)	(495)	(522)	-	-	-	-	-	-
Less: Pay-as-you-go expenditures	-	-	-	-	(56,000)	-	(2,432)	(3,394)	(19,173)	-	-
PFC revenues less expenditures	$ 10,768	$ 11,659	$ 13,578	$ 19,759	$ (48,382)	$ 4,962	$ 3,225	$ 3,145	$ (11,929)	$ (3,858)	$ (3,047)
PFC Fund balance	61,085	72,745	86,322	106,082	57,699	62,662	65,887	69,032	57,103	53,245	50,198
Debt Service Coverage											
Debt service coverage	3.34 x	3.27 x	3.31 x	3.51 x	1.85 x	1.61 x	1.61 x	1.50 x	1.38 x	1.31 x	1.31 x
Debt service coverage requirement	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x

Source: Preceding Exhibits and accompanying text.

APPENDIX B

AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council,
City of Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of discretely presented component units which represents 99.9% of the assets, 97.8 % of net position, and 98.9% of revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the basic financial statements, the City adjusted its beginning net position as of October 1, 2017, to reflect the impact of the implementation of Governmental Accounting Standards Board Statements No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this change.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis, the Retirement Plans – Trend Information, and the Other Postemployment Benefits – Trend Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

February 28, 2019

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 82, No. 85 through No. 86, and No. 89.

FINANCIAL HIGHLIGHTS

Government-wide financial statements
The City's assets and deferred outflows exceeded its liabilities and deferred inflows in fiscal year 2018, resulting in $3.7 billion of net position. Net position associated with governmental activities is a deficit of approximately $253.2 million, while the net position associated with business-type activities is approximately $4.0 billion, or 106.8% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is $4.1 billion, or 110.9% of total net position.

The City's unrestricted net position is a deficit of $1.3 billion. Unrestricted net position for governmental activities is a deficit of $2.1 billion, while unrestricted net position for business-type activities is approximately $789.2 million, or 19.9% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of $1.1 billion and other postemployment benefits payable of $1.6 billion.

During fiscal year 2018, total net position for the City of Austin increased $102.5 million or 2.8%. Of this amount, governmental activities decreased $68.9 million, or 37.4% from the previous year and business-type activities increased $171.4 million, or 4.5%.

Total revenues for the City increased $144.2 million; revenues for governmental activities increased $102.8 million; revenues for business-type activities increased $41.4 million. Total expenses for the City increased $162.6 million; expenses for governmental activities increased $27.1 million; expenses for business-type activities increased $135.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, consisting of three components:

- government-wide financial statements,
- fund financial statements, and
- notes to the financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

a -- Government-wide financial statements
The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner comparable to a private-sector business. The two government-wide financial statements are, as follows:

- The ***Statement of Net Position*** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Austin is improving or deteriorating.

- The ***Statement of Activities*** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues for uncollected taxes and expenses for future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; transportation, planning and sustainability; public health; public recreation and culture; and urban growth management. The business-type activities include electric, water, wastewater, airport, convention, environmental and health services, public recreation, and urban growth management.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The government-wide financial statements include the City as well as blended component units: the Austin Housing Finance Corporation (AHFC), the Urban Renewal Agency (URA), the Austin Industrial Development Corporation (AIDC), Mueller Local Government Corporation (MLGC), and Austin-Bergstrom International Airport (ABIA) Development Corporation. The operations of AHFC, URA, AIDC, MLGC, and ABIA are included within the governmental activities of the government-wide financial statements. AHFC is reported as the Housing Assistance Fund. Although legally separate from the City, these component units are blended with the City because of their governance or financial relationships to the City.

The government-wide financial statements also include four discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), Waller Creek Local Government Corporation (WCLGC) and Austin/Travis County Sobriety Center Local Government Corporation (SCLGC). These entities are legally separate entities that do not meet the GASB reporting requirements for inclusion as part of the City's operations; therefore, data from these units are shown separately from data of the City. More information on these entities can be found in Note 1, including how to get a copy of separately audited financial statements for ACE and ABLE. WCLGC activities are recorded in the City's financial system and City staff prepares the financial reports for this entity. There was no WCLGC activity in fiscal year 2018.

b -- Fund financial statements
The fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental, proprietary, and fiduciary funds. Within the governmental and proprietary categories, the emphasis is on the major funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These funds focus on current sources and uses of liquid resources and on the balances of available resources at the end of the fiscal year. This information may be useful in determining what financial resources are available in the near term to finance the City's future obligations.

Because the focus of governmental fund level statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level financial statements.

The City's General Fund is reported as a major fund and information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. In addition, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, and permanent funds). Data from these governmental funds are combined into a single column labeled nonmajor governmental funds. Individual fund data for the funds is provided in the form of combining statements in the supplementary section of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers or internal units or departments of the City. Proprietary fund statements provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of three of the City's major funds, Austin Energy™, Austin Water Utility, and Austin-Bergstrom International Airport (Airport), as well as the nonmajor enterprise funds.

- Internal Service funds are used to report activities that provide supplies and services for many City programs and activities. The City's internal service funds include: Capital Projects Management; Combined Transportation, Emergency and Communications Center (CTECC); Employee Benefits; Fleet Maintenance; Information Systems; Liability Reserve; Support Services; Wireless Communication; and Workers' Compensation. Because these services predominantly benefit governmental operations rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The nonmajor enterprise funds and the internal service funds are combined into separately aggregated presentations in the proprietary fund financial statements. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside City government. Since the resources of fiduciary funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting policies applied to fiduciary funds are much like those used for proprietary funds.

Comparison of government-wide and fund financial components. The following chart compares how the City's funds are included in the government-wide and fund financial statements:

Fund Types/Other	Government-wide	Fund Financials
General Fund	Governmental	Governmental - Major
Special revenue funds	Governmental	Governmental - Nonmajor
Debt service funds	Governmental	Governmental - Nonmajor
Capital projects funds	Governmental	Governmental - Nonmajor
Permanent funds	Governmental	Governmental - Nonmajor
Internal service funds	Governmental	Proprietary
Governmental capital assets, including infrastructure assets	Governmental	Excluded
Governmental liabilities not expected to be liquidated with available expendable financial resources	Governmental	Excluded
Austin Energy	Business-type	Proprietary - Major
Austin Water Utility	Business-type	Proprietary - Major
Airport	Business-type	Proprietary - Major
Convention	Business-type	Proprietary – Nonmajor
Environmental and health services	Business-type	Proprietary – Nonmajor
Public recreation	Business-type	Proprietary – Nonmajor
Urban growth management	Business-type	Proprietary – Nonmajor
Fiduciary funds	Excluded	Fiduciary
Discrete component units	Discrete component units	Discretely Presented Component Units

Basis of reporting -- The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

c -- Notes to the financial statements
The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the government-wide and fund financial statements.

d -- Other information
The Required Supplementary Information (RSI) section immediately follows the basic financial statements and related notes section of this report. The City adopts an annual appropriated budget for the General Fund plus nine separately budgeted activities, all of which comprise the General Fund for GAAP reporting. RSI provides a comparison of revenues, expenditures and other financing sources and uses to budget and demonstrates budgetary compliance. In addition, trend information related to the City's retirement and other postemployment benefits plans is presented in RSI. Following the RSI are other statements and schedules, including the combining statements for nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

a -- Net position

The following table reflects a summary statement of net position compared to prior year, as restated:

Condensed Statement of Net Position
as of September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current assets	$ 738,058	658,456	1,775,185	1,662,516	2,513,243	2,320,972
Capital assets	3,028,885	2,949,094	8,157,304	7,909,044	11,186,189	10,858,138
Other noncurrent assets	172,731	161,139	2,263,075	2,139,577	2,435,806	2,300,716
Total assets	3,939,674	3,768,689	12,195,564	11,711,137	16,135,238	15,479,826
Deferred outflows of resources	419,521	359,842	361,090	342,671	780,611	702,513
Current liabilities	419,484	361,031	512,245	532,870	931,729	893,901
Noncurrent liabilities	4,106,241	3,945,608	6,737,881	6,517,668	10,844,122	10,463,276
Total liabilities	4,525,725	4,306,639	7,250,126	7,050,538	11,775,851	11,357,177
Deferred inflows of resources	86,679	6,228	1,347,043	1,215,205	1,433,722	1,221,433
Net position:						
Net investment in capital assets	1,735,481	1,709,146	2,375,219	2,358,240	4,110,700	4,067,386
Restricted	146,496	140,299	795,049	702,749	941,545	843,048
Unrestricted (deficit)	(2,135,186)	(2,033,781)	789,217	727,076	(1,345,969)	(1,306,705)
Total net position	$ (253,209)	(184,336)	3,959,485	3,788,065	3,706,276	3,603,729

In the current fiscal year, total assets increased $655.4 million and deferred outflows of the City increased by $78.1 million. Total liabilities increased $418.7 million and deferred inflows increased by $212.3 million. Governmental-type total assets increased by $171.0 million and business-type increased by $484.4 million, while governmental-type liabilities increased by $219.1 million and business-type increased by $199.6 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of $79.8 million as the City continues to build out projects from the 2012 and 2016 bond programs. Factors in the increase of governmental-type liabilities include increases in bonds payable of $20.9 million, related primarily to the 2012 and 2016 bond programs along with a decrease in the net pension liability of $136.0 million and an increase in other postemployment benefits payable of $278.6 million.

The most significant factor in the increase of business-type total assets is related to growth in capital assets of $248.3 million or 51.2% of the increase in business-type total assets, of which approximately $200.0 million is related to the Airport terminal expansion. The primary factor in the increase in business-type total liabilities of $199.6 million is due to an increase in other postemployment benefits of $190.6 million.

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $3.7 billion at the end of the current fiscal year. However, the largest portion of the City's net position is represented in the net investment in capital assets (e.g. land, buildings, and equipment offset by related debt), which is $4.1 billion, or 110.9% of the total amount of the City's net position. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, $941.0 million of the City's net position, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance is a deficit of $1.3 billion of unrestricted net position. Unrestricted net position decreased $39.3 million in the current fiscal year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for business-type activities. However, governmental activities as well as the government as a whole report a deficit of $2.1 billion and $1.3 billion for unrestricted net position, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

b -- Changes in net position

Condensed Statement of Changes in Net Position
September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	$ 173,400	176,640	2,543,788	2,500,259	2,717,188	2,676,899
Operating grants and contributions	42,489	45,162	876	861	43,365	46,023
Capital grants and contributions	107,865	90,256	122,396	137,464	230,261	227,720
General revenues:						
Property tax	616,745	554,631	--	--	616,745	554,631
Sales tax	232,319	218,790	--	--	232,319	218,790
Franchise fees and gross receipts tax	159,754	151,670	--	--	159,754	151,670
Interest and other	34,333	26,950	27,730	14,801	62,063	41,751
Total revenues	1,366,905	1,264,099	2,694,790	2,653,385	4,061,695	3,917,484
Program expenses:						
General government	200,125	192,231	--	--	200,125	192,231
Public safety	704,566	719,032	--	--	704,566	719,032
Transportation, planning, and sustainability	72,240	72,517	--	--	72,240	72,517
Public health	117,578	119,278	--	--	117,578	119,278
Public recreation and culture	173,333	161,226	--	--	173,333	161,226
Urban growth management	176,453	156,180	--	--	176,453	156,180
Interest on debt	65,147	61,879	--	--	65,147	61,879
Electric	--	--	1,268,610	1,277,623	1,268,610	1,277,623
Water	--	--	312,276	281,787	312,276	281,787
Wastewater	--	--	286,736	219,609	286,736	219,609
Airport	--	--	184,084	158,863	184,084	158,863
Convention	--	--	80,990	75,377	80,990	75,377
Environmental and health services	--	--	111,184	108,658	111,184	108,658
Public recreation	--	--	9,009	8,736	9,009	8,736
Urban growth management	--	--	196,817	183,532	196,817	183,532
Total expenses	1,509,442	1,482,343	2,449,706	2,314,185	3,959,148	3,796,528
Excess (deficiency) before transfers	(142,537)	(218,244)	245,084	339,200	102,547	120,956
Transfers	73,664	40,693	(73,664)	(40,693)	--	--
Increase (decrease) in net position	(68,873)	(177,551)	171,420	298,507	102,547	120,956
Beginning net position, as previously reported	455,353	632,904	3,976,814	3,678,307	4,432,167	4,311,211
Restatement adjustment	(639,689)	--	(188,749)	--	(828,438)	--
Beginning net position, as restated (see Note 18)	(184,336)	632,904	3,788,065	3,678,307	3,603,729	4,311,211
Ending net position	$ (253,209)	455,353	3,959,485	3,976,814	3,706,276	4,432,167

Total net position of the City increased by $102.5 million in the current fiscal year. Governmental net position decreased by $68.9 million. The decrease is attributable to expenses exceeding revenues by $142.5 million before transfers from other funds of $73.7 million. Business-type net position increased by $171.4 million due to revenues exceeding expenses by $245.1 million before transfers to other funds of $73.7 million.

In addition, the City restated beginning net position for governmental and business-type activities as a result of the implementation of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*". For more information, see Note 18.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

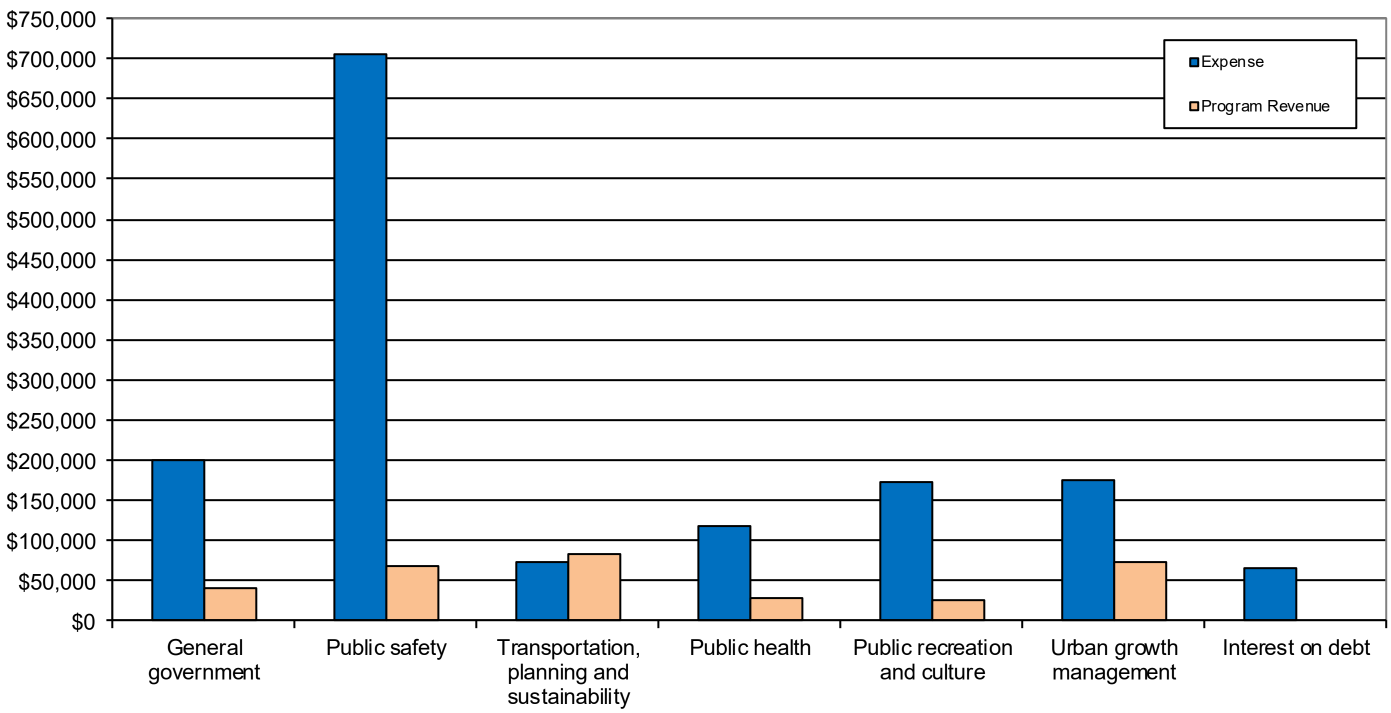
c -- Program revenues and expenses -- governmental activities

Governmental activities decreased the City's net position by $68.9 million in fiscal year 2018, a 37.4% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2017 to 2018 are as follows:

- The City's property tax revenue increased by $62.1 million from the previous year due to an increase in assessed property values of $13.0 billion, while the property tax rate per $100 of valuation increased from 0.4418 to 0.4448.
- Sales tax collections and franchise fees for the year were $13.5 million and $8.1 million, respectively, more than the prior year as result of the continued improvement in the Austin economy.
- Public safety expenses decreased by $12.9 million due to the negotiated labor contract with police not being renewed during the fiscal year. This resulted in a significant number of employee retirements decreasing the compensated absence accrual by $5.4 million. In addition there was a related decrease in salaries and fringe benefits of $5.5 million.
- Public recreation and culture of expenses increased $12.1 million as the result of an increase in salaries and fringe benefits of $3.7 million, and an increase in overall expenses of $2.7 million related to the opening of the new library.
- Urban growth management expenses were $20.3 million greater than the prior year as the result of an increase in Neighborhood Housing & Conservation expenses for the implementation of the new Strategic Housing Blueprint of $16.8 million along with $5.0 million decrease in drainage utility reimbursements to development services.

The chart below illustrates the City's governmental expense and revenues by function: general government; public safety; transportation, planning and sustainability; public health; public recreation and culture; urban growth management; and interest on debt.

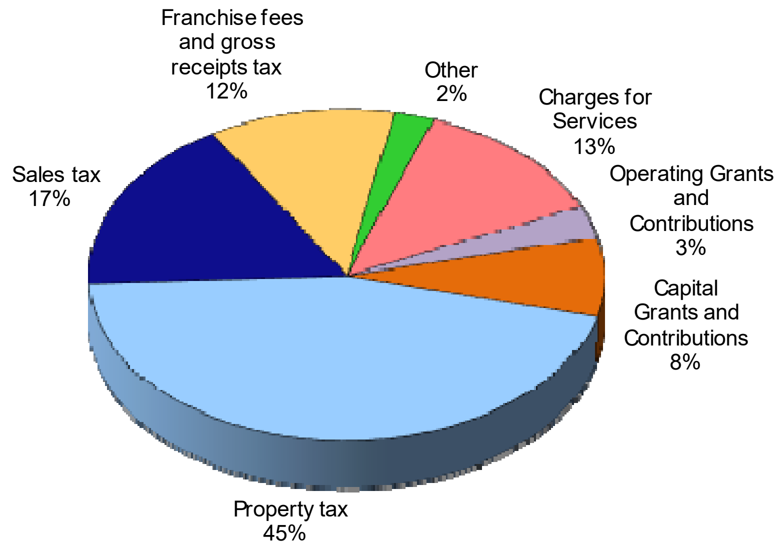
Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

General revenues such as property taxes, sales taxes, and franchise fees are not shown by program, but are used to support all governmental activities. Property taxes are the largest source of governmental revenues, followed by sales taxes and charges for goods and services.

Government-wide Revenues by Source -- Governmental Activities



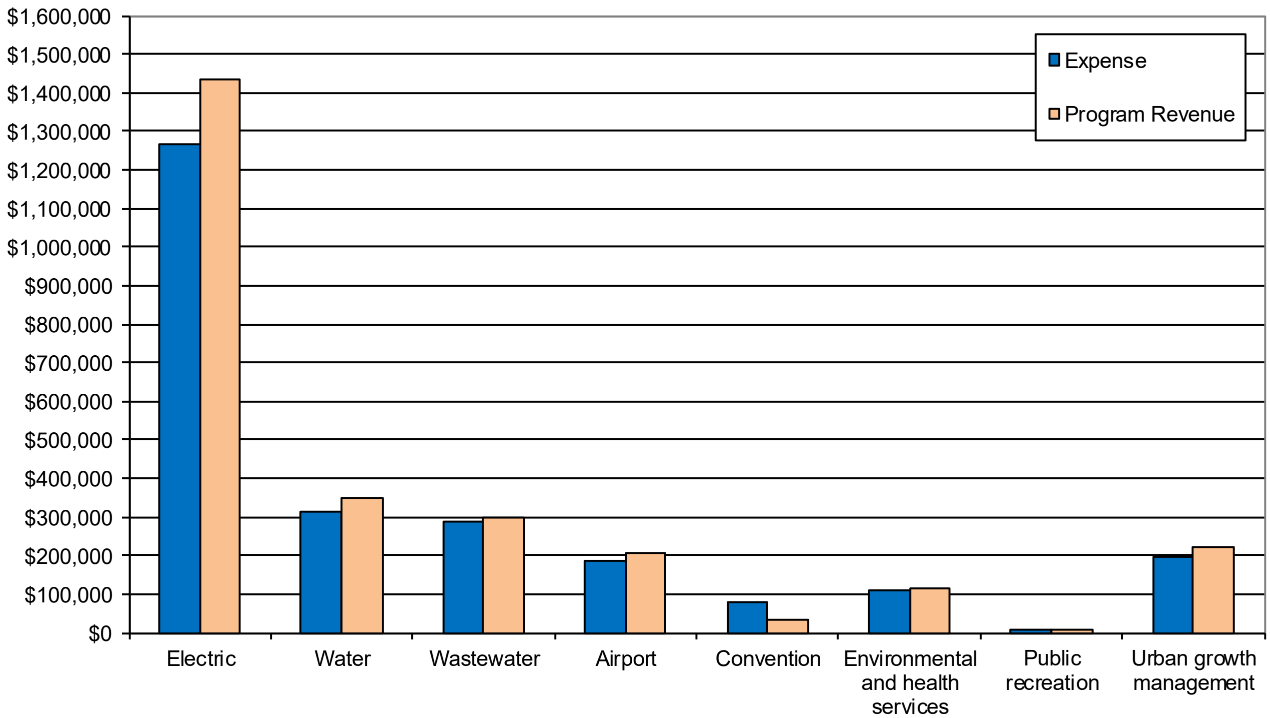
d -- Program revenues and expenses -- business-type activities
Business-type activities increased the City's net position by approximately $171.4 million, accounting for a 4.8% increase in the City's total net position. Key factors include:

- Austin Energy net position increased approximately $63.2 million. Operating revenues increased primarily due to increased base revenue, which was linked to customer growth. Operating expenses remained relatively stable.
- Austin Water Utility net position increased approximately $2.9 million. Revenues decreased 3.7% largely due to a mid-year rate reduction for fiscal year 2018. Expenses increased by 19.5% due to an increase in operating and maintenance costs, and an increase in debt defeasance payments.
- Airport net position increased approximately $28.1 million. Revenues increased 6.1% due to increases in passenger traffic, concessions and parking revenues, and updated Ground Transportation Operator fees and rates. Expenses increased 15.9% due to an increase in operating and maintenance costs and debt service payments.
- Convention Center net position increased approximately $30.5 million, however, this was an overall incremental decrease of $10.9 million compared to the 2017 fiscal year increase in net position. Revenues decreased 16.0% due to a decline in food concessions revenue, which was primarily driven by a one-time special event held in the previous year that generated $4.3 million in revenue. The absence of a similar event in fiscal year 2018 resulted in a 24.0% decrease in food concessions revenue. Expenses increased 7.4% as a result of Council authorizing the Convention Center to pay a portion of the Visit Austin contract to market, sell and service convention activities.
- Environmental and health services activities is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position increased approximately $4.0 million. Revenues increased by 5.7% due mainly to an increase in the Clean Community Fee and base fee for residential and commercial customer accounts. Expenses increased by 2.3% due mainly to an increase in operations and support services costs.
- Urban growth management activities are comprised of the Drainage and Transportation nonmajor enterprise funds. Net position increased by approximately $43.3 million. Drainage revenues and transfers decreased 15.6% primarily due to a decrease in transfers in for home buyouts from $50.0 million in the prior year to $22.0 million in the current year. Drainage expenses remained relatively flat. Transportation revenues increased approximately 5.4% primarily as a result of increases in right-of-way (ROW) and utility-cut fees collected for downtown construction and new development review fees established to recover departmental costs. Transportation expenses increased 10.7% due to new investments in engineering contracts as well as an increase in staff of 27 new positions.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

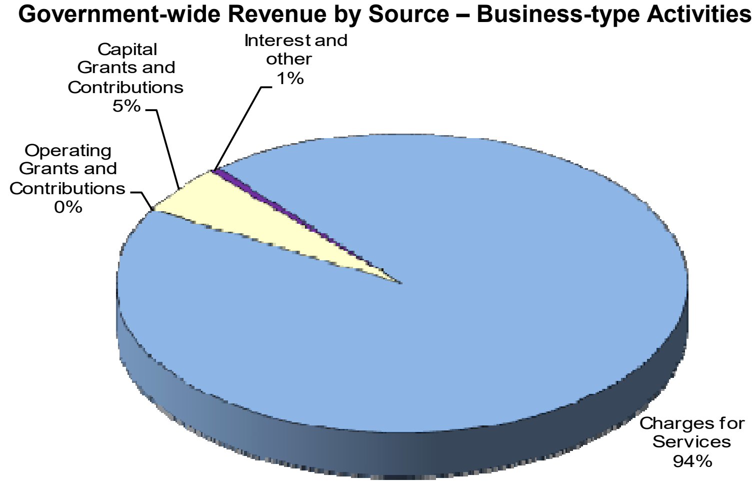
As shown in the following chart, Austin Energy (electric), with expenses of $1.3 billion is the City's largest business-type activity, followed by water with $312.3 million, wastewater with $286.7 million, urban growth management with $196.8 million, airport with $184.1 million, environmental and health services with $111.2 million, convention with $81.0 million, and public recreation with $9.0 million. For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention and public recreation.

Government-wide Expenses and Program Revenues -- Business-type Activities
(Excludes General Revenues and Transfers)
(in thousands)



For all business-type activities, charges for services provide the largest percentage of revenues (94.40%), followed by capital grants and contributions (4.54%), interest and other revenues (1.03%), and operating grants and contributions (0.03%).

Government-wide Revenue by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

a -- Governmental funds
The City reports the following types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the fiscal year, the City of Austin's governmental funds reported combined ending fund balances of $579.5 million, an increase of $67.0 million from the previous year. Approximately $3.1 million is nonspendable, $223.1 million is restricted, $45.2 million is committed, $145.9 million is assigned, and $162.2 million is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported nonspendable fund balance of $2.1 million, assigned fund balance of $37.6 million, and unassigned fund balance of $173.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.2% of total General Fund expenditures of $1.0 billion, and total fund balance represents 21.2% of expenditures. The City's financial policies provide that surplus fund balance be identified for budget stabilization. This amount is a component of unassigned fund balance. The fund balance identified for budget stabilization was $72.1 million. The balance identified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, but such appropriation will not normally exceed one-third of the total identified amount, with the other two-thirds identified for budget stabilization in future years.

The fund balance of the General Fund increased $41.1 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased $41.2 million due to an increase in assessed property values.
- Sales tax revenues increased by $13.5 million and interest and other increased by $5.6 million.

General Fund expenditures increased $30.7 million, due primarily to increases in the following areas: urban growth management ($11.8 million), general government ($8.5 million), public recreation and culture ($7.4 million), and public health ($3.9 million). These increases are primarily due to a 2.5% general wage increase for non-sworn employees. the addition of 29 FTE's, and increases in contractual expenditures.

b -- Proprietary funds
The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net position of the City's enterprise funds increased by $155.6 million before consolidation of the internal service funds activities.

Factors that contributed to the decrease in net position are discussed in the business-type activities section of the government-wide section.

OTHER INFORMATION

a -- General Fund budgetary highlights

During fiscal year 2018 an amendment to the General Fund Interest and other revenue budget increased it by $868,240 to reflect proceeds related to the Aspen Heights Density Bonus Program. This was the sole revenue budget amendment. The budget for Transfers in was increased by $150,000 related to a settlement with an apartment complex. Budgeted expenditures in Other urban growth management were increased by $868,240 to provide housing subsidies to the homeless and by $150,000 to fund relocation costs related to the apartment settlement. The expenditure budget related to Parks and Recreation was decreased by $280,630 and the budget for Transfers out was increased by the same amount. Upgrades to the Millennium Youth Entertainment Complex that were originally budgeted to be spent in 2018 were delayed resulting in this amendment which moved the funds from the operating to the capital budget.

OTHER INFORMATION, continued

During the year, actual budget basis revenues were $2.3 million more than budgeted. Property taxes were $4.9 million more than budgeted due to added properties and an increase in overall property values. Sales taxes were also $6.2 million more than budgeted due to continued improvement in the economy. These were offset partly by $6.4 million in lower than expected development permit revenue and $2.3 million in lower than expected traffic fines.

Actual budget-basis expenditures were $34.0 million less than budgeted. Two departments were over budget, Municipal Court by $169 thousand and Social Services by $74 thousand. All other departments were under budget. Police was under budget by $14.9 million due primarily to the negotiated labor contract not being approved by Council during the fiscal year as was originally anticipated. EMS was under budget by $3.4 million due primarily to salary savings from regular position vacancies. Fire was under budget by $3.0 million largely due to higher than expected expense reimbursements from natural disasters and overtime from inspections and permitting done outside of normal business hours. Development Services was $5.9 million under budget due primarily to salary savings from vacancies and lower contractual expenses as a result of the cancelation of CodeNEXT, the City's land development code rewrite project. The total budget-basis fund balance at year-end was $206.2 million.

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2018, total $11.2 billion (net of accumulated depreciation and amortization). Capital assets include buildings and improvements, equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land, construction in progress, and plant held for future use. The total increase in the City's capital assets for the current fiscal year was $328 million, with an increase of 2.7% for governmental activities and an increase of 3.1% for business-type activities. Additional information on capital assets can be found in Note 5. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation and Amortization (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Building and improvements	$ 657	651	1,978	1,916	2,635	2,567
Plant and equipment	75	65	2,377	2,348	2,452	2,413
Vehicles	54	52	74	76	128	128
Electric plant	--	--	2,124	2,198	2,124	2,198
Non-electric plant	--	--	147	141	147	141
Nuclear fuel	--	--	48	43	48	43
Water rights	--	--	81	82	81	82
Infrastructure	1,739	1,658	--	--	1,739	1,658
Land and improvements	383	379	694	676	1,077	1,055
Construction in progress	92	116	607	402	699	518
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	29	28	4	4	33	32
Total net capital assets	$ 3,029	2,949	8,157	7,909	11,186	10,858

Major capital asset events during the current fiscal year include the following:

- Governmental capital assets increased $79.8 million primarily due to additions of new facilities and improvements to existing facilities. Significant additions and improvements were also made including acquisitions of parkland, upgrades to information technology equipment, pedestrian facility improvements, and street reconstructions across the City. The construction of the Waller Creek Tunnel Inlet Facility was completed during the fiscal year.

- Business-type activities purchased, constructed or received capital asset contributions of $248.3 million. Asset additions included continued work on the airport terminal and apron expansion projects. Additionally, the Drainage fund continued to acquire properties at risk of flooding along Onion Creek.

OTHER INFORMATION, continued

c -- Debt administration

At the end of the current fiscal year, the City reported $6.5 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 6.

Outstanding Debt
General Obligation and Revenue Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
General obligation bonds and other tax supported debt, net	$ 1,457	1,436	102	116	1,559	1,552
Commercial paper notes, net	--	--	254	146	254	146
Revenue bonds, net	--	--	4,702	4,881	4,702	4,881
Capital lease obligations	10	--	1	1	11	1
Total	$ 1,467	1,436	5,059	5,144	6,526	6,580

During fiscal year 2018, the City's total outstanding debt decreased by $53.6 million. The City issued new debt, used cash to defease debt, and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Bond debt for governmental activities increased by $20.9 million. The resulting net increase is a combination of the issuance of $123.3 million in new debt to be used primarily for facility improvements, streets and mobility, watershed home buyouts, central library, parks and recreation, capital equipment, and affordable housing, offset by debt payments during the year.

- Outstanding debt for business-type functions decreased by $84.4 million. The City issued $45.2 million in Water and Wastewater System revenue bonds, which was offset by debt payments during the year and the cash defeasance of $61.2 million in Water and Wastewater separate lien revenue bonds.

OTHER INFORMATION, continued

During the year, the City's commercial paper notes, tax exempt and taxable, received favorable rating upgrades from Standard & Poor's and Fitch Ratings, Inc. from A-1 to A-1+ and F1 to F1+, respectively. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2018 and 2017 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch Ratings, Inc.	
	2018	2017	2018	2017	2018	2017
General obligation bonds and other tax supported debt	Aaa	Aaa	AAA	AAA	AAA	AAA
Commercial paper notes - tax exempt	P-1	P-1	A-1+	A-1	F1+	F1
Commercial paper notes - taxable	P-1	P-1	A-1+	A-1	F1+	F1
Utility revenue bonds - prior lien	Aa1	Aa1	AA+	AA+	AA	AA
Utility revenue bonds - subordinate lien	Aa2	Aa2	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	Aa3	Aa3	AA	AA	AA-	AA-
Austin Water Utility	Aa2	Aa2	AA	AA	AA-	AA-
Airport system revenue bonds	A1	A1	A	A	NUR (1)	NUR (1)
Convention Center revenue bonds	Aa3	Aa3	AA	AA	NUR (1)	NUR (1)
Convention Center revenue bonds - subordinate	A1	A1	A+	A+	NUR (1)	NUR (1)

(1) No underlying rating

d -- Economic factors and next year's budget and rates

Austin's diverse economic base and national reputation as a great place to work and live continues to attract new employers and talented individuals to the area. The Austin metro area is the 8th fastest growing metro in the US for its size. Over the past 10 years, Austin's population has increased by approximately 25.1% or nearly 200,000 residents, with projections of the City surpassing the 1 million mark by the year 2020. Both the Austin and the Texas economies continue to expand at rates above the national economy. Job growth in the Austin MSA was ranked fourth along with several other cities when comparing activity in the top 50 metro areas per the US Bureau of Labor statistics. Austin added more than 36,800 net new jobs in 2018. The unemployment rate for the Austin-Round Rock MSA maintained a low of 2.7%, while the state unemployment rate fell to 3.7% in 2018; the national unemployment rate was 3.9%.

The City's primary economic drivers which in the past have included the technology industry, business startups and growth of entrepreneurial business, and tourism, continue to diversify with the opening of the Army Futures Command (AFC) in downtown. This reorganization of the Army, the biggest since 1973, and the first not located on a military base, is anticipated to innovate the service and make it more nimble and efficient, bringing along with it a sizeable annual budget and desire to engage with the growing local tech sector. All of these factors are expected to continue to generate job growth. All sectors of the real estate market continue to perform well. The Austin residential market experienced an increase in sales of 3.3% in 2018 over 2017, with housing in the downtown area growing in popularity. In 2018, sales tax revenue increased 6.2% over the previous year, compared to a 2.9% increase in 2017 and a 4.2% increase in 2016, an indicator that the local economy continues to exhibit steady growth. In 2019, the rate of growth in sales tax collections is expected to be 3.5%. Overall, the Austin economy is expected to continue to grow at a steady pace barring any events at the national or international level that would have an adverse impact.

OTHER INFORMATION, continued

The City's fiscal year 2019 budget was developed in a manner true to City Management's unwavering commitment to openness, transparency, and public engagement; a process that has been refined over time and centered this year on heightened levels of collaboration between the community, city staff, management, and the City Council. The overriding goal of the 2019 budget process was to align department budgets to Council's priorities with particular focus on the Council's six strategic outcomes for the City: Mobility, Economic Opportunity and Affordability, Safety, Health, Cultural and Learning Opportunities, and Government that Works. Each year during the budget process, the Austin City Council adopts a comprehensive set of financial policies that provide the foundation for long-range financial sustainability. These financial policies are directly aligned with the Council's underlying goals of budget stability, maintaining affordability, investing in future economic development, infrastructure needs, and quality of life. These policies are also crucial in maintaining the City's favorable bond ratings; the City had a ratings upgrade for commercial paper instruments in 2018. City management continues to monitor the economy and take corrective actions when necessary to help mitigate any unfavorable economic events.

The taxable property values within the City increased by 9.7% in 2018 for fiscal year 2019. The property tax rate for fiscal year 2019 is 44.03 cents per $100 valuation, down from 44.48 cents per $100 valuation in 2018. The tax rate consists of 33.08 cents for the General Fund and 10.95 cents for debt service. Each 1 cent of the 2018 (fiscal year 2019) property tax rate is equivalent to $15,177,490 of tax levy, as compared to $13,841,865 in the previous year. Austin Energy's 2018 base rates remain unchanged from the prior fiscal year. For the past several years, Austin Water Utility has been working to strengthen its financial position and reduce the need for annual rate increases; consequently, the utility submitted its fiscal year 2019 budget with a slight rate decrease.

e -- Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Controller's Office of the City of Austin, P.O. Box 2920, Austin, Texas 78768, or (512) 974-2600 or on the web at: https://www.austintexas.gov.

BASIC FINANCIAL STATEMENTS

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	61	63	124	5,955
Pooled investments and cash	582,458	1,072,584	1,655,042	--
Pooled investments and cash - restricted	--	123,333	123,333	--
Total pooled investments and cash	582,458	1,195,917	1,778,375	--
Investments - restricted	28,533	136,317	164,850	--
Cash held by trustee	--	1,601	1,601	--
Cash held by trustee - restricted	9,152	1,144	10,296	--
Working capital advances	--	2,225	2,225	--
Property taxes receivable, net of allowance $5,711	12,017	--	12,017	--
Accounts receivable, net of allowance $328,639	107,502	224,532	332,034	3,392
Receivables from other governments	17,409	91	17,500	--
Receivables from other governments - restricted	--	8,421	8,421	--
Notes receivable, net of allowance of $17,669	26,666	--	26,666	--
Internal balances	(62,654)	62,654	--	--
Inventories, at cost	2,998	74,152	77,150	196
Real property held for resale	5,836	--	5,836	--
Regulatory assets, net of accumulated amortization	--	29,552	29,552	--
Prepaid expenses	4,213	24,004	28,217	860
Other receivables - restricted	--	4,370	4,370	--
Other assets	3,867	10,142	14,009	--
Total current assets	738,058	1,775,185	2,513,243	10,403
Noncurrent assets:				
Cash - restricted	--	4,920	4,920	2,090
Pooled investments and cash - restricted	167,701	638,690	806,391	--
Investments - restricted	--	341,645	341,645	56,298
Investments held by trustee - restricted	1,868	228,367	230,235	20,788
Cash held by trustee - restricted	1,853	--	1,853	--
Interest receivable - restricted	--	410	410	--
Depreciable capital assets, net	2,524,708	6,829,037	9,353,745	183,421
Nondepreciable capital assets	504,177	1,328,267	1,832,444	13,508
Derivative instruments - energy risk management	--	50	50	--
Regulatory assets, net of accumulated amortization	--	1,020,958	1,020,958	--
Other receivables - restricted	--	7,696	7,696	--
Other long-term assets	1,309	20,339	21,648	--
Total noncurrent assets	3,201,616	10,420,379	13,621,995	276,105
Total assets	3,939,674	12,195,564	16,135,238	286,508
DEFERRED OUTFLOWS OF RESOURCES	419,521	361,090	780,611	15,605

(†) After internal receivables and payables have been eliminated.

(Continued)

The accompanying notes are an integral part of the financial statements.

(In thousands) (Continued)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	44,343	95,774	140,117	5,525
Accounts and retainage payable from restricted assets	22,878	65,452	88,330	--
Accrued payroll	33,603	19,535	53,138	317
Accrued compensated absences	65,263	26,939	92,202	--
Claims payable	23,655	205	23,860	--
Due to other governments	13	3,469	3,482	--
Accrued interest payable from restricted assets	8	95,651	95,659	5,246
Interest payable on other debt	8,693	1,153	9,846	--
Bonds payable	61,130	13,733	74,863	3,450
Bonds payable from restricted assets	28,725	110,970	139,695	--
Other postemployment benefits liability	33,071	20,005	53,076	--
Capital lease obligations payable	2,115	56	2,171	--
Customer and escrow deposits payable from restricted assets	76,584	47,154	123,738	--
Accrued landfill closure and postclosure costs	--	2,591	2,591	--
Decommissioning liability payable from restricted assets	--	3,753	3,753	--
Other liabilities	19,403	4,900	24,303	5,847
Other liabilities payable from restricted assets	--	905	905	--
Total current liabilities	419,484	512,245	931,729	20,385
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	82,074	714	82,788	--
Claims payable	24,319	217	24,536	--
Capital appreciation bond interest payable	--	2,722	2,722	--
Commercial paper notes payable, net of discount	--	254,767	254,767	--
Bonds payable, net of discount and inclusive of premium	1,367,110	4,679,015	6,046,125	267,119
Net pension liability	1,067,452	585,052	1,652,504	--
Other postemployment benefits liability	1,540,192	931,629	2,471,821	--
Capital lease obligations payable	7,765	878	8,643	--
Accrued landfill closure and postclosure costs	--	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	201,617	201,617	--
Derivative instruments - energy risk management	--	7,796	7,796	--
Derivative instruments - interest rate swaps	--	27,723	27,723	--
Other liabilities	17,329	33,041	50,370	--
Other liabilities payable from restricted assets	--	2,811	2,811	--
Total noncurrent liabilities	4,106,241	6,737,881	10,844,122	267,119
Total liabilities	4,525,725	7,250,126	11,775,851	287,504
DEFERRED INFLOWS OF RESOURCES	86,679	1,347,043	1,433,722	1,120
NET POSITION				
Net investment in capital assets	1,735,481	2,375,219	4,110,700	(11,273)
Restricted for:				
Bond reserve	--	39,469	39,469	--
Capital projects	40,454	275,910	316,364	741
Debt service	20,033	57,507	77,540	26,598
Housing activities	29,436	--	29,436	--
Operating reserve	--	66,020	66,020	--
Passenger facility charges	--	110,452	110,452	--
Perpetual care:				
Expendable	1	--	1	--
Nonexpendable	1,070	--	1,070	--
Renewal and replacement	--	53,339	53,339	--
Strategic reserve	--	192,352	192,352	--
Tourism	22,649	--	22,649	--
Other purposes	32,853	--	32,853	--
Unrestricted (deficit)	(2,135,186)	789,217	(1,345,969)	(2,577)
Total net position	(253,209)	3,959,485	3,706,276	13,489

(†) After internal receivables and payables have been eliminated.

The accompanying notes are an integral part of the financial statements.

Statement of Activities
For the year ended September 30, 2018
(In thousands)

City of Austin, Texas
Exhibit A-2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Governmental activities								
General government	$ 200,125	27,276	1,595	15,655	(155,599)	--	(155,599)	--
Public safety	704,566	57,950	9,364	--	(637,252)	--	(637,252)	--
Transportation, planning, and sustainability	72,240	1,503	70	81,495	10,828	--	10,828	--
Public health	117,578	8,109	21,553	80	(87,836)	--	(87,836)	--
Public recreation and culture	173,333	12,401	1,804	10,635	(148,493)	--	(148,493)	--
Urban growth management	176,453	66,161	8,103	--	(102,189)	--	(102,189)	--
Interest on debt	65,147	--	--	--	(65,147)	--	(65,147)	--
Total governmental activities	1,509,442	173,400	42,489	107,865	(1,185,688)	--	(1,185,688)	--
Business-type activities								
Electric	1,268,610	1,400,523	104	34,986	--	167,003	167,003	--
Water	312,276	304,182	--	46,907	--	38,813	38,813	--
Wastewater	286,736	270,884	--	26,985	--	11,133	11,133	--
Airport	184,084	197,426	616	7,593	--	21,551	21,551	--
Convention	80,990	33,752	--	--	--	(47,238)	(47,238)	--
Environmental and health services	111,184	115,499	92	177	--	4,584	4,584	--
Public recreation	9,009	7,278	--	230	--	(1,501)	(1,501)	--
Urban growth management	196,817	214,244	64	5,518	--	23,009	23,009	--
Total business-type activities	2,449,706	2,543,788	876	122,396	--	217,354	217,354	--
Total primary government	$ 3,959,148	2,717,188	43,365	230,261	(1,185,688)	217,354	(968,334)	--
Component Units	92,066	97,298	--	1,124	--	--	--	6,356
General revenues:								
Property tax					616,745	--	616,745	--
Sales tax					232,319	--	232,319	--
Franchise fees and gross receipts tax					159,754	--	159,754	--
Interest and other					34,333	27,730	62,063	298
Transfers-internal activities					73,664	(73,664)	--	--
Total general revenues and transfers					1,116,815	(45,934)	1,070,881	298
Special item - gain on debt structure					--	--	--	32,729
Change in net position					(68,873)	171,420	102,547	39,383
Beginning net position, as restated (see Note 18)					(184,336)	3,788,065	3,603,729	(25,894)
Ending net position					$ (253,209)	3,959,485	3,706,276	13,489

The accompanying notes are an integral part of the financial statements.

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 51	--	51
Pooled investments and cash	213,964	353,362	567,326
Investments	--	28,533	28,533
Cash held by trustee - restricted	--	8,826	8,826
Investments held by trustee - restricted	--	1,868	1,868
Property taxes receivable, net of allowance	8,207	3,810	12,017
Accounts receivable, net of allowance	62,401	33,064	95,465
Receivables from other governments	1,076	15,315	16,391
Notes receivable, net of allowance	162	26,504	26,666
Due from other funds	--	11,128	11,128
Advances to other funds	--	8,683	8,683
Inventories, at cost	45	--	45
Real property held for resale	--	5,836	5,836
Prepaid items	2,019	--	2,019
Other assets	59	3,808	3,867
Total assets	287,984	500,737	788,721
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	25,361	25,207	50,568
Accrued payroll	26,553	548	27,101
Accrued compensated absences	137	--	137
Due to other funds	231	11,112	11,343
Due to other governments	10	--	10
Unearned revenue	--	3,320	3,320
Advances from other funds	441	8,204	8,645
Deposits and other liabilities	6,689	78,929	85,618
Total liabilities	59,422	127,320	186,742
DEFERRED INFLOWS OF RESOURCES	15,628	6,896	22,524
FUND BALANCES			
Nonspendable:			
Inventories and prepaid items	2,064	--	2,064
Permanent funds	--	1,070	1,070
Restricted	--	223,062	223,062
Committed	--	45,169	45,169
Assigned	37,561	108,333	145,894
Unassigned	173,309	(11,113)	162,196
Total fund balances	212,934	366,521	579,455
Total liabilities, deferred inflows of resources, and fund balances	$ 287,984	500,737	788,721

The accompanying notes are an integral part of the financial statements.

Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2018
(In thousands)

Total fund balances - Governmental funds		$ 579,455
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Governmental capital assets	4,817,505	
Less: accumulated depreciation	(1,860,540)	
		2,956,965
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.		
Other assets	1,309	
		1,309
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.		
Pensions	190,260	
Other postemployment benefits	210,083	
Loss on debt refundings	19,073	
		419,416
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Compensated absences	(137,776)	
Interest payable	(8,693)	
Bonds and other tax supported debt payable, net	(1,454,316)	
Net pension liability	(1,067,452)	
Other postemployment benefits	(1,573,263)	
Other liabilities	(21,604)	
		(4,263,104)
Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.		
Unavailable revenue		
Property taxes and interest	12,097	
Accounts and other taxes receivable	10,427	
Pensions	(73,937)	
Other postemployment benefits	(11,713)	
Deferred gain on service concession agreement	(1,028)	
		(64,154)
Internal service funds are used by management to charge the costs of capital project management, combined emergency communication center, employee benefits, fleet maintenance, information systems, liability reserve, support services, wireless communication, and workers' compensation to individual funds.		
Certain assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		116,904
Total net position - Governmental activities		$ (253,209)

The accompanying notes are an integral part of the financial statements.

For the year ended September 30, 2018
(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 457,789	158,635	616,424
Sales taxes	232,319	--	232,319
Franchise fees and other taxes	48,391	111,363	159,754
Fines, forfeitures and penalties	10,330	5,434	15,764
Licenses, permits and inspections	54,103	321	54,424
Charges for services/goods	61,705	22,610	84,315
Intergovernmental	--	65,632	65,632
Property owners' participation and contributions	--	16,355	16,355
Interest and other	21,389	12,865	34,254
Total revenues	886,026	393,215	1,279,241
EXPENDITURES			
Current:			
General government	135,161	2,850	138,011
Public safety	584,760	12,325	597,085
Transportation, planning, and sustainability	--	5,162	5,162
Public health	84,410	21,606	106,016
Public recreation and culture	120,120	14,455	134,575
Urban growth management	82,293	68,342	150,635
Debt service:			
Principal	--	99,572	99,572
Interest	--	64,674	64,674
Fees and commissions	--	27	27
Capital outlay-capital project funds	--	139,324	139,324
Total expenditures	1,006,744	428,337	1,435,081
Deficiency of revenues over expenditures	(120,718)	(35,122)	(155,840)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	118,216	118,216
Bond premiums	--	17,237	17,237
Transfers in	173,614	69,242	242,856
Transfers out	(11,776)	(143,679)	(155,455)
Total other financing sources (uses)	161,838	61,016	222,854
Net change in fund balances	41,120	25,894	67,014
Fund balances at beginning of year	171,814	340,627	512,441
Fund balances at end of year	$ 212,934	366,521	579,455

The accompanying notes are an integral part of the financial statements.

(In thousands)

Net change in fund balances - Governmental funds		$ 67,014
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay-capital project funds	139,324	
Capital outlay-other funds	9,716	
Depreciation expense	(126,239)	
Loss on disposal of capital assets	(523)	
Other asset adjustments	(24,572)	
		(2,294)
Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.		
Property taxes	321	
Charges for services	(408)	
Interest and other	(548)	
Capital asset contributions	75,993	
		75,358
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt	(118,216)	
Principal repayment on long-term debt	99,572	
Bond premiums	(17,237)	
		(35,881)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(7,740)	
Pensions	(79,849)	
Other postemployment benefits	(130,911)	
Interest and other	24,951	
		(193,549)
A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.		20,479
Change in net position - Governmental activities		$ (68,873)

The accompanying notes are an integral part of the financial statements.

Proprietary Funds
Statement of Net Position
September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
ASSETS			
Current assets:			
Cash	$ 22	5	3
Pooled investments and cash	454,016	190,509	12,038
Pooled investments and cash - restricted	31,035	59,975	17,341
Total pooled investments and cash	485,051	250,484	29,379
Investments - restricted	44,328	46,835	32,843
Cash held by trustee	--	1,601	--
Cash held by trustee - restricted	--	1,144	--
Working capital advances	2,225	--	--
Accounts receivable, net of allowance	137,033	62,229	3,982
Receivables from other governments	--	62	--
Receivables from other governments - restricted	5,765	--	1,976
Due from other funds	381	301	--
Inventories, at cost	66,838	2,214	1,931
Regulatory assets, net of accumulated amortization	3,323	26,229	--
Prepaid expenses	22,543	568	516
Other receivables - restricted	--	--	4,370
Other assets	9,058	--	1,084
Total current assets	776,567	391,672	76,084
Noncurrent assets:			
Cash - restricted	4,920	--	--
Pooled investments and cash - restricted	66,834	90,802	454,323
Advances to other funds	11,755	1,803	--
Advances to other funds - restricted	--	--	32
Investments - restricted	239,044	52,214	40,124
Investments held by trustee - restricted	220,578	7,789	--
Interest receivable - restricted	410	--	--
Depreciable capital assets, net	2,327,110	3,184,855	960,563
Nondepreciable capital assets	268,690	485,601	249,408
Derivative instruments - energy risk management	50	--	--
Regulatory assets, net of accumulated amortization	696,201	324,757	--
Other receivables - restricted	7,696	--	--
Other long-term assets	2,078	--	18,261
Total noncurrent assets	3,845,366	4,147,821	1,722,711
Total assets	4,621,933	4,539,493	1,798,795
DEFERRED OUTFLOWS OF RESOURCES	$ 109,392	115,262	41,918

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities		Governmental Activities-
	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS			
Current assets:			
Cash	33	63	10
Pooled investments and cash	416,021	1,072,584	177,405
Pooled investments and cash - restricted	14,982	123,333	--
Total pooled investments and cash	431,003	1,195,917	177,405
Investments - restricted	12,311	136,317	--
Cash held by trustee	--	1,601	--
Cash held by trustee - restricted	--	1,144	2,179
Working capital advances	--	2,225	--
Accounts receivable, net of allowance	21,288	224,532	12,037
Receivables from other governments	29	91	1,018
Receivables from other governments - restricted	680	8,421	--
Due from other funds	1,148	1,830	--
Inventories, at cost	3,169	74,152	2,953
Regulatory assets, net of accumulated amortization	--	29,552	--
Prepaid expenses	377	24,004	2,194
Other receivables - restricted	--	4,370	--
Other assets	--	10,142	--
Total current assets	470,038	1,714,361	197,796
Noncurrent assets:			
Cash - restricted	--	4,920	--
Pooled investments and cash - restricted	26,731	638,690	5,428
Advances to other funds	--	13,558	12
Advances to other funds - restricted	229	261	--
Investments - restricted	10,263	341,645	--
Investments held by trustee - restricted	--	228,367	--
Interest receivable - restricted	--	410	--
Depreciable capital assets, net	356,509	6,829,037	71,319
Nondepreciable capital assets	324,568	1,328,267	601
Derivative instruments - energy risk management	--	50	--
Regulatory assets, net of accumulated amortization	--	1,020,958	--
Other receivables - restricted	--	7,696	--
Other long-term assets	--	20,339	--
Total noncurrent assets	718,300	10,434,198	77,360
Total assets	1,188,338	12,148,559	275,156
DEFERRED OUTFLOWS OF RESOURCES	94,518	361,090	105

The accompanying notes are an integral part of the financial statements.

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 81,327	3,775	2,837
Accounts and retainage payable from restricted assets	11,115	16,509	33,402
Accrued payroll	7,852	4,033	1,542
Accrued compensated absences	11,067	5,579	2,355
Claims payable	64	141	--
Due to other funds	--	--	166
Due to other governments	3,464	--	5
Accrued interest payable from restricted assets	20,614	62,682	11,559
Interest payable on other debt	527	137	--
Bonds payable	--	--	20
Bonds payable from restricted assets	37,116	36,165	24,249
Other postemployment benefits liability	6,619	4,485	1,852
Capital lease obligations payable	56	--	--
Customer and escrow deposits payable from restricted assets	27,283	12,239	1,116
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	3,753	--	--
Other liabilities	975	2,229	1,685
Other liabilities payable from restricted assets	487	--	--
Total current liabilities	212,319	147,974	80,788
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	--	--	--
Claims payable	5	212	--
Advances from other funds	--	556	341
Advances from other funds payable from restricted assets	--	10,821	--
Capital appreciation bond interest payable	--	2,722	--
Commercial paper notes payable, net of discount	212,597	42,170	--
Bonds payable, net of discount and inclusive of premium	1,216,890	2,433,401	829,245
Net pension liability	240,493	127,015	43,715
Other postemployment benefits liability	308,236	208,869	86,267
Capital lease obligations payable	878	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	201,617	--	--
Derivative instruments - energy risk management	7,796	--	--
Derivative instruments - interest rate swaps	--	9,653	12,349
Other liabilities	33,041	--	--
Other liabilities payable from restricted assets	2,811	--	--
Total noncurrent liabilities	2,224,364	2,835,419	971,917
Total liabilities	2,436,683	2,983,393	1,052,705
DEFERRED INFLOWS OF RESOURCES	$ 389,490	760,948	185,891

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities: Nonmajor Enterprise Funds	Business-Type Activities: Total	Governmental Activities-Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	7,835	95,774	16,653
Accounts and retainage payable from restricted assets	4,426	65,452	--
Accrued payroll	6,108	19,535	6,502
Accrued compensated absences	7,938	26,939	9,052
Claims payable	--	205	23,655
Due to other funds	1,449	1,615	--
Due to other governments	--	3,469	3
Accrued interest payable from restricted assets	796	95,651	8
Interest payable on other debt	489	1,153	--
Bonds payable	13,713	13,733	355
Bonds payable from restricted assets	13,440	110,970	--
Other postemployment benefits liability	7,049	20,005	--
Capital lease obligations payable	--	56	2,115
Customer and escrow deposits payable from restricted assets	6,516	47,154	174
Accrued landfill closure and postclosure costs	2,591	2,591	--
Decommissioning liability payable from restricted assets	--	3,753	--
Other liabilities	11	4,900	2,600
Other liabilities payable from restricted assets	418	905	--
Total current liabilities	72,779	513,860	61,117
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	714	714	372
Claims payable	--	217	24,319
Advances from other funds	2,151	3,048	--
Advances from other funds payable from restricted assets	--	10,821	--
Capital appreciation bond interest payable	--	2,722	--
Commercial paper notes payable, net of discount	--	254,767	--
Bonds payable, net of discount and inclusive of premium	199,479	4,679,015	2,294
Net pension liability	173,829	585,052	--
Other postemployment benefits liability	328,257	931,629	--
Capital lease obligations payable	--	878	7,765
Accrued landfill closure and postclosure costs	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	201,617	--
Derivative instruments - energy risk management	--	7,796	--
Derivative instruments - interest rate swaps	5,721	27,723	--
Other liabilities	--	33,041	--
Other liabilities payable from restricted assets	--	2,811	--
Total noncurrent liabilities	720,050	6,751,750	34,750
Total liabilities	792,829	7,265,610	95,867
DEFERRED INFLOWS OF RESOURCES	10,714	1,347,043	1

The accompanying notes are an integral part of the financial statements. (Continued)

Proprietary Funds
Statement of Net Position
September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
NET POSITION			
Net investment in capital assets	$ 927,258	638,134	335,667
Restricted for:			
Bond reserve	13,297	15,573	3,330
Capital projects	25,089	20,976	205,237
Debt service	23,714	--	21,317
Operating reserve	--	45,089	16,225
Passenger facility charges	--	--	110,452
Renewal and replacement	42,458	--	10,000
Strategic reserve	192,352	--	--
Unrestricted	680,984	190,642	(100,111)
Total net position	$ 1,905,152	910,414	602,117
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	25,706	14,825	5,316
Total net position - Business-type activities	$ 1,930,858	925,239	607,433

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
NET POSITION			
Net investment in capital assets	474,160	2,375,219	59,391
Restricted for:			
Bond reserve	7,269	39,469	--
Capital projects	24,608	275,910	5,428
Debt service	12,476	57,507	--
Operating reserve	4,706	66,020	--
Passenger facility charges	--	110,452	--
Renewal and replacement	881	53,339	--
Strategic reserve	--	192,352	--
Unrestricted	(44,787)	726,728	114,574
Total net position	479,313	3,896,996	179,393
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	16,642	62,489	
Total net position - Business-type activities	495,955	3,959,485	

The accompanying notes are an integral part of the financial statements.

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
OPERATING REVENUES			
Utility services	$ 1,400,523	575,066	--
User fees and rentals	--	--	167,284
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,400,523	575,066	167,284
OPERATING EXPENSES			
Operating expenses before depreciation	1,122,290	273,522	118,126
Depreciation and amortization	165,645	124,678	33,723
Total operating expenses	1,287,935	398,200	151,849
Operating income (loss)	112,588	176,866	15,435
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	10,645	4,994	7,542
Interest on revenue bonds and other debt	(58,845)	(95,722)	(33,318)
Passenger facility charges	--	--	30,142
Loss on in-substance defeasance	--	(1,180)	--
Cost (recovered) to be recovered in future years	81,602	(109,039)	--
Other nonoperating revenue (expense)	(10,386)	1,588	(375)
Total nonoperating revenues (expenses)	23,016	(199,359)	3,991
Income (loss) before contributions and transfers	135,604	(22,493)	19,426
Capital contributions	34,986	73,892	7,593
Transfers in	2,879	65	--
Transfers out	(115,885)	(51,857)	(182)
Change in net position	57,584	(393)	26,837
Beginning net position, as restated (see Note 18)	1,847,568	910,807	575,280
Ending net position	$ 1,905,152	910,414	602,117
Reconciliation to government-wide Statement of Activities			
Change in net position	57,584	(393)	26,837
Adjustment to consolidate internal service activities	5,568	3,268	1,261
Change in net position - Business-type activities	$ 63,152	2,875	28,098

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities Nonmajor Enterprise Funds	Business-Type Activities Total	Governmental Activities- Internal Service Funds
OPERATING REVENUES			
Utility services	--	1,975,589	--
User fees and rentals	370,773	538,057	--
Billings to departments	--	--	455,708
Employee contributions	--	--	44,372
Operating revenues from other governments	--	--	5,337
Other operating revenues	--	--	13,968
Total operating revenues	370,773	2,513,646	519,385
OPERATING EXPENSES			
Operating expenses before depreciation	366,234	1,880,172	465,623
Depreciation and amortization	29,137	353,183	9,888
Total operating expenses	395,371	2,233,355	475,511
Operating income (loss)	(24,598)	280,291	43,874
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	4,549	27,730	79
Interest on revenue bonds and other debt	(6,737)	(194,622)	(3)
Passenger facility charges	--	30,142	--
Loss on in-substance defeasance	--	(1,180)	--
Cost (recovered) to be recovered in future years	--	(27,437)	--
Other nonoperating revenue (expense)	(4,886)	(14,059)	(950)
Total nonoperating revenues (expenses)	(7,074)	(179,426)	(874)
Income (loss) before contributions and transfers	(31,672)	100,865	43,000
Capital contributions	5,925	122,396	13,039
Transfers in	103,887	106,831	2,407
Transfers out	(6,593)	(174,517)	(22,122)
Change in net position	71,547	155,575	36,324
Beginning net position, as restated (see Note 18)	407,766	3,741,421	143,069
Ending net position	479,313	3,896,996	179,393
Reconciliation to government-wide Statement of Activities			
Change in net position	71,547	155,575	
Adjustment to consolidate internal service activities	5,748	15,845	
Change in net position - Business-type activities	77,295	171,420	

The accompanying notes are an integral part of the financial statements.

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,398,861	575,435	166,712
Cash received from other funds	30,050	8,663	--
Cash payments to suppliers for goods and services	(746,577)	(64,750)	(37,399)
Cash payments to other funds	(53,346)	(75,250)	(27,874)
Cash payments to employees for services	(209,794)	(112,203)	(42,352)
Cash payments to claimants/beneficiaries	(293)	(238)	(1)
Taxes collected and remitted to other governments	(42,659)	--	--
Net cash provided by operating activities	376,242	331,657	59,086
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	2,876	53	--
Transfers out	(115,873)	(51,847)	(182)
Collections from other sources	--	929	--
Loan repayments to other funds	--	(123)	(179)
Loan repayments from other funds	470	301	20
Collections from other governments	1,423	1,725	(453)
Net cash provided (used) by noncapital financing activities	(111,104)	(48,962)	(794)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	66,502	42,170	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	--	--
Proceeds from the sale of revenue bonds	--	45,175	--
Principal paid on long-term debt	(35,787)	(60,962)	(23,765)
Proceeds from the sale of capital assets	1,362	--	--
Interest paid on revenue bonds and other debt	(61,161)	(153,419)	(36,702)
Passenger facility charges	--	--	29,494
Acquisition and construction of capital assets	(162,072)	(133,028)	(222,152)
Contributions from state and federal governments	--	128	7,593
Contributions in aid of construction	34,986	30,674	--
Bond issuance costs	(118)	(143)	--
Bond premiums	--	--	--
Cash paid for bond defeasance	--	(63,407)	--
Cash paid for nuclear fuel inventory	(24,084)	--	--
Net cash provided (used) by capital and related financing activities	$ (180,372)	(292,812)	(245,532)

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	365,762	2,506,770	62,903
Cash received from other funds	3,735	42,448	455,708
Cash payments to suppliers for goods and services	(86,144)	(934,870)	(102,535)
Cash payments to other funds	(66,196)	(222,666)	(24,757)
Cash payments to employees for services	(169,980)	(534,329)	(176,479)
Cash payments to claimants/beneficiaries	--	(532)	(167,890)
Taxes collected and remitted to other governments	--	(42,659)	--
Net cash provided by operating activities	47,177	814,162	46,950
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	103,624	106,553	2,370
Transfers out	(6,508)	(174,410)	(21,915)
Collections from other sources	--	929	--
Loan repayments to other funds	(1,279)	(1,581)	--
Loan repayments from other funds	635	1,426	--
Collections from other governments	671	3,366	--
Net cash provided (used) by noncapital financing activities	97,143	(63,717)	(19,545)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	108,672	--
Proceeds from the sale of general obligation bonds and other tax supported debt	5,075	5,075	--
Proceeds from the sale of revenue bonds	--	45,175	--
Principal paid on long-term debt	(27,917)	(148,431)	(374)
Proceeds from the sale of capital assets	--	1,362	--
Interest paid on revenue bonds and other debt	(8,597)	(259,879)	(129)
Passenger facility charges	--	29,494	--
Acquisition and construction of capital assets	(35,594)	(552,846)	(1,300)
Contributions from state and federal governments	177	7,898	--
Contributions in aid of construction	3,286	68,946	--
Bond issuance costs	(43)	(304)	--
Bond premiums	429	429	--
Cash paid for bond defeasance	--	(63,407)	--
Cash paid for nuclear fuel inventory	--	(24,084)	--
Net cash provided (used) by capital and related financing activities	(63,184)	(781,900)	(1,803)

The accompanying notes are an integral part of the financial statements.

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	$ (196,635)	(258,794)	(62,111)
Proceeds from sale and maturities of investment securities	161,868	273,752	61,840
Interest on investments	5,407	4,994	6,930
Net cash provided (used) by investing activities	(29,360)	19,952	6,659
Net increase (decrease) in cash and cash equivalents	55,406	9,835	(180,581)
Cash and cash equivalents, beginning	501,421	334,201	664,286
Cash and cash equivalents, ending	556,827	344,036	483,705
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	112,588	176,866	15,435
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	165,645	124,678	33,723
Change in assets and liabilities:			
Decrease in working capital advances	1,434	--	--
(Increase) decrease in accounts receivable	(12,896)	8,724	4,588
Increase (decrease) in allowance for doubtful accounts	1,468	(100)	61
Decrease in receivables from other governments	--	--	--
(Increase) decrease in inventory	9,923	(277)	(96)
(Increase) decrease in prepaid expenses and other assets	(900)	(526)	(430)
Increase in advances to other funds	--	--	--
Decrease in other long-term assets	17,630	--	1,140
(Increase) decrease in deferred outflows	(6,845)	(9,554)	(11,359)
Increase (decrease) in accounts payable	(1,335)	95	740
Increase in accrued payroll and compensated absences	1,026	168	342
Decrease in claims payable	(2,001)	(209)	--
Decrease in net pension liability	(32,959)	(19,075)	(2,527)
Increase in other postemployment benefits liability	63,630	42,238	21,325
Increase (decrease) in other liabilities	32,704	(1,468)	(137)
Decrease in customer deposits	(2,958)	(2,244)	(235)
Increase (decrease) in deferred inflows	30,088	12,341	(3,484)
Total adjustments	263,654	154,791	43,651
Net cash provided by operating activities	$ 376,242	331,657	59,086

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(19,565)	(537,105)	--
Proceeds from sale and maturities of investment securities	21,459	518,919	--
Interest on investments	4,549	21,880	79
Net cash provided (used) by investing activities	6,443	3,694	79
Net increase (decrease) in cash and cash equivalents	87,579	(27,761)	25,681
Cash and cash equivalents, beginning	370,188	1,870,096	159,341
Cash and cash equivalents, ending	457,767	1,842,335	185,022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(24,598)	280,291	43,874
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	29,137	353,183	9,888
Change in assets and liabilities:			
Decrease in working capital advances	--	1,434	--
(Increase) decrease in accounts receivable	(1,525)	(1,109)	(1,837)
Increase (decrease) in allowance for doubtful accounts	292	1,721	--
Decrease in receivables from other governments	--	--	1,069
(Increase) decrease in inventory	(650)	8,900	(657)
(Increase) decrease in prepaid expenses and other assets	(210)	(2,066)	(1,739)
Increase in advances to other funds	--	--	(5)
Decrease in other long-term assets	--	18,770	--
(Increase) decrease in deferred outflows	(29,833)	(57,591)	2
Increase (decrease) in accounts payable	3,147	2,647	(1,555)
Increase in accrued payroll and compensated absences	1,237	2,773	686
Decrease in claims payable	--	(2,210)	(1,122)
Decrease in net pension liability	(16,953)	(71,514)	--
Increase in other postemployment benefits liability	77,428	204,621	--
Increase (decrease) in other liabilities	(758)	30,341	(70)
Decrease in customer deposits	(43)	(5,480)	(1,584)
Increase (decrease) in deferred inflows	10,506	49,451	--
Total adjustments	71,775	533,871	3,076
Net cash provided by operating activities	47,177	814,162	46,950

The accompanying notes are an integral part of the financial statements.

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	$ (30)	(4,665)	--
Capital assets contributed from other funds	--	79	--
Capital assets contributed to other funds	(1,491)	(352)	(814)
Capital assets acquired through service concession arrangements	--	--	213
Contributed facilities	--	43,011	--
Increase in the fair value of investments	(4,051)	--	--
Amortization of bond (discounts) premiums	7,092	20,320	4,140
Amortization of deferred gain (loss) on refundings	(4,582)	(5,908)	(875)
Gain (loss) on disposal of assets	(4,533)	(755)	(216)
Costs (recovered) to be recovered	81,605	(109,039)	--
Transfers from other funds	3	12	--
Transfers to other funds	(12)	(10)	--
Assets acquired through capital lease	--	--	--

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	--	(4,695)	--
Capital assets contributed from other funds	2,462	2,541	8,661
Capital assets contributed to other funds	(5,271)	(7,928)	--
Capital assets acquired through service concession arrangements	--	213	--
Contributed facilities	--	43,011	--
Increase in the fair value of investments	--	(4,051)	--
Amortization of bond (discounts) premiums	2,304	33,856	123
Amortization of deferred gain (loss) on refundings	(602)	(11,967)	(13)
Gain (loss) on disposal of assets	(234)	(5,738)	(913)
Costs (recovered) to be recovered	--	(27,434)	--
Transfers from other funds	263	278	37
Transfers to other funds	(85)	(107)	(207)
Assets acquired through capital lease	--	--	9,880

The accompanying notes are an integral part of the financial statements.

(In thousands)

	Private-purpose Trust	Agency
ASSETS		
Pooled investments and cash	$ 2,213	1,556
Investments held by trustee	--	3,101
Other assets	121	--
Total assets	2,334	4,657
LIABILITIES		
Accounts payable	42	--
Due to other governments	--	961
Deposits and other liabilities	1,548	3,696
Total liabilities	1,590	4,657
NET POSITION		
Held in trust	744	
Total net position	$ 744	

The accompanying notes are an integral part of the financial statements.

	Private-Purpose Trust
ADDITIONS	
Contributions	$ 2,251
Interest and other	29
Total additions	2,280
DEDUCTIONS	
Benefit payments	2,352
Total deductions	2,352
Change in net position	(72)
Beginning net position	816
Ending net position	$ 744

The accompanying notes are an integral part of the financial statements.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Austin, Texas (the City) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government. The City Council is composed of a Mayor who is elected at large and ten Councilmembers who are elected by geographic district, all of whom serve four-year staggered terms subject to a maximum of two consecutive terms. A petition signed by 5% of the registered voters waives the term limit for a member of the City Council.

The City's major activities or programs include general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management. In addition, the City owns and operates certain major enterprise activities including an electric utility, water and wastewater utility, airport, and non-major enterprise activities including convention, environmental and health services, public recreation, and urban growth management activities. These activities are included in the accompanying financial statements.

The City of Austin's charter requires an annual audit by an independent certified public accountant. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 82, No. 85 through No. 86, and No. 89. In fiscal year 2018, the City implemented the following GASB Statements:

GASB Statement	Impact
75 – "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	GASB Statement No. 75 replaces GASB Statement No. 45 and requires governments offering postemployment benefits other than pensions to record as a liability in the current period for total future postemployment benefit obligations for existing employees and retirees in excess of plan assets. In addition, it identifies accepted actuarial methods and assumptions, allows deferral of certain pension expense items, expands financial statement note disclosures, and changes disclosure of required supplementary information. See Note 8. Implementation required restatement of beginning net position. See Note 18.
81 – "Irrevocable Split-Interest Agreements"	This statement provides recognition and measurement guidance for situations in which a government is a beneficiary of a split interest agreement. The implementation of this standard had no impact on amounts reported in the financial statements.
85 – "Omnibus 2017"	This statement will improve consistency in the accounting and reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implementation of this standard had no impact on the statements. The only portion applicable was fair value measurement and application, and the City was already following requirements listed in the standard.
86 – "Certain Debt Extinguishment Issues"	This statement establishes accounting and financial reporting guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt in the future. The standard requires a restatement of the beginning net position; however, prior amounts were determined to be immaterial and the City did not restate as a result of this implementation.
89 – "Accounting for Interest Cost Incurred before the End of a Construction Period"	This statement establishes the requirements for interest costs incurred before the end of construction period. As a result of the statement interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this standard are to be applied prospectively. No restatement was necessary.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The more significant accounting and reporting policies and practices used by the City are described below.

As a local government, the City is not subject to federal income taxes, under the Internal Revenue Code Section 115. Furthermore, it is not subject to state sales tax.

a -- Reporting Entity

These financial statements present the City's primary government, its component units, and other entities for which the City is considered financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations; therefore, data from these units are combined with data of the City. Discrete component units are legally separate entities that are not considered part of the City's operations; therefore, data from these units are shown separately from data of the City.

Blended Component Units – Following are the City's blended component units.

Blended Component Units	*Brief Description of Activities, Relationship to City, and Key Inclusion Criteria*
The Austin Housing Finance Corporation (AHFC)	AHFC was created in 1979 as a public, nonprofit corporation and instrumentality of the City under the provisions of the Texas Housing Finance Corporation Act, Chapter 394, and Local Government Code. The mission of the AHFC is to generate and implement strategic housing solutions for the benefit of low- and moderate- income residents of the City. AHFC is governed by a board composed of the City Council. In addition, City management has operational responsibilities for this component unit. Reporting Fund: Housing Assistance fund, a nonmajor special revenue fund
Urban Renewal Agency (URA)	URA was created by the City under Chapter 374 of the Texas Local Government Code. The Mayor, with consent of the City Council, appoints the board of commissioners for this agency, whose primary responsibility is to oversee the implementation and compliance of urban renewal plans adopted by the City Council. An urban renewal plan's primary purpose is to eliminate slum and blighting influence within a designated area of the city. City Council maintains the ability to impose its will on the organization. URA exclusively receives financial support/benefits from its relationship with the City. Reporting Fund: Urban Renewal Agency fund, a nonmajor special revenue fund
Austin Industrial Development Corporation (AIDC)	AIDC was created under the Texas Development Corporation Act of 1979 to provide a means of extending tax-exempt financing to projects that are deemed to have substantial social benefit through the creation of commercial, industrial, and manufacturing enterprises, in order to promote and encourage employment in the City. City Council acts as the board of directors of the corporation. In addition, City management has operational responsibilities for this component unit. Reporting Fund: Austin Industrial Development Corporation fund, a nonmajor special revenue fund
Mueller Local Government Corporation (MLGC)	MLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. MLGC was created for the purpose of financing infrastructure projects required for the development of the former site of Mueller Airport. City Council acts as the board of directors of the corporation. Members of the City staff serve as officers of the corporation and have operational responsibilities for this component unit. Reporting Fund: Mueller Local Government Corporation, a nonmajor special revenue fund

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
a -- Reporting Entity, continued

Blended Component Units	*Brief Description of Activities, Relationship to City, and Key Inclusion Criteria*
Austin-Bergstrom International Airport (ABIA) Development Corporation	ABIA Development Corporation is governed by a board composed of the City Council. The entity has no day-to-day operations. Its existence relates only to the authorization for issuance of industrial revenue bonds or to other similar financing arrangements in accordance with the Texas Development Corporation Act of 1979. To date, none of the bonds issued constitute a liability of ABIA Development Corporation or the City. In addition, City management has operational responsibilities for this component unit. There is no financial activity to report related to this component unit.

Discretely Presented Component Units – Following are the City's discretely presented component units. Financial statements for these entities can be requested from the addresses located below.

Discretely Presented Component Units	*Description of Activities, Relationship to City, and Key Inclusion Criteria*
Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) 2716 Spirit of Texas Drive Austin, TX 78719	ABLE is a legally separate entity that issues revenue bonds for the purpose of financing the cost of acquiring, improving, and equipping a full-service hotel on airport property. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ABLE does not constitute a debt or pledge of the faith and credit of the City.
Austin Convention Enterprises, Inc. (ACE) 500 East 4th Street Austin, TX 78701	ACE is a legally separate entity that owns, operates, and finances the Austin Convention Center Hotel. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ACE does not constitute a debt or pledge of the faith and credit of the City.
Waller Creek Local Government Corporation (WCLGC) 124 W. 8th Street Austin, TX 78701	WCLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of WCLGC is implementing the financing, design, construction, maintenance and operation of certain public improvements located within or around the Waller Creek Redevelopment Project district. The WCLGC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City. There is no financial activity to report related to this component unit.
Austin/Travis County Sobriety Center Local Government Corporation (SCLGC) 700 Lavaca Street Austin, TX 78701	SCLGC is a non-profit local government corporation created by the City and Travis County under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of SCLGC is to operate a sobriety center located within the City of Austin and Travis County. The City Council and the County each appoint five members of the SCLGC board. The operations of the Sobriety Center are primarily funded by the City. The SCLGC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City.

Related Organizations -- The City Council appoints the voting majority of the board members, but the City has no significant financial accountability for the Austin Housing Authority. The Mayor appoints the persons to serve as commissioners of this organization; however, this entity is separate from the operating activities of the City.

The City of Austin retirement plans (described in Note 7) and the City of Austin Deferred Compensation Plan are not included in the City's reporting entity since the City does not exercise substantial control over these plans.

Related organizations are not included in the City's reporting entity.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
a -- Reporting Entity, continued

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all governmental and business-type activities of the primary government and its component units. Fiduciary activities are not included in the government-wide statements. Internal service fund asset, deferred outflow of resources, liability, and deferred inflow of resources balances that are not eliminated in the statement of net position are primarily reported in the governmental activities column on the government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers.

b -- Government-wide and Fund Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

The accounts of the City are organized on the basis of funds. The fund level statements focus on the governmental, proprietary, and fiduciary funds. Each fund was established to account for specific activities in accordance with applicable regulations, restrictions, or limitations. Major funds are determined by criteria specified by GAAP. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are aggregated into nonmajor governmental, nonmajor enterprise, or internal service fund groupings. A reconciliation of the fund financial statements to the government-wide statements is provided in the financial statements to explain the differences between the two different reporting approaches.

The City's fiduciary funds are presented in the fund financial statements by type (private-purpose and agency). By definition, fiduciary fund assets are held for the benefit of a third party and cannot be used to address activities or obligations of the primary government; therefore, they are not included in the government-wide statements.

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e. both measurable and available). Revenues, other than grants, are considered available when they are collectible within the current period or soon enough thereafter to liquidate liabilities of the current period (defined by the City as collected within 60 days of the end of the fiscal year). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed or when all eligibility requirements of the provider have been met, and they are considered to be available if expected to be collected within one year. Expenditures generally are recorded when incurred. However, expenditures related to compensated absences and arbitrage are recorded when payment is due. Debt service expenditures are recognized when payment is due. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, sales taxes, franchise taxes, hotel occupancy taxes, vehicle rental taxes, municipal court fines, development permits and inspections, building safety permits and inspections, public health charges, emergency medical service charges, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, to the extent they are considered available, have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available in the fiscal period the City receives cash.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental Funds: Consist of the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

The City reports the following major governmental fund:

General Fund: The primary operating fund of the City. It is used to account for all financial resources that are not required to be accounted for in another fund. It includes the following activities: general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management.

In addition, the City reports the following nonmajor governmental funds:

Special Revenue Funds: Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds: Account for and report financial resources, and the accumulation of those financial resources, that are restricted, committed, or assigned to expenditure for principal and interest of general long-term debt and HUD Section 108 loans.

Capital Projects Funds: Account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those reported within proprietary funds). It is primarily funded by general obligation debt, other tax supported debt, interest income, and other intergovernmental revenues. A 1981 ordinance requires the establishment of a separate fund for each bond proposition approved in each bond election.

Permanent Funds: Account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Proprietary Funds: Consist of enterprise funds and internal service funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing electric or water-wastewater services. Other revenues or expenses are nonoperating items.

Enterprise Funds: Account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

Austin Energy™: Accounts for the activities of the City-owned electric utility.
Austin Water Utility: Accounts for the activities of the City-owned water and wastewater utility.
Airport: Accounts for the operations of the Austin-Bergstrom International Airport.

The City reports the following nonmajor business-type activities in Exhibit A-2:

Convention: Accounts for convention center and public events activities.
Environmental and health services: Accounts for solid waste services activities.
Public recreation: Accounts for golf activities.
Urban growth management: Accounts for drainage and transportation activities.

Internal Service Funds: Account for the financing of goods or services provided by one City department or agency to other City departments or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, capital projects management, combined emergency center operations, employee health benefits, fleet services, information services, liability reserve (City-wide self-insurance) services, support services, wireless communication services, and workers' compensation coverage.

Agency Funds: Account for resources held by the City in a custodial capacity for permit fees; campaign financing donations and fees; Municipal Court service fees; debt service payments for special assessment debt; and escrow deposits and payments to loan recipients.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Fiduciary Funds: Account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governments:

Private-purpose Trust Funds: Account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. Private-purpose trust funds account for various purposes: general government; transportation, planning, and sustainability; public recreation and culture; and urban growth management.

d -- Budget

The City Manager is required by the City Charter to present a proposed operating and capital budget to the City Council no later than thirty days before the beginning of the new fiscal year. The final budget shall be adopted no later than the twenty-seventh day of the last month of the preceding fiscal year. During the final adoption process, the City Council passes an appropriation ordinance and a tax-levying ordinance.

Annual budgets are legally adopted for the General Fund, certain special revenue funds, and debt service funds. Annual budgets are also adopted for enterprise and internal service funds, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the projects, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment. Certain employee training and other fund-level expenditures are budgeted as general city responsibilities.

Formal budgetary control is employed during the year at the fund and department level as a management control device for annual budgeted funds.

Budgets are modified throughout the year. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council approves amendments to the budget and transfers of appropriations from one fund and department to another. The original and final budgets for the General Fund are reported in the required supplementary information. Unencumbered appropriations for annual budgets lapse at fiscal year end.

e -- Financial Statement Elements

Pooled Investments and Cash -- Cash balances of all City funds (except for certain funds shown in Note 3 as having non-pooled investments) are pooled and invested. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that carry a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments -- Certain investments are required to be reported at fair value. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments in U.S. government and agency debt securities at fair value and money market mutual funds at amortized cost. Investments in local government investment pools are carried at either net asset value (NAV) or at amortized cost.

Accounts Receivable -- Balances of accounts receivable, reported on the government-wide statement of net position, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2018 (in thousands):

Governmental activities	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Charges for Services	$ 305,438	428	12,037	317,903
Fines	17,857	--	--	17,857
Taxes	50,006	25,433	--	75,439
Other Governments	--	6,034	--	6,034
Other	171	2,708	--	2,879
Allowance for doubtful accounts	(311,071)	(1,539)	--	(312,610)
Total	$ 62,401	33,064	12,037	107,502

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Receivables reported in business-type activities are primarily comprised of charges for services.

Business-type activities		Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Total
Accounts Receivable	$	146,964	64,567	5,841	23,189	240,561
Allowance for doubtful accounts		(9,931)	(2,338)	(1,859)	(1,901)	(16,029)
Total	$	137,033	62,229	3,982	21,288	224,532

Elimination of Internal Activities -- The elimination of internal service fund activity is needed in order to eliminate duplicate activity in making the transition from the fund level financial statements to the government-wide financial statements. In addition, the elimination of internal service fund activity requires the City to "look back" and adjust the internal service funds' internal charges. A positive change in net position derived from internal service fund activity results in a pro-rata reduction in the charges made to the participatory funds. A deficit change in net position of internal service funds requires a pro-rata increase in the amounts charged to the participatory funds.

Internal Balances -- In the government-wide statement of net position, internal balances are the receivables and payables between the governmental and business-type activities.

Interfund Receivables and Payables -- During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivables or payables are not expected to be liquidated within one year, they are classified as "advances to other funds" or "advances from other funds".

Inventories -- Inventories are valued at cost, which is determined as follows:

Fund	Inventory Valuation Method
General Fund	First-in, first-out
Austin Energy	
Fuel oil – Distillate #2	Last-in, first-out
Other inventories	Average cost
All others	Average cost

Inventories for all funds are accounted for using the consumption method and expenditures are recorded when issued. Inventories reported in the General Fund are offset by an equal amount in nonspendable fund balance, which indicates that they do not represent "available spendable resources."

Restricted Assets -- Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Since Austin Energy and Austin Water Utility report in accordance with accounting for regulated operations, enabling legislation also includes restrictions on asset use established by its governing board which is the City Council. Restricted assets used to repay maturing debt and other current liabilities are classified as current.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

The balances of restricted assets in the enterprise funds are as follows (in thousands):

	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	$ 37,277	94,613	328,552	26,731	487,173
Customer and escrow deposits	27,283	14,886	1,116	6,214	49,499
Debt service	44,328	46,834	42,564	13,272	146,998
Federal grants	11,089	--	1,976	680	13,745
Operating reserve account	--	45,089	16,225	6,868	68,182
Passenger facility charge account	--	--	110,452	--	110,452
Plant decommissioning	238,742	--	--	--	238,742
Renewal and replacement account	42,458	--	10,000	1,168	53,626
Revenue bond reserve	27,081	57,337	40,124	10,263	134,805
Strategic reserve	192,352	--	--	--	192,352
Total	$ 620,610	258,759	551,009	65,196	1,495,574

Capital Assets -- Capital assets, which primarily include land and improvements, buildings and improvements, plant and equipment, vehicles, water rights, and infrastructure assets, are reported in the proprietary funds and the applicable governmental or business-type activity columns of the government-wide statement of net position; related depreciation or amortization is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of $5,000 or more and an estimated useful life of greater than one year. Assets purchased, internally generated, or constructed are capitalized at historical cost. Contributed or annexed capital assets are recorded at estimated fair value at the time received. Donated capital assets and assets received in service concession arrangements are reported at estimated acquisition value on the date of receipt. Capital outlay is recorded as an expenditure in the General Fund and other governmental funds and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred. Improvements and betterments that extend the useful lives of capital assets or increase their value are capitalized in the government-wide and proprietary statement of net position and expended in governmental funds.

The City obtains public domain capital assets (infrastructure) through capital improvement projects (CIP) construction or through annexation or developer contribution. Infrastructure assets include streets and roads, bridges, pedestrian facilities, drainage systems, and traffic signal systems acquired after September 30, 1980.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Capital assets, except for nuclear fuel, are depreciated or amortized using the straight-line method over the following estimated useful lives (in years):

		Business-type Activities			
Assets	Governmental Activities (1)	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise
Buildings and improvements	5-40	--	15-50	15-40	12-40
Plant and equipment	5-50	--	5-60	4-50	5-40
Vehicles	3-20	3-15	3-20	3-20	3-30
Electric plant	--	3-50	--	--	--
Non-electric plant	--	3-30	--	--	--
Communication equipment	7-15	--	7	7	7
Furniture and fixtures	12	--	12	12	12
Computers and EDP equipment	3-7	--	3-7	3-7	3-7
Nuclear fuel	--	(2)	--	--	--
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Includes internal service funds
(2) Nuclear fuel is amortized over units of production

Depreciation of assets is classified by functional component. The City considers land, arts and treasures, and library collections to be inexhaustible; therefore, these assets are reported as nondepreciable. The true value of arts and treasures is expected to be maintained over time and, thus, is not depreciated. The initial investment of library collections for each library is capitalized. All subsequent expenditures related to the maintenance of the collection (replacement of individual items) are expensed, with the overall value of the collection being maintained, and therefore, not depreciated.

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Water rights represent the amortized cost of a $100 million contract, net of accumulated amortization of $18.8 million, between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

Regulatory Assets -- In accordance with accounting for regulated operations, certain utility expenses that do not currently require funding are recorded as assets and amortized over future periods if they are intended to be recovered through future rates. These expenses include unrealized gain/loss on investments, debt issuance costs, pension, other postemployment benefits, interest, decommissioning, and pass-through rates, such as the Power Supply Adjustment charge, Community Benefit charge, and Regulatory charge. Regulatory Assets will be recovered in these future periods by setting rates sufficient to provide funds for the requirements. If regulatory assets are not recoverable in future rates, the regulatory asset will be subject to write off. Retail deregulation of electric rates in the future may affect the City's current accounting treatment of its electric utility revenues and expenses.

Deferred Outflows (Inflows) of Resources -- Deferred outflows of resources represent the consumption of net position that are applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent the acquisition of net position that have a negative effect on net position, similar to liabilities.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

The following chart reflects the activities included in deferred outflows and inflows (in thousands).

		Deferred Outflows		Deferred Inflows	
Activities	Category and explanation	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Derivative instruments	**Deferred outflows or inflows.** Derivative instruments are reported in the statement of net position at fair value. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred outflows or inflows in the statement of net position, as an offset to the related hedging derivative instrument.	$ --	35,519	--	50
Gain/loss on debt refundings	**Deferred outflows or inflows.** When debt is refunded, the associated gains (deferred inflows) or losses (deferred outflows) are recognized as deferred outflows or inflows of resources and amortized over future periods.	19,178	92,835	1	212
Regulated operations	**Deferred inflows.** In accordance with accounting for regulated operations, certain credits to income are held as deferred inflows of resources until the anticipated matched charge is incurred. These credits include unrealized gain/loss on investments, contributions, interest, decommissioning, and pass-through rates.	--	--	--	1,126,159
Service concession arrangements	**Deferred inflows**. The resources related to the service concession arrangements that will be recognized as revenue in future years over the terms of arrangements between the City and the operators are reported as deferred inflows of resources.	--	--	1,028	183,249
Pensions	**Deferred outflows or inflows.** Differences between estimated and actual investment earnings, changes in actuarial assumptions, differences between projected and actual actuarial experience, and changes in proportionate share (between funds), may be treated as either deferred outflows or inflows. Contributions made to the pension systems between the Plans' measurement date (December 31) and the City's fiscal year end (September 30) are recognized as deferred outflows.	190,260	93,953	73,937	37,373
Other postemployment benefits	**Deferred outflows or inflows.** Changes in actuarial assumptions, differences between projected and actual actuarial experience, and changes in proportionate share (between funds) may be treated as either deferred outflows or inflows. City benefit payments made between the measurement date (December 31) and the City's fiscal year end (September 30) are recognized as deferred outflows.	210,083	138,783	11,713	--
	Total	$ 419,521	361,090	86,679	1,347,043

The governmental funds' statements include amounts recognized as deferred inflows of resources as a result of property taxes, other taxes, and certain revenues ($22.5 million) that are not available to liquidate current liabilities in the funds. These amounts will be recognized in the period these amounts become available.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Compensated Absences -- The amounts owed to employees for unpaid vacation, exception vacation, and sick leave liabilities, including the City's share of employment-related taxes, are reported on the accrual basis of accounting in the government-wide statements and in the proprietary activities of the fund financials statements. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements; the estimated liability in governmental funds is the amount of unused vacation, exception vacation, and sick leave eligible for payout upon termination for employees that terminated by the fiscal year end.

Accumulated leave payouts are limited to the lower of actual accumulated hours or the hours listed below:

	Work-week	Non-Sworn Employees (1)	Sworn Police (2)	Sworn Fire (3)	Sworn EMS (4)
Vacation	0-40	240	240	240	240
	42	N/A	N/A	N/A	240
	48	N/A	N/A	N/A	240
	53	N/A	N/A	360	N/A
Exception vacation (5)	0-40	160	160	176	160
	42	160	N/A	N/A	160
	48	160	N/A	N/A	160
	53	N/A	N/A	264	N/A
Sick leave	0-40	720	900	720	1080
	42	N/A	N/A	N/A	1080
	48	N/A	N/A	N/A	1080
	53	N/A	N/A	1,080	N/A
Compensatory time (6)		120	120	120	120

(1) Non-sworn employees are eligible for accumulated sick leave payout if hired before October 1, 1986.
(2) Sworn police employees maximums reflect Local Government Code Ch 143.
(3) Sworn fire employees are eligible for accumulated sick leave payout regardless of hire date.
(4) Sworn EMS employees with 12 years of actual service are eligible for accumulated sick leave payout if certain criteria are met.
(5) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.
(6) Employees may earn compensatory time in lieu of paid overtime; maximum payout is 120 hours for all employees.

Other Postemployment Benefits (OPEB) -- The City provides certain health care benefits for its retired employees and their families as more fully described in Note 8. At September 30, 2018, the City's total OPEB liability for these retiree benefits was approximately $2.5 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

Long-Term Debt -- The debt service for general obligation bonds and other general obligation debt (including loans), issued to fund general government capital projects, is paid from tax revenues, interfund transfers, and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

The debt service for general obligation bonds and other general obligation debt issued to finance proprietary fund capital projects is normally paid from net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principles and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds issued to finance capital projects of certain enterprise funds are to be repaid from select revenues of these funds. Note 6 contains more information about pledged revenues by fund. The corresponding debt is recorded in the applicable fund.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

The City has certain contractual commitments with several municipal utility districts (MUDs) for the construction of additions and improvements to the City's water and wastewater system that serve the MUDs and surrounding areas. These additions and improvements are funded by other tax supported debt, whose principal and interest are payable primarily from the net revenues of Austin Water Utility.

For proprietary funds and for governmental activities in the government-wide financial statements, the City defers and amortizes gains and losses realized on refundings of debt and reports both the new debt as a liability and the related deferred loss (gain) amount as deferred outflows (or deferred inflows) of resources on the statement of net position. Austin Energy and Austin Water Utility recognize gains and losses on debt defeasance in accordance with accounting for regulated operations.

Other Long-Term Liabilities -- Capital appreciation bonds are recorded at net accreted value. Annual accretion of the bonds is recorded as interest expense during the life of the bonds. The cumulative accretion of capital appreciation bonds, net of principal and interest payments on the bonds, is recorded as capital appreciation bond interest payable.

Landfill Closure and Postclosure Care Costs -- Municipal solid waste landfill costs and the liability for landfill closure and postclosure costs are reported in Austin Resource Recovery, a nonmajor enterprise fund.

Operating Revenues -- Revenues are recorded net of allowances, including bad debt, in the government-wide and proprietary fund-level statements. The funds listed below report revenues net of bad debt expense, as follows (in thousands):

	Bad Debt Expense
Austin Energy	$ 4,505
Austin Water Utility	1,091
Airport	60
Nonmajor Enterprise	1,132

Electric, water, and wastewater revenue is recorded when earned. Customers' electric and water meters are read and bills rendered on a cycle basis by billing district. Electric rate schedules include a fuel cost adjustment clause that permits recovery of fuel costs in the month incurred or in future months. The City reports fuel costs on the same basis as it recognizes revenue. Unbilled revenue is recorded in Austin Energy by estimating the daily power generation and allocating by each billing district meter read dates as of September 30, 2018. The amount of unbilled revenue recorded, as of September 30, 2018, was $27.8 million. Austin Water Utility records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2018. The amount of unbilled revenue reported in accounts receivable as of September 30, 2018 was $13.2 million for water and $13.3 million for wastewater.

Revenues are also recorded net of discounts in the government-wide and proprietary fund-level statements. Discounts are offered as incentives geared towards generating additional revenue in the form of new or expanded business, or to encourage events with a significant economic impact, as well as expedient event planning. The funds listed below report revenues net of discounts, as follows (in thousands):

	Discounts
Airport	$ 1,181
Nonmajor Enterprise	2,575

Interfund Revenues, Expenses, and Transfers -- Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds. In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the chargeback of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred in the Support Services fund, which is reported as an internal service fund. Indirect costs are calculated in a citywide cost allocation plan or through indirect cost rates, which are based on the cost allocation plan.

Intergovernmental Revenues, Receivables, and Liabilities -- Intergovernmental revenues and related receivables arise primarily through funding received from Federal and State grants. Revenues are earned through expenditure of money for grant purposes. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local governmental units.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Federal and State Grants, Entitlements, and Shared Revenues -- Grants, entitlements, and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements, and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally accounted for within the nonmajor governmental fund groupings include: Federal grant funds, State grant funds, and other special revenue grant funds. Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenses are recognized in the applicable proprietary fund.

Fund Equity -- Fund balances for governmental funds are reported in classifications that demonstrate the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund type classifications are as follows:

Nonspendable: The portion of fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted: The portion of fund balance that is restricted to specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitution provisions or enabling legislation.

Committed: The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by an ordinance, the highest level action taken, adopted by the City Council. An equal action (ordinance) must be enacted to rescind the commitment. The City Council is the highest level of decision making authority.

Assigned: The portion of fund balance that is constrained by the City's intent to use for specific purposes, but are neither restricted nor committed. Under the City charter, the City Manager is authorized to assign individual amounts up to $59,000 in fiscal year 2018 to a specific purpose. This amount is updated annually based on the most recently published federal government, Bureau of Labor Statistics Indicator, Consumer Price Index (CPI-W U.S. City Average) U.S. City Average.

Unassigned: The portion of fund balance that is not restricted, committed, or assigned to specific purposes; only the General Fund reports a positive unassigned fund balance.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

The constraints placed on the fund balances of the General Fund and the nonmajor governmental funds are presented below (in thousands):

	General Fund	Nonmajor Governmental Special Revenue	Debt Service	Capital Projects	Permanent	Total
Nonspendable						
Inventory	$ 45	--	--	--	--	45
Prepaid items	2,019	--	--	--	--	2,019
Permanent funds	--	--	--	--	1,070	1,070
Total Nonspendable	2,064	--	--	--	1,070	3,134
Restricted						
Municipal court services	--	1,768	--	--	--	1,768
Police special purpose	--	8,011	--	--	--	8,011
Fire special purpose	--	50	--	--	--	50
Transportation, planning, and sustainability	--	68	--	--	--	68
Public health services	--	188	--	--	--	188
Parks services	--	2,266	--	--	--	2,266
Library services	--	2,828	--	--	1	2,829
Tourism programs	--	28,960	--	--	--	28,960
Affordable housing programs	--	37,803	--	--	--	37,803
Urban growth programs	--	2,996	--	--	--	2,996
Capital construction	--	--	--	108,840	--	108,840
Debt service	--	--	29,283	--	--	29,283
Total Restricted	--	84,938	29,283	108,840	1	223,062
Committed						
Parks services	--	4,233	--	--	--	4,233
Tourism programs	--	63	--	--	--	63
Affordable housing programs	--	4,642	--	--	--	4,642
Urban growth programs	--	36,231	--	--	--	36,231
Total Committed	--	45,169	--	--	--	45,169
Assigned						
General government services	207	--	--	--	--	207
Municipal court services	1,068	--	--	--	--	1,068
Police special purpose	8,663	39	--	--	--	8,702
Fire special purpose	1,356	--	--	--	--	1,356
EMS special purpose	563	--	--	--	--	563
Transportation, planning, and sustainability	61	12	--	--	--	73
Public health services	3,914	36	--	--	--	3,950
Parks services	1,095	212	--	--	--	1,307
Library services	1,130	6	--	--	--	1,136
Tourism programs	--	2,680	--	--	--	2,680
Affordable housing programs	150	54	--	--	--	204
Urban growth programs	19,354	7,145	--	--	--	26,499
Capital construction	--	--	--	98,149	--	98,149
Total Assigned	37,561	10,184	--	98,149	--	145,894
Unassigned	173,309	(990)	--	(10,123)	--	162,196
Total Fund Balance	$212,934	139,301	29,283	196,866	1,071	579,455

Restricted resources -- If both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and unrestricted resources as needed. In governmental funds, unrestricted resources would be utilized in order from committed to assigned and finally unassigned.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Budget stabilization -- By formal action of City Council, the General Fund maintains two reserve funds: an emergency reserve and a budget stabilization reserve. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2018, the emergency reserve maintains a balance of six percent of total General Fund requirements, or $62 million, and the budget stabilization reserve reports a balance of $99.4 million. The funds in the budget stabilization reserve may be appropriated to fund capital or other one-time costs, but such appropriation should not exceed one-third of the total amount in the reserve.

Cash and Cash Equivalents -- For purposes of the statement of cash flows, the City considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in pooled investments and cash accounts. The City considers the investment pool to be highly liquid, similar to a money market mutual fund.

Pensions -- For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's three pension plans and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability, pension expenses, and long-term deferrals are allocated to funds based on actual contributions by fund during the corresponding measurement period with the exception of the internal service funds, which are presented in governmental activities in the government-wide statements (see Note 7).

Risk Management -- The City is exposed to employee-related risks for health benefits and workers' compensation, as well as to various risks of loss related to torts; theft of, damage to, or destruction of assets; fraud; and natural disasters. The City is self-insured for legal liabilities, workers' compensation claims, and employee health benefits.

The City does not participate in a risk pool but purchases commercial insurance coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites (see Note 14).

Austin Energy has established an energy risk management program. This program was authorized by City Council and led by the risk oversight committee. Under this program, Austin Energy enters into futures contracts, options, and swaps to reduce exposure to natural gas and energy price fluctuations. For additional details see Note 9.

f -- Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A). Comparative data has been utilized within the MD&A to help readers more fully understand the City's financial statements for the current period.

g -- Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2 – POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2018 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	$ 213,964	--
Nonmajor governmental funds	353,362	--
Austin Energy	454,016	97,869
Austin Water Utility	190,509	150,777
Airport	12,038	471,664
Nonmajor enterprise funds	416,021	41,713
Internal service funds	177,405	5,428
Fiduciary funds	3,769	--
Subtotal pooled investments and cash	1,821,084	767,451
Total pooled investments and cash	$ 2,588,535	

3 – INVESTMENTS AND DEPOSITS
a – Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the “Investment Policy”) that primarily emphasizes safety of principal and liquidity; addresses investment diversification, yield, and maturity; and addresses the quality and capability of investment personnel. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City’s deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the City Council. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment, and the maximum average dollar weighted maturity allowed for pooled fund groups. In addition, it includes an “Investment Strategy Statement” that specifically addresses each fund’s investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, and yield. Additionally, the soundness of financial institutions in which the City will deposit funds is addressed.

The City Treasurer submits an investment report each quarter to the investment committee. Members of the Investment Committee include the Chief Financial Officer (as chair), the City Treasurer (as vice chair), Assistant Treasurer over Investment Management, Assistant Treasurer over Debt Management, the City Controller, a public sector investment expert, a Financial Advisor's representative, a representative from Austin Energy, a representative from the Austin Water Utility, and a representative from the Law Department. The report details the investment position of the City and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas state law.

3 – INVESTMENTS AND DEPOSITS, continued
a -- Investments, continued

The City is authorized to invest in the following investment instruments if they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
4. Obligations of other states, cities, counties, or other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
5. Bankers' acceptances, so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, are eligible collateral for borrowing from a Federal Reserve Bank, and are accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated;
6. Commercial paper with a stated maturity of 270 days or less from the date of its issuance that is either rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;
7. Collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy;
8. Certificates of deposit issued by depository institutions that have a main office or branch office in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or as further described in the Investment Policy;
9. Share certificates issued by a depository institution that has a main office or branch office in Texas;
10. Money market mutual funds;
11. Local government investment pools (LGIPs); and
12. Securities lending program.

The City did not participate in any reverse repurchase agreements or security lending arrangements during fiscal year 2018.

All City investments are insured, registered, or held by an agent in the City's name; therefore, the City is not exposed to custodial credit risk.

The City participates in TexPool/TexPool Prime, TexasDAILY, TexStar, and Texas CLASS (collectively referred to as the LGIPs). The State Comptroller oversees TexPool/Texpool Prime, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexasDAILY, an advisory board consisting of participants or their designees maintains oversight responsibility for TexasDAILY. PFM Asset Management LLC manages the daily operations of TexasDAILY under a contract with the advisory board. JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors. Public Trust Advisors, LLC serves as the program administrator of Texas CLASS under a Trust Agreement with the Board of Trustees.

The City invests in LGIPs to provide its liquidity needs. The LGIPs were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. The LGIPs are structured like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are adjusted on a daily basis, and the funds seek to maintain a constant NAV of $1.00, although this cannot be fully guaranteed. The LGIPs are rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2018, TexPool, Texpool Prime, TexasDAILY, TexStar, and Texas CLASS had a weighted average maturity of 28 days, 37 days, 34 days, 43 days, and 52 days, respectively. The City's LGIP investments are not subject to limitations, penalties, or restrictions on withdrawals outside emergency conditions that make the sale of assets or determination of fund NAV not reasonably practical, and therefore, the City considers holdings in these funds to have an effective weighted average maturity of one day.

Certain external investment pools and pool participants have an option to measure these investment pools at amortized cost rather than fair value if certain criteria are met. All City LGIPs are qualifying pools for these purposes. TexPool, Texpool Prime, and TexasDAILY opted to report at amortized cost, while TexStar and Texas CLASS measures their investments at fair value.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; Level 3 inputs are unobservable inputs.

3 – INVESTMENTS AND DEPOSITS, continued
a -- Investments, continued

The City has the following recurring fair value measurements as of September 30, 2018:

- U.S. Treasury securities of $669.2 million are valued using other observable inputs, including but not limited to, model processes, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing (Level 2 inputs).
- U.S. Agency securities of $1.6 billion are valued using other observable inputs, including but not limited to, model processes, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing (Level 2 inputs).

As of September 30, 2018, the City presented Money Market Funds of $50.7 million, LGIPs of $925.7 million valued using amortized cost, and LGIP's of $137.6 million valued using NAV.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2018 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 28,533	271,677	--	300,210
Money Market Funds	1,868	45,725	3,101	50,694
US Treasury Notes	--	64,075	--	64,075
US Agency Bonds	--	324,852	--	324,852
Total non-pooled investments	30,401	706,329	3,101	739,831
Pooled investments:				
Local Government Investment Pools	221,124	540,785	1,111	763,020
US Treasury Notes	175,375	428,901	881	605,157
US Agency Bonds	355,757	870,058	1,777	1,227,592
Total pooled investments	752,256	1,839,744	3,769	2,595,769
Total investments	$ 782,657	2,546,073	6,870	3,335,600

Concentration of Credit Risk

At September 30, 2018, the City of Austin was exposed to concentration of credit risk since it held investments with more than five percent of the total investment portfolio balances of the City in securities of the following issuers (in millions): Federal Farm Credit Bank ($465.7 or 14%), Federal Home Loan Bank ($380.7 or 12%), Federal Home Loan Mortgage Corporation ($410 or 12%), and Federal National Mortgage Association ($296 or 9%).

The risk exposures for governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, and fiduciary fund types of the City are not significantly greater than the deposit and investment risk of the primary government. The Investment Policy segregates the portfolios into strategic categories including:

1. Operating funds excluding special project funds,
2. Debt service funds,
3. Debt service reserve funds, and
4. Special project funds or special purpose funds.

The City's credit risk is controlled by complying with the Investment Policy, which includes qualification of the brokers and financial institutions with whom the City will transact, sufficient collateralization, portfolio diversification, and maturity limitations.

3 – INVESTMENTS AND DEPOSITS, continued
b -- Investment Categories

As of September 30, 2018, the City had the following investments in each of these strategic categories (in thousands):

Investment Type by Category	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Weighted Average Maturity
Operating funds					
Local Government Investment Pools	$ 221,124	540,785	1,111	763,020	1
US Treasury Notes	175,375	428,901	881	605,157	300
US Agency Bonds	355,757	870,058	1,777	1,227,592	460
Total Operating funds	752,256	1,839,744	3,769	2,595,769	
Debt service funds					
General Obligation Debt Service					
Local Government Investment Pools	28,533	--	--	28,533	1
Utility (1)					
Local Government Investment Pools	--	91,163	--	91,163	1
Airport					
Local Government Investment Pools	--	32,843	--	32,843	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	12,311	--	12,311	1
Total Debt service funds	28,533	136,317	--	164,850	
Debt service reserve funds					
Utility (1)					
Local Government Investment Pools	--	41,394	--	41,394	1
Money Market Funds	--	7,753	--	7,753	1
Airport					
Local Government Investment Pools	--	40,124	--	40,124	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	10,263	--	10,263	1
Total Debt service reserve funds	--	99,534	--	99,534	
Special projects/purpose funds					
Austin Energy Strategic Reserve					
Local Government Investment Pools	--	19,461	--	19,461	1
US Treasury Notes	--	4,926	--	4,926	334
US Agency Bonds	--	201,359	--	201,359	723
Total Austin Energy Strategic Reserve	--	225,746	--	225,746	
Austin Energy Nuclear Decommissioning Trust Funds (NDTF)					
Money Market Funds	--	37,936	--	37,936	1
US Treasury Notes	--	59,149	--	59,149	418
US Agency Bonds	--	123,493	--	123,493	403
Total Austin Energy NDTF	--	220,578	--	220,578	
Special Projects - Utility Reserve (1)					
Local Government Investment Pools	--	24,118	--	24,118	1
Special Purpose Funds - Investments Held by Trustee					
Money Market Funds	1,868	36	3,101	5,005	1
Total Special projects/purpose funds	1,868	470,478	3,101	475,447	
Total funds	**$ 782,657**	**2,546,073**	**6,870**	**3,335,600**	

(1) Includes combined pledge debt service

Credit Risk

At September 30, 2018, City funds held investments in LGIPs and Money Market Funds rated AAAm by Standard & Poor's, short-to-medium term U.S. Agency bonds rated AA+ by Standard & Poor's, and the remaining investments in Treasury securities, which are direct obligations of the U.S. government.

3 – INVESTMENTS AND DEPOSITS, continued
b -- Investment Categories, continued

Concentration of Credit Risk

Operating Funds
At September 30, 2018, the operating funds held investments with more than five percent of the total portfolio in securities of the following issuers (in millions): Federal Farm Credit Bank ($446.1 or 17%), Federal Home Loan Bank ($287 or 11%), Federal Home Loan Mortgage Corporation ($287 or 11%), and Federal National Mortgage Association ($207.5 or 8%).

Special Projects or Special Purpose Funds
At September 30, 2018, the Austin Energy Strategic Reserve Fund held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank ($19.6 or 9%), Federal Home Loan Bank ($44.4 or 20%), Federal Home Loan Mortgage Corporation ($78.6 or 35%), and Federal National Mortgage Association ($58.8 or 26%).

At September 30, 2018, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank ($49.3 or 22%), Federal Home Loan Mortgage Corporation ($44.4 or 20%), Federal National Mortgage Association ($29.8 or 13%).

Interest Rate Risk

Operating Funds
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements. Three years is the maximum period before maturity.

At September 30, 2018, less than half of the Investment Pool was invested in AAAm rated LGIPs, with the remainder invested in short-to-medium term U.S. Agency and Treasury obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 289 days, which was less than the threshold of 365 days.

Debt Service Funds
Investment strategies for debt service funds have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. As a means of minimizing risk of loss due to interest rate fluctuations, securities purchased cannot have a stated final maturity date which exceeds the debt service payment date.

Debt Service Reserve Funds
Investment strategies for debt service reserve funds have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Except as may be required by bond ordinance specific to an individual issue, securities should be of high quality, with short-term to intermediate-term securities.

Special Projects or Special Purpose Funds
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed the anticipated cash flow requirements of the funds.

Special Purpose Funds - Austin Energy Strategic Reserve Fund
At September 30, 2018, the portfolios held investments in TexPool, U.S. Treasury, and U.S. Agency obligations with maturities that will meet anticipated cash flow requirements and an overall dollar weighted average maturity of 654 days.

Special Purpose Funds - Austin Energy Nuclear Decommissioning Trust Funds (NDTF)
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy for the NDTF portfolios requires that the dollar weighted average maturity, using final stated maturity dates, shall not exceed seven years, although the portfolio's weighted average maturity may be substantially shorter if market conditions so dictate. At September 30, 2018, the dollar weighted average maturity was 338 days.

Special Purpose Funds - Investments Held by Trustee
Investment objectives for these special purpose funds have as the primary objective the safety of principal and assurance of liquidity adequate to cover construction expense draws. As a means of minimizing risk of loss due to interest rate fluctuations, funds are being held in overnight money market funds.

3 – INVESTMENTS AND DEPOSITS, continued
c -- Investment and Deposits

Investments and deposits portfolio balances at September 30, 2018, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 41,467	714,057	3,101	758,625
Pooled investments and cash	753,338	1,842,389	3,769	2,599,496
Total investments and cash	794,805	2,556,446	6,870	3,358,121
Unrestricted cash	61	1,664	--	1,725
Restricted cash	11,005	6,064	--	17,069
Pooled investments and cash	753,338	1,842,389	3,769	2,599,496
Investments	30,401	706,329	3,101	739,831
Total	$ 794,805	2,556,446	6,870	3,358,121

The bank balance of the portfolio exceeds the book balance by approximately $11 million (net), which primarily consists of outstanding checks and deposits in transit. The outstanding checks decrease the book balance as compared to the bank, whereas the deposits in transit increases it. The difference eliminates once both the outstanding checks and deposits in transit clear the bank.

Deposits
The September 30, 2018 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	$ 61	63	124
Restricted	--	4,920	4,920
Cash held by trustee			
Unrestricted	--	1,601	1,601
Restricted	11,005	1,144	12,149
Pooled cash	1,082	2,645	3,727
Total deposits	$ 12,148	10,373	22,521

All bank accounts were either insured or collateralized with securities held by the City or its agents in the City's name at September 30, 2018.

4 – PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2017, upon which the 2018 levy was based, was $138,418,647,260.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2018, 99.47% of the current tax levy (October 1, 2017) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statutes. The statutes provide for a property tax code, countywide appraisal districts, a State property tax board, and certain exemptions from taxation, such as intangible personal property, household goods, and family-owned automobiles.

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District, the Williamson Central Appraisal District, and the Hays Central Appraisal District. The appraisal districts are required under the Property Tax Code to assess all real and personal property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every two years; however, the City may require more frequent reviews of appraised values at its own expense. The Travis Central Appraisal District and the Hays Central Appraisal District have chosen to review the value of property in their respective districts every two years, while the Williamson Central Appraisal District has chosen to review the value of property on an annual basis. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City is authorized to set tax rates on property within the city limits. However, if the effective tax rate, excluding tax rates for bonds, certificates of obligation, and other contractual obligations, as adjusted for new improvements and revaluation, exceeds the rate for the previous year by more than 8%, State statute allows qualified voters of the City to petition for an election to determine whether to limit the tax rate increase to no more than 8%.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the City charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at $1.00 per $100 assessed valuation. A practical limitation on taxes levied for debt service of $1.50 per $100 of assessed valuation is established by state statute and City charter limitations. Through contractual arrangements, Travis, Williamson, and Hays Counties bill and collect property taxes for the City.

The tax rate to finance general governmental functions, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2018, was $0.3393 per $100 assessed valuation. The tax rate for servicing the payment of principal and interest on general obligation long-term debt for the fiscal year ended September 30, 2018 was $0.1055 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $0.6607 per $100 assessed valuation, and could levy approximately $914,532,002 in additional taxes from the assessed valuation of $138,418,647,260 before the legislative limit is reached.

The City has reserved a portion of the taxes collected for lawsuits filed by certain taxpayers against the appraisal districts challenging assessed values in the government-wide financial statements.

5 – CAPITAL ASSETS AND INFRASTRUCTURE

Governmental Activities

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,013,858	37,977	(529)	1,051,306
Plant and equipment	264,858	27,813	(25,390)	267,281
Vehicles	141,625	14,531	(4,182)	151,974
Infrastructure	2,848,198	158,071	(109)	3,006,160
Total depreciable capital assets	4,268,539	238,392	(30,210)	4,476,721
Less accumulated depreciation for				
Building and improvements	(362,580)	(32,066)	329	(394,317)
Plant and equipment	(200,023)	(16,896)	24,218	(192,701)
Vehicles	(89,966)	(12,838)	4,832	(97,972)
Infrastructure	(1,190,052)	(76,971)	--	(1,267,023)
Total accumulated depreciation	(1,842,621)	(138,771) (2)	29,379	(1,952,013)
Depreciable capital assets, net	2,425,918	99,621	(831)	2,524,708
Nondepreciable capital assets				
Land and improvements	379,161	5,701	(1,725)	383,137
Arts and treasures	10,202	400	--	10,602
Library collections	18,167	--	--	18,167
Construction in progress	115,646	114,840	(138,215)	92,271
Total nondepreciable assets	523,176	120,941	(139,940)	504,177
Total capital assets	$ 2,949,094	220,562	(140,771)	3,028,885

(1) Increases and decreases do not include transfers (at net book value) between Governmental Activities.
(2) Components of accumulated depreciation/amortization increases:

Governmental Activities:	
General government	$ 6,367
Public safety	15,829
Transportation, planning and sustainability	61,028
Public health	1,772
Public recreation and culture	19,836
Urban growth management	21,407
Internal service funds	9,887
Total governmental activities depreciation expense	136,126
Transferred accumulated depreciation	2,645
Total increases in accumulated depreciation/amortization	$ 138,771

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 2,700,263	128,466	(1,268)	2,827,461
Plant and equipment	3,917,466	138,716	(4,864)	4,051,318
Vehicles	220,857	15,839	(8,376)	228,320
Electric plant	4,919,371	85,387	(18,083)	4,986,675
Non-electric plant	221,233	15,467	--	236,700
Nuclear fuel	376,385	24,082	--	400,467
Water rights	100,000	--	--	100,000
Total depreciable capital assets	12,455,575	407,957	(32,591)	12,830,941
Less accumulated depreciation/amortization for				
Building and improvements	(784,818)	(64,706)	161	(849,363)
Plant and equipment	(1,569,973)	(107,985)	3,862	(1,674,096)
Vehicles	(145,039)	(16,975)	7,270	(154,744)
Electric plant	(2,721,313)	(154,248)	12,775	(2,862,786)
Non-electric plant	(80,128)	(9,823)	--	(89,951)
Nuclear fuel	(333,581)	(18,617)	--	(352,198)
Water rights	(17,778)	(988)	--	(18,766)
Total accumulated depreciation/amortization	(5,652,630)	(373,342) (2)	24,068	(6,001,904)
Depreciable capital assets, net	6,802,945	34,615	(8,523)	6,829,037
Nondepreciable capital assets				
Land and improvements	676,157	18,301	--	694,458
Arts and treasures	4,098	--	--	4,098
Construction in progress	402,729	560,801	(356,934)	606,596
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	1,106,099	579,102	(356,934)	1,328,267
Total capital assets	$ 7,909,044	613,717	(365,457)	8,157,304

(1) Increases and decreases do not include transfers (at net book value) between Business-type Activities.
(2) Components of accumulated depreciation/amortization increases:

Business-type Activities:	
Electric	$ 184,262
Water	60,031
Wastewater	64,647
Airport	33,723
Convention	9,026
Environmental and health services	8,863
Public recreation	716
Urban growth management	10,532
Total business-type activities depreciation expense	371,800
Transferred accumulated depreciation	1,542
Total increases in accumulated depreciation/amortization	$ 373,342

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Vehicles	$ 33,152	2,938	(2,364)	33,726
Electric plant	4,919,371	85,387	(18,083)	4,986,675
Non-electric plant	221,233	15,467	--	236,700
Nuclear fuel	376,385	24,082	--	400,467
Total depreciable capital assets	5,550,141	127,874	(20,447)	5,657,568
Less accumulated depreciation/amortization for				
Vehicles	(26,290)	(1,574)	2,341	(25,523)
Electric plant	(2,721,313)	(154,248)	12,775	(2,862,786)
Non-electric plant	(80,128)	(9,823)	--	(89,951)
Nuclear fuel	(333,581)	(18,617)	--	(352,198)
Total accumulated depreciation/amortization	(3,161,312)	(184,262) (1)	15,116	(3,330,458)
Depreciable capital assets, net	2,388,829	(56,388)	(5,331)	2,327,110
Nondepreciable capital assets				
Land and improvements	64,740	1,047	--	65,787
Plant held for future use	23,115	--	--	23,115
Construction in progress	124,130	160,929	(105,271)	179,788
Total nondepreciable assets	211,985	161,976	(105,271)	268,690
Total capital assets	$ 2,600,814	105,588	(110,602)	2,595,800

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 165,645
Current year amortization included in operating expense	18,617
Total increases in accumulated depreciation/amortization	$ 184,262

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,191,027	11,491	(346)	1,202,172
Plant and equipment	3,664,449	124,913	(1,758)	3,787,604
Vehicles	42,583	3,041	(1,413)	44,211
Water rights	100,000	--	--	100,000
Total depreciable capital assets	4,998,059	139,445	(3,517)	5,133,987
Less accumulated depreciation/amortization for				
Building and improvements	(305,067)	(25,713)	148	(330,632)
Plant and equipment	(1,469,828)	(97,259)	996	(1,566,091)
Vehicles	(32,791)	(2,260)	1,408	(33,643)
Water rights	(17,778)	(988)	--	(18,766)
Total accumulated depreciation/amortization	(1,825,464)	(126,220) (1)	2,552	(1,949,132)
Depreciable capital assets, net	3,172,595	13,225	(965)	3,184,855
Nondepreciable capital assets				
Land and improvements	231,360	403	--	231,763
Arts and treasures	111	--	--	111
Construction in progress	217,473	130,093	(93,839)	253,727
Total nondepreciable assets	448,944	130,496	(93,839)	485,601
Total capital assets	$ 3,621,539	143,721	(94,804)	3,670,456

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	$ 59,043
Wastewater	64,647
Current year amortization	
Water	988
Total water activities depreciation expense	124,678
Transferred accumulated depreciation	1,542
Total increases in accumulated depreciation/amortization	$ 126,220

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,166,557	114,868	--	1,281,425
Plant and equipment	36,337	2,375	(2,406)	36,306
Vehicles	15,421	2,291	(1,625)	16,087
Total depreciable capital assets	1,218,315	119,534	(4,031)	1,333,818
Less accumulated depreciation for				
Building and improvements	(316,493)	(30,166)	--	(346,659)
Plant and equipment	(17,487)	(2,010)	2,213	(17,284)
Vehicles	(8,515)	(1,547)	750	(9,312)
Total accumulated depreciation	(342,495)	(33,723) (1)	2,963	(373,255)
Depreciable capital assets, net	875,820	85,811	(1,068)	960,563
Nondepreciable capital assets				
Land and improvements	96,381	--	--	96,381
Arts and treasures	3,375	--	--	3,375
Construction in progress	33,140	235,751	(119,239)	149,652
Total nondepreciable assets	132,896	235,751	(119,239)	249,408
Total capital assets	$ 1,008,716	321,562	(120,307)	1,209,971

(1) Components of accumulated depreciation/amortization increases:
Current year depreciation $ 33,723

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 342,679	2,107	(922)	343,864
Plant and equipment	216,680	11,430	(702)	227,408
Vehicles	129,701	7,590	(2,995)	134,296
Total depreciable capital assets	689,060	21,127	(4,619)	705,568
Less accumulated depreciation for				
Building and improvements	(163,258)	(8,827)	13	(172,072)
Plant and equipment	(82,658)	(8,716)	653	(90,721)
Vehicles	(77,443)	(11,594)	2,771	(86,266)
Total accumulated depreciation	(323,359)	(29,137) (2)	3,437	(349,059)
Depreciable capital assets, net	365,701	(8,010)	(1,182)	356,509
Nondepreciable capital assets				
Land and improvements	283,676	16,851	--	300,527
Arts and treasures	612	--	--	612
Construction in progress	27,986	34,028	(38,585)	23,429
Total nondepreciable assets	312,274	50,879	(38,585)	324,568
Total capital assets	$ 677,975	42,869	(39,767)	681,077

(1) Increases and decreases do not include transfers (at net book value) between nonmajor enterprise funds.
(2) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Convention	$ 9,026
Environmental and health services	8,863
Public recreation	716
Urban growth management	10,532
Total increases in accumulated depreciation/amortization	$ 29,137

Service Concession Arrangements

The City has recorded net capital assets of $168.5 million, other assets of $19.1 million and deferred inflows of $184.3 million derived from four service concession arrangements (SCA) described below. An SCA is an arrangement in which the City conveys use of a capital asset to an operator in exchange for significant consideration; where the operator is compensated from third parties; where the City may determine what services are provided, to whom and for what price; where the City retains a significant residual interest in the asset after the SCA terminates.

The City has had an agreement with the Friends of Umlauf Garden, Inc. since 1991 to manage and operate the Umlauf Sculpture Garden and Museum. The agreement extends through 2021 and is for the purpose of displaying the artistic works of Charles Umlauf for the public enjoyment and education. Structures, which are dedicated to the City, have been built on City-owned land and display City-owned artwork.

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

The City entered into an agreement with the Young Men's Christian Association (YMCA) in 2010 to develop and operate a new joint-use recreational facility for public use. The facility is owned by the City and operated by the YMCA under a 20 year agreement extending through 2032.

The City entered into a Master Lease Agreement with Austin CONRAC LLC, a corporation established to operate Austin's consolidated rent-a-car facility ("CONRAC"). The master lease, with a 20 year initial term and a 10 year extension option, provides for construction, financing, and management of a joint use facility. CONRAC began operations October 1, 2015. The operator pays annual rent of $900,000 to the Airport. The present value of the future rent payments was $13 million at lease inception. As of September 30, 2018, the unamortized balance was $10.6 million and is presented in other assets. The related deferred inflow balance is $11.7 million. The CONRAC was financed with $143 million in City issued Rental Car Special Facility Bonds, conduit debt secured by customer facilities charges (CFC). CFC funds are remitted by rental car concessionaires directly to the bond trustee. See Note 16 for conduit debt information. Construction costs totaled $152.5 million and the City has recorded the asset with a corresponding deferred inflow of resources to be amortized over the 30 year term of the master lease agreement.

The City entered into a Lease and Development Agreement with Scott Airport Parking, LLC (Scott) to develop and operate a 2,000-space covered parking facility and full service pet boarding facility (Bark and Zoom). The lease has a 40 year term which began on October 2016. Scott pays a monthly square footage rate, a monthly percentage rate, and a fixed monthly rate in exchange for the right to operate the facilities, as defined in the lease and development agreement. The fixed monthly rate for the first 5 years is $5,000. The present value of the future payments was $9.2 million at lease inception. As of September 30, 2018, the unamortized balance was $8.4 million and is presented in other assets. The related deferred inflow balance is $8.8 million. Construction costs totaled $26.8 million and the City has recorded the asset with a corresponding deferred inflow of resources to be amortized over the 40 year term of the master lease agreement.

As of September 30, 2018, the City reported the following SCA activities (in thousands):

Service Concession Arrangement	Beginning Asset Construction Cost	Current year Additions	Beginning Accumulated Depreciation	Current Year Depreciation	Ending Accumulated Depreciation	Net Book Value
Governmental Activities:						
Umlauf Sculpture Garden	$ 2,337	--	1,515	58	1,573	764
YMCA Northeast Recreation Center	1,333	--	159	32	194	1,139
Total Governmental Activities	3,670	--	1,674	90	1,767	1,903
Business-type Activities:						
CONRAC facility	152,496	--	7,624	3,745	11,369	141,127
Bark and Zoom facility	26,558	213	664	675	1,339	25,432
Total Business-type Activities	179,054	213	8,288	4,420	12,708	166,559

	Beginning Deferred Inflows	Current year Additions	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
Governmental Activities:						
Umlauf Sculpture Garden	319	--	2,018	79	2,097	240
YMCA Northeast Recreation Center	855	--	478	67	545	788
Total Governmental Activities	1,174	--	2,496	146	2,642	1,028
Business-type Activities:						
CONRAC facility	142,361	--	10,135	5,083	15,218	137,278
CONRAC base rent agreement	12,170	--	871	435	1,306	11,735
Bark and Zoom facility	25,673	213	885	453	1,338	25,433
Bark and Zoom base rent agreement	8,957	--	307	154	461	8,803
Total Business-type Activities	$ 189,161	213	12,198	6,125	18,323	183,249

6 – DEBT AND NON-DEBT LIABILITIES
a -- Long-Term Liabilities

Payments on bonds for governmental activities will be made from the general obligation debt service funds. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, and internal service funds. Claims payable will be liquidated by Austin Energy, Austin Water Utility, Airport, and internal service funds. Other liabilities that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, general governmental capital improvement projects funds, and internal service funds.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all limitations and restrictions.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included in governmental activities.

The following is a summary of changes in long-term obligations. Certain long-term obligations provide financing to both governmental and business-type activities. Balances at September 30, 2018, were as follows (in thousands):

Description	October 1, 2017	Increases	Decreases	September 30, 2018	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	$ 1,109,766	99,852	(86,163)	1,123,455	65,913
Certificates of obligation, net	214,394	35,601	(10,549)	239,446	8,457
Contractual obligations, net	111,868	--	(17,804)	94,064	15,485
General obligation bonds and other tax supported debt total	1,436,028	135,453	(114,516)	1,456,965	89,855
Capital lease obligations	--	9,880	--	9,880	2,115
Debt service requirements total	1,436,028	145,333	(114,516)	1,466,845	91,970
Other long-term obligations					
Accrued compensated absences	139,665	7,997	(325)	147,337	65,263
Claims payable	49,096	166,768	(167,890)	47,974	23,655
Net pension liability	1,203,405	295,759	(431,712)	1,067,452	--
Other postemployment benefits (1)	1,294,634	371,444	(92,815)	1,573,263	33,071
Other liabilities	102,195	12,409	(1,288)	113,316	95,987
Governmental activities total	4,225,023	999,710	(808,546)	4,416,187	309,946
Total business-type activities					
General obligation bonds, net	20,303	--	(4,086)	16,217	3,171
Certificates of obligation, net	55,242	--	(2,965)	52,277	2,273
Contractual obligations, net	32,895	5,504	(11,881)	26,518	9,885
Other tax supported debt, net	7,116	860	(1,071)	6,905	790
General obligation bonds and other tax supported debt total	115,556	6,364	(20,003)	101,917	16,119
Commercial paper notes, net	146,097	108,670	--	254,767	--
Revenue bonds, net	4,881,202	45,175	(224,576)	4,701,801	108,584
Capital lease obligations	989	--	(55)	934	56
Debt service requirements total	5,143,844	160,209	(244,634)	5,059,419	124,759
Other long-term obligations					
Accrued compensated absences	26,347	2,122	(816)	27,653	26,939
Claims payable	2,633	29	(2,240)	422	205
Net pension liability	656,565	163,364	(234,877)	585,052	--
Other postemployment benefits (1)	760,993	240,007	(49,366)	951,634	20,005
Accrued landfill closure and postclosure costs	12,693	116	(319)	12,490	2,591
Decommissioning expense payable	165,946	42,333	(2,909)	205,370	3,753
Other liabilities	96,475	462	(8,126)	88,811	52,959
Business-type activities total	6,865,496	608,642	(543,287)	6,930,851	231,211
Total liabilities (2)	$ 11,090,519	1,608,352	(1,351,833)	11,347,038	541,157

(1) Beginning balances have been restated. See Note 18.
(2) This schedule excludes select short-term liabilities of $109,538 for governmental activities. For business-type activities, it excludes select short-term liablities of $281,034, capital appreciation bond interest payable of $2,722 and derivative instruments of $35,519.

6 – DEBT AND NON-DEBT LIABILITIES, continued
a -- Long-Term Liabilities, continued

Description	October 1, 2017	Increases	Decreases	September 30, 2018	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	$ 279	--	(116)	163	109
General obligation bonds and other tax supported debt total	279	--	(116)	163	109
Commercial paper notes, net	146,097	66,500	--	212,597	--
Revenue bonds, net	1,295,899	--	(42,056)	1,253,843	37,007
Capital lease obligations	989	--	(55)	934	56
Debt service requirements total	1,443,264	66,500	(42,227)	1,467,537	37,172
Other long-term obligations					
Accrued compensated absences	10,570	497	--	11,067	11,067
Claims payable	2,070	--	(2,001)	69	64
Net pension liability	273,451	62,600	(95,558)	240,493	--
Other postemployment benefits (1)	255,926	74,746	(15,817)	314,855	6,619
Decommissioning expense payable	165,946	42,333	(2,909)	205,370	3,753
Other liabilities	67,580	462	(3,445)	64,597	28,745
Electric activities total	2,218,807	247,138	(161,957)	2,303,988	87,420
Water and Wastewater activities					
General obligation bonds, net	1,973	--	(753)	1,220	239
Certificates of obligation bonds, net	1,693	--	(99)	1,594	91
Contractual obligations, net	5,502	--	(1,703)	3,799	1,352
Other tax supported debt, net	4,556	780	(826)	4,510	595
General obligation bonds and other tax supported debt total	13,724	780	(3,381)	11,123	2,277
Commercial paper notes, net	--	42,170	--	42,170	--
Revenue bonds, net	2,554,169	45,175	(140,901)	2,458,443	33,888
Debt service requirements total	2,567,893	88,125	(144,282)	2,511,736	36,165
Other long-term obligations					
Accrued compensated absences	5,634	5	(60)	5,579	5,579
Claims payable	562	29	(238)	353	141
Net pension liability	146,090	34,054	(53,129)	127,015	--
Other postemployment benefits (1)	174,317	49,771	(10,734)	213,354	4,485
Other liabilities	18,180	--	(3,712)	14,468	14,468
Water and Wastewater activities total	2,912,676	171,984	(212,155)	2,872,505	60,838
Airport activities					
General obligation bonds, net	56	--	(23)	33	20
General obligation bonds and other tax supported debt total	56	--	(23)	33	20
Revenue bonds, net	881,363	--	(27,882)	853,481	24,249
Debt service requirements total	881,419	--	(27,905)	853,514	24,269
Other long-term obligations					
Accrued compensated absences	2,194	161	--	2,355	2,355
Claims payable	1	--	(1)	--	--
Net pension liability	46,242	14,990	(17,517)	43,715	--
Other postemployment benefits (1)	68,041	24,917	(4,839)	88,119	1,852
Other liabilities	3,173	--	(372)	2,801	2,801
Airport activities total	1,001,070	40,068	(50,634)	990,504	31,277
Nonmajor activities					
General obligation bonds, net	17,995	--	(3,194)	14,801	2,803
Certificates of obligation, net	53,549	--	(2,866)	50,683	2,182
Contractual obligations	27,393	5,504	(10,178)	22,719	8,533
Other tax supported debt, net	2,560	80	(245)	2,395	195
General obligation bonds and other tax supported debt total	101,497	5,584	(16,483)	90,598	13,713
Revenue bonds, net	149,771	--	(13,737)	136,034	13,440
Debt service requirements total	251,268	5,584	(30,220)	226,632	27,153
Other long-term obligations					
Accrued compensated absences	7,949	1,459	(756)	8,652	7,938
Net pension liability	190,782	51,720	(68,673)	173,829	--
Other postemployment benefits (1)	262,709	90,573	(17,976)	335,306	7,049
Accrued landfill closure and postclosure costs	12,693	116	(319)	12,490	2,591
Other liabilities	7,542	--	(597)	6,945	6,945
Nonmajor activities total	$ 732,943	149,452	(118,541)	763,854	51,676

(1) Beginning balances have been restated. See Note 18.

6 – DEBT AND NON-DEBT LIABILITIES, continued
b -- Governmental Activities Long-Term Liabilities

General Obligation Bonds -- General obligation debt is collateralized by the full faith and credit of the City. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. General obligation debt issued to finance capital assets of enterprise funds is reported as an obligation of these enterprise funds, although the funds are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the enterprise funds to meet the debt service requirements from program revenues.

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, and assumed municipal utility district (MUD) bonds outstanding at September 30, 2018, including those reported in certain proprietary funds (in thousands):

Series	Fiscal Year	Original Amount Issue	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
NW Austin MUD - 2004	2005	$ 2,630	405	24	(1)(3)	4.25 - 4.30%	9/1/2019-2020
NW Austin MUD - 2006	2006	7,995	6,165	1,620	(1)(3)	4.10 - 4.25%	9/1/2019-2026
Mueller Contractual Obligation - 2006	2006	12,000	6,520	1,395	(1)(4)	4.00 - 5.00%	9/1/2019-2026
Public Improvement Refunding - 2008	2008	172,505	19,725	2,001	(1)	5.00%	9/1/2019-2021
Public Improvement - 2009B	2009	78,460	68,980	21,953	(1)	4.45 - 5.31%	9/1/2019-2029
Certificates of Obligation - 2009	2009	12,500	7,825	3,676	(1)	3.13 - 4.75%	9/1/2019-2039
Contractual Obligation - 2009	2009	13,800	895	28	(2)	3.00 - 3.25%	11/1/2018-2019
Mueller Contractual Obligation - 2009	2010	15,000	9,835	2,619	(1)(4)	4.00 - 4.25%	9/1/2019-2029
Public Improvement - 2010A	2011	79,528	65,930	18,792	(1)	2.38 - 4.00%	9/1/2019-2030
Public Improvement - 2010B	2011	26,400	24,470	7,816	(1)	3.45 - 4.65%	9/1/2019-2030
Certificates of Obligation - 2010	2011	22,300	15,855	3,656	(1)	2.25 - 3.50%	9/1/2019-2030
Public Improvement Refunding - 2010	2011	91,560	63,950	8,459	(1)	4.34 - 5.00%	9/1/2019-2023
Public Improvement - 2011A	2012	78,090	68,040	23,309	(1)	2.00 - 4.00%	9/1/2019-2031
Public Improvement - 2011B	2012	8,450	7,700	2,482	(1)	2.75 - 4.50%	9/1/2019-2031
Certificates of Obligation - 2011	2012	51,150	43,875	22,387	(1)	3.00 - 5.00%	9/1/2019-2041
Contractual Obligation - 2011	2012	26,725	2,160	22	(2)	2.00%	11/1/2018
Public Improvement Refunding - 2011A	2012	68,285	15,920	2,458	(1)	4.00 - 5.00%	9/1/2019-2023
Public Improvement - 2012A	2013	74,280	70,945	22,514	(1)	3.00 - 5.00%	9/1/2023-2032
Public Improvement - 2012B	2013	6,640	4,800	1,242	(1)	2.00 - 3.50%	9/1/2019-2032
Certificates of Obligation - 2012	2013	24,645	19,500	5,512	(1)	3.00 - 4.00%	9/1/2019-2037
Contractual Obligation - 2012	2013	27,135	6,320	231	(2)	3.00 - 4.00%	11/1/2018-2019
Mueller Contractual Obligation - 2012	2013	16,735	13,630	4,054	(1)(4)	2.00 - 3.38%	9/1/2019-2032
Public Improvement - 2013	2014	104,665	93,380	39,968	(1)	4.00 - 5.00%	9/1/2019-2033
Certificates of Obligation - 2013	2014	25,355	22,940	11,302	(1)	3.25 - 5.00%	9/1/2019-2038
Contractual Obligation - 2013	2014	50,150	17,865	575	(2)	2.00 - 3.00%	11/1/2018-2020
Public Improvement Refunding - 2013A	2014	43,250	23,825	4,511	(1)	5.00%	9/1/2019-2024
Public Improvement Refunding - 2013B	2014	71,455	21,340	707	(1)	2.42 - 2.72%	9/1/2019-2020
Public Improvement - 2014	2015	89,915	89,205	52,632	(1)	3.00 - 5.00%	9/1/2020-2034
Public Improvement - 2014	2015	10,000	9,700	4,362	(1)	2.16 - 4.02%	9/1/2019-2034
Certificates of Obligation - 2014	2015	35,490	30,565	14,174	(1)	2.00 - 5.00%	9/1/2019-2034
Certificates of Obligation - 2014	2015	9,600	8,155	2,835	(1)	2.11 - 3.92%	9/1/2019-2034
Contractual Obligation - 2014	2015	14,100	9,680	879	(2)	4.00 - 5.00%	11/1/2018-2021
Mueller Contractual Obligation - 2014	2015	15,845	15,010	5,369	(1)(4)	3.00 - 5.00%	9/1/2019-2029
Public Improvement and Refunding - 2015	2016	236,905	220,410	69,181	(1)	2.95 - 5.00%	9/1/2019-2035
Public Improvement - 2015	2016	10,000	9,220	3,549	(1)	2.89 - 4.27%	9/1/2019-2035
Certificates of Obligation - 2015	2016	43,710	39,255	19,622	(1)	3.25 - 5.00%	9/1/2019-2035
Contractual Obligation - 2015	2016	14,450	9,775	1,257	(2)	4.00 - 5.00%	11/1/2018-2022
Public Improvement and Refunding - 2016	2017	98,365	89,135	34,588	(1)	3.00 - 5.00%	9/1/2019-2036
Certificates of Obligation - 2016	2017	44,015	41,065	21,241	(1)	3.00 - 5.00%	9/1/2019-2036
Contractual Obligation - 2016	2017	22,555	17,985	2,301	(2)	2.00 - 5.00%	11/1/2018-2023
Public Improvement - 2016	2017	12,000	11,070	3,243	(1)	1.81 - 4.00%	9/1/2019-2036
Certificates of Obligation - 2016	2017	8,700	8,030	2,349	(1)	1.81 - 4.00%	9/1/2019-2036
Public Improvement - 2017	2018	63,580	50,145	26,069	(1)	5.00%	9/1/2019-2037
Certificates of Obligation - 2017	2018	29,635	28,585	16,262	(1)	5.00%	9/1/2019-2037
Contractual Obligation - 2017	2018	5,075	4,750	609	(2)	2.00 - 5.00%	11/1/2018-2024
Public Improvement - 2017	2018	25,000	24,350	9,122	(1)	2.35 - 5.00%	9/1/2019-2037
River Place MUD - 2009 (5)	2018	7,010	335	15	(1)(3)	4.50%	9/1/2019
			$ 1,439,220				

(1) Interest is paid semiannually on March 1 and September 1.
(2) Interest is paid semiannually on May 1 and November 1.
(3) Includes Austin Water Utility principal of $4,510 and interest of $1,066 and Drainage fund principal of $2,395 and interest of $593.
(4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.
(5) The City assumed the River Place MUD debt during fiscal year 2018.

6 – DEBT AND NON-DEBT LIABILITIES, continued
b -- Governmental Activities Long-Term Liabilities, continued

In October 2017, the City issued $63,580,000 of Public Improvement Bonds, Series 2017. The net proceeds of $74,000,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility ($43,000,000), parks and recreation ($15,300,000), and facility improvements ($15,700,000). These bonds will be amortized serially on September 1 of each year from 2018 to 2037. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2018. Total interest requirements for these bonds, at a rate of 5.0%, are $28,965,422.

In October 2017, the City issued $29,635,000 of Certificates of Obligation, Series 2017. The net proceeds of $35,325,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts ($22,000,000), central library ($5,000,000), animal shelter improvements ($5,425,000), and women and children's shelter ($2,900,000). These certificates of obligation will be amortized serially on September 1 of each year from 2018 to 2037. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2018. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are $17,602,222.

In October 2017, the City issued $5,075,000 of Public Property Finance Contractual Obligations, Series 2017. The net proceeds of $5,460,000 (after issue costs, discounts, and premiums) from this issue will be used for capital equipment. These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2018 to 2024. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2018. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are $702,034.

In October 2017, the City issued $25,000,000 of Public Improvement Taxable Bonds, Series 2017. The net proceeds of $25,000,000 (after issue costs, discounts, and premiums) from the issuance will be used for affordable housing. Interest is payable March 1 and September 1 of each year from 2018 to 2037, commencing on March 1, 2018. Principal payments are due September 1 of each year from 2018 to 2037. Total interest requirements for this obligation, at rates ranging from 2.3% to 5.0% are $9,890,858.

General obligation bonds authorized and unissued amounted to $767,420,000 at September 30, 2018. Bond ratings at September 30, 2018 were Aaa (Moody's Investors Service, Inc.), AAA (Standard & Poor's), and AAA (Fitch).

c -- Business-Type Activities Long-Term Liabilities

Utility Debt -- The City has previously issued combined debt for the Austin Energy and Austin Water Utility. The City began issuing separate debt for electric and water and wastewater activities in 2000. The following paragraphs describe both combined and separate debt.

Combined Utility Systems Debt -- General - Austin Energy and Austin Water Utility comprise the combined utility systems, which issue combined utility systems revenue bonds to finance capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility.

The total combined utility systems revenue bond obligations at September 30, 2018, exclusive of discounts, premiums, and loss on refundings consists of $5,685,218 prior lien bonds and $100,538,544 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $52,772,638 at September 30, 2018. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2018, for the prior lien and subordinate lien bonds were, respectively, Aa1 and Aa2 (Moody's Investors Service, Inc.), AA+ and AA (Standard & Poor's), and AA and AA- (Fitch).

Combined Utility Systems Debt -- Revenue Bond Refunding Issues - The combined utility systems have refunded various issues of revenue bonds, notes, and certificates of obligation through refunding revenue bonds. Principal and interest on these refunding bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility. The prior lien bonds are subordinate only to the prior lien revenue bonds outstanding at the time of issuance, while the subordinate lien bonds are subordinate to prior lien revenue bonds and to subordinate lien revenue bonds outstanding at the time of issuance.

Some of these bonds are callable prior to maturity at the option of the City. The term bonds are subject to a mandatory redemption prior to the maturity dates as defined in the respective official statements.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the life of the refunding bonds by the straight-line method. However, a gain or loss on refunded bonds is recognized when funds from current operations are used.

Combined Utility Systems Debt -- Bonds Issued and Outstanding - The following schedule shows the refunding revenue bonds outstanding at September 30, 2018 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1994 Refunding	1995	$ 142,559	5,685	22,350 (2)	6.60%	5/15/2019
1998 Refunding	1999	139,965	96,035	22,542 (1)	5.25%	5/15/2019-2025
1998A Refunding	1999	105,350	4,504	7,881 (2)	4.25%	5/15/2019-2020
			$ 106,224			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest requirements include accreted interest.

Combined Utility Systems Debt -- Tax Exempt Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed $400,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2018, were P-1 (Moody's Investors Service, Inc.), A-1+ (Standard & Poor's), and F1+ (Fitch). The notes are in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

At September 30, 2018, Austin Energy had tax exempt commercial paper notes of $156,655,000 outstanding and Austin Water Utility had $42,170,000 of commercial paper notes outstanding with interest ranging from 1.57% to 2.75%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 12%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	JP Morgan Chase Bank NA	0.25%	Goldman Sachs	0.05%	$ 198,825	10/9/2020

These notes are payable at maturity to the holder at a price equal to principal plus accrued interest. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

Combined Utility Systems Debt -- Taxable Commercial Paper Notes - The City is authorized by ordinance to issue taxable commercial paper notes (the "taxable notes") in an aggregate principal amount not to exceed $75,000,000 outstanding at any time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2018, were P-1 (Moody's Investors Service, Inc.), A-1+ (Standard & Poor's), and F1+ (Fitch).

The taxable notes are issued in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the taxable notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

At September 30, 2018, Austin Energy had outstanding taxable commercial paper notes of $55,942,000 with interest rates ranging from 2.05% to 3.36%. The City intends to refinance maturing commercial paper notes by issuing long-term debt. The associated letter of credit agreement has the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	JP Morgan Chase Bank NA	0.25%	Goldman Sachs	0.05%	$ 55,942	10/9/2020

These taxable notes are payable at maturity to the holder at a price equal to the par value of the note. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by JP Morgan Chase Bank and become bank notes with principal due immediately. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The taxable notes are secured by a direct-pay Letter of Credit issued by JP Morgan Chase Bank, which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the ordinance. A 36-month term loan feature is provided by this agreement.

Electric Utility System Revenue Debt -- General - The City is authorized by ordinance to issue electric utility system revenue obligations. Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of Austin Energy. Bond ratings at September 30, 2018, were Aa3 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system refunding revenue bonds outstanding at September 30, 2018 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2007 Refunding	2007	$ 146,635	22,010	1,541 (1)	5.00%	11/15/2018-2020
2008 Refunding	2008	50,000	38,475	20,794 (1)	5.20 - 6.26%	11/15/2018-2032
2010A Refunding	2010	119,255	95,090	46,591 (1)	4.00 - 5.00%	11/15/2018-2040
2010B Refunding	2010	100,990	100,990	76,304 (1)	4.54 - 5.72%	11/15/2019-2040
2012A Refunding	2013	267,770	255,175	154,489 (1)	2.50 - 5.00%	11/15/2018-2040
2012B Refunding	2013	107,715	83,615	17,279 (1)	1.53 - 3.16%	11/15/2019-2027
2015A Refunding	2015	327,845	327,845	267,155 (1)	5.00%	11/15/2021-2045
2015B Refunding	2015	81,045	72,355	23,548 (1)	1.70 - 4.66%	11/15/2018-2037
2017 Refunding	2017	101,570	101,570	73,339 (1)	4.00 - 5.00%	11/15/2019-2038
			$ 1,097,125			

(1) Interest is paid semiannually on May 15 and November 15.

Electric Utility System Revenue Debt -- Pledged Revenues - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2018 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,417,232	1,083,928	333,304	93,628	3.56

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation, other postemployment benefits and net pension liability accruals.

6 – DEBT AND NON-DEBT LIABILITIES, continued

c -- Business-Type Activities Long-Term Liabilities, continued

Water and Wastewater System Revenue Debt -- General - The City is authorized by ordinance to issue Austin Water Utility revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Austin Water Utility. Bond ratings at September 30, 2018, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Water and Wastewater System Revenue Debt -- Revenue Bond Issue - In November 2017, the City issued $45,175,000 of Water and Wastewater System Revenue Bonds, Series, 2017A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $42,363,027 will be used to improve and extend the water/wastewater system. The debt service requirements on the bonds are $54,326,741 with interest rates ranging from 0.6% to 2.3%. Interest payments are due May 15 and November 15 of each year from 2018 to 2037. Principal payments are due November 15 of each year from 2018 to 2037.

Water and Wastewater System Revenue Debt -- Revenue Bond In-Substance Defeasance - In May 2018, the City defeased $5,680,000 of separate lien revenue refunding bonds, series 2004A, $7,740,000 of separate lien revenue refunding bonds, series 2009, $2,480,000 of separate lien revenue refunding bonds, series 2009A, $5,450,000 of separate lien revenue refunding bonds, series 2010A, $26,570,000 of separate lien revenue refunding bonds, series 2011, $10,055,000 of separate lien revenue refunding bonds, series 2012, $1,060,000 of separate lien revenue refunding bonds, series 2015A, and $2,210,000 of separate lien revenue refunding bonds, taxable series 2015B, with a $63,406,607 cash payment. The funds were deposited in an irrevocable escrow account, that holds essentially risk-free U.S. Treasury Notes, to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt. Revenue bond debt service savings from the 2018 defeasance were $67.5 million over a seven-year period. These savings were an integral part of Austin Water's 2018 Water and Wastewater rate reduction. In addition, these savings, coupled with future planned debt defeasance transactions, will help achieve rate stability over the next few years. An accounting loss of $1,179,652 was recorded and recognized in the current period on the defeasance.

Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2018 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt	
2008 Refunding	2008	$ 170,605	105,690	30,732	(2)	0.87 - 1.82%	11/15/2018-2031	(3)
2009 Refunding	2009	175,000	1,700	102	(1)	4.00%	11/15/2019	
2010	2010	31,815	25,445	--	(4)	0.00%	11/15/2018-2041	
2010A Refunding	2011	76,855	64,215	47,560	(1)	5.00 - 5.13%	11/15/2019-2040	
2010B Refunding	2011	100,970	93,145	71,735	(1)	3.90 - 6.02%	11/15/2018-2040	
2011 Refunding	2012	237,530	208,100	135,279	(1)	3.00 - 5.00%	11/15/2019-2041	
2012 Refunding	2012	336,820	255,590	153,387	(1)	2.50 - 5.00%	5/15/2019-2042	
2013A Refunding	2013	282,460	263,125	165,973	(1)	3.00 - 5.00%	11/15/2018-2043	
2014 Refunding	2014	282,205	279,785	194,385	(1)	5.00%	5/15/2019-2043	
2015A Refunding	2015	249,145	245,535	96,886	(1)	2.85 - 5.00%	11/15/2019-2036	
2015B Refunding	2015	40,000	32,625	1,269	(1)	1.52 - 2.54%	11/15/2018-2021	
2016 Refunding	2016	247,770	247,770	210,191	(1)	5.00%	11/15/2019-2045	
2016A	2017	20,430	19,510	3,309	(1)	0.55 - 2.12%	11/15/2018-2036	
2017 Refunding	2017	311,100	311,100	208,303	(1)	2.50 - 5.00%	11/15/2020-2046	
2017A	2018	45,175	45,175	8,809	(1)	0.58 - 2.29%	11/15/2018-2037	
			$ 2,198,510					

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.60% in effect at the end of the fiscal year.
(3) Series matures on May 15 of the final year.
(4) Zero interest bond placed with Texas Water Development Board.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Series 2008 refunding bonds are variable rate demand bonds. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008	Citibank	0.28%	Goldman Sachs	0.05%	$ 105,690	10/15/2018 (1)

(1) In October 2018, the City extended the letter of credit agreement with Barclays Bank PLC. The new agreement expires on October 28, 2022, thus the City has classified this debt as long-term at the end of the fiscal year.

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by the respective liquidity providers and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate. The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

Water and Wastewater System Revenue Debt -- Pledged Revenues - The net revenue of Austin Water Utility was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2018 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (3)
$ 581,324	250,223	331,101	210,284	1.57

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation, other postemployment benefits and net pension liability accruals.
(3) The coverage calculation presented considers all Water and Wastewater debt service obligations, regardless of type or designation. This methodology closely approximates but does not follow exactly the coverage calculation required by the master ordinance.

Airport Revenue Bonds -- General - The City's Airport fund issues airport system revenue bonds to fund Airport fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport fund. At September 30, 2018, the total airport system obligation for prior lien bonds is $789,189,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are $584,867,972 at September 30, 2018. Revenue bonds authorized and unissued amount to $735,795,000. Bond ratings at September 30, 2018, for the revenue bonds were A (Standard & Poor's) and A1 (Moody's Investors Service, Inc.).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2018 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2008 (1)	$ 281,300	176,100	27,575 (2)	0.84 - 1.86%	11/15/2018-2025
2013 Revenue	2013	60,000	52,265	6,675 (3)	2.25%	11/15/2018-2028 (4)
2013A Refunding	2014	35,620	1,364	11 (3)	1.56%	11/15/2018
2014 Revenue	2015	244,495	244,495	231,573 (3)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	187,695 (3)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	131,339 (3)	5.00%	11/15/2026-2046
			$ 789,189			

(1) Series was remarketed in 2008.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 4.05% in effect at the end of the fiscal year.
(3) Interest is paid semiannually on May 15 and November 15.
(4) Series matures on May 15 of the final year.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

The Series 2005 refunding bonds that were remarketed in 2008 are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of $176,100,000. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2005-1	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	$ 44,025	4/15/2019
2005-2	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,000	4/15/2019
2005-3	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,050	4/15/2019
2005-4	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,025	4/15/2019
					$ 176,100	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in annual installments over the remaining life of the bond series beginning on the first business day of the month six months following the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2018. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate. The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

Airport Revenue Debt -- Pledged Revenues - The net revenue of the Airport fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding (including revenue bonds and revenue notes). The table below represents the pledged amounts at September 30, 2018 (in thousands):

Gross Revenue (1)	Other Available Funds (2)	Operating Expense (3)	Net Revenue and Other Available Funds	Debt Service Requirement (4)	Revenue Bond Coverage
$ 176,235	5,469	108,045	73,659	21,875	3.37

(1) Gross revenue includes revenues from operations and interest income.
(2) Pursuant to the bond ordinance, in addition to gross revenue, the Airport is authorized to use "other available funds" in the calculation of revenue bond coverage not to exceed 25% of the debt service requirements.
(3) Excludes depreciation, other postemployment benefits and net pension liability accruals.
(4) Excludes debt service amounts paid with passenger facility charge revenues and restricted bond proceeds applied to current interest payments.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Nonmajor Fund Debt:

Convention Center -- Prior and Subordinate Lien Revenue Refunding Bonds - The City's Convention Center fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2018, the total convention center obligation for prior and subordinate lien bonds is $135,055,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $24,853,366 at September 30, 2018. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2018.

Bond ratings at September 30, 2018, for the revenue bonds and subordinate lien bonds were, respectively, Aa3 and A1 (Moody's Investors Service, Inc.), and AA and A+ (Standard & Poor's).

The following table summarizes Convention Center refunding revenue bonds outstanding at September 30, 2018 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2008AB Refunding	2008	$ 125,280	82,325	16,230 (2)	0.81 - 1.85%	11/15/2018-2029
2012 Refunding	2012	20,185	16,020	4,987 (1)	3.63 - 5.00%	11/15/2018-2029
2013 Refunding	2014	26,485	9,640	488 (1)	5.00%	11/15/2018-2019
2016 Refunding	2017	29,080	27,070	3,148 (1)	1.88%	11/15/2018-2029
			$ 135,055			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.25% in effect at the end of the fiscal year.

The Series 2008 A and B refunding bonds are variable rate demand bonds. The associated letter of credit agreements have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008-A	Citibank	0.28%	Raymond James	0.06%	$ 41,160	10/9/2020
2008-B	Sumitomo Mitsui Banking Corporation	0.33%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.05%	41,165	10/9/2020
					$ 82,325	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period beginning six months from the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2018. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate. The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements

Governmental Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 65,913	45,351	8,457	9,329	15,485	3,428
2020	68,976	42,559	8,734	9,003	13,824	2,879
2021	73,507	39,362	9,107	8,660	11,455	2,387
2022	73,876	35,840	9,507	8,300	8,953	1,935
2023	74,385	32,338	9,929	7,913	7,228	1,555
2024-2028	365,655	113,317	56,698	32,925	21,335	4,564
2029-2033	258,765	43,687	65,197	19,611	10,395	802
2034-2038	55,680	4,209	42,726	6,105	--	--
2039-2043	--	--	6,395	552	--	--
	1,036,757	356,663	216,750	102,398	88,675	17,550
Less: Unamortized bond discounts	(1,025)	--	(605)	--	(207)	--
Add: Unamortized bond premiums	87,723	--	23,301	--	5,596	--
Net debt service requirements	1,123,455	356,663	239,446	102,398	94,064	17,550

Fiscal Year Ended September 30	Capital Lease Obligations		Total Governmental Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2019	2,115	74	91,970	58,182	150,152
2020	2,043	146	93,577	54,587	148,164
2021	1,973	215	96,042	50,624	146,666
2022	1,907	282	94,243	46,357	140,600
2023	1,842	347	93,384	42,153	135,537
2024-2028	--	--	443,688	150,806	594,494
2029-2033	--	--	334,357	64,100	398,457
2034-2038	--	--	98,406	10,314	108,720
2039-2043	--	--	6,395	552	6,947
	9,880	1,064	1,352,062	477,675	1,829,737
Less: Unamortized bond discounts	--	--	(1,837)	--	(1,837)
Add: Unamortized bond premiums	--	--	116,620	--	116,620
Net debt service requirements	$ 9,880	1,064	1,466,845	477,675	1,944,520

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2019	$ 3,171	714	2,273	2,090	9,885	753
2020	3,119	588	2,371	2,016	7,551	470
2021	3,254	443	2,488	1,935	4,000	276
2022	2,574	297	2,603	1,849	1,986	158
2023	1,650	168	2,730	1,753	1,158	81
2024-2028	1,715	85	15,788	6,991	1,170	51
2029-2033	--	--	14,953	3,382	--	--
2034-2038	--	--	5,314	584	--	--
2039-2043	--	--	380	18	--	--
2044-2048	--	--	--	--	--	--
	15,483	2,295	48,900	20,618	25,750	1,789
Less: Unamortized bond discounts	--	--	(88)	--	(3)	--
Add: Unamortized bond premiums	734	--	3,465	--	771	--
Net debt service requirements	16,217	2,295	52,277	20,618	26,518	1,789

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest	Revenue Bonds (2) Principal	Revenue Bonds (2) Interest
2019	790	590	254,767	516	108,584	223,798
2020	775	258	--	--	149,178	197,279
2021	820	226	--	--	171,500	187,060
2022	845	191	--	--	187,560	179,629
2023	885	156	--	--	188,516	170,888
2024-2028	2,790	238	--	--	1,051,284	719,539
2029-2033	--	--	--	--	802,854	500,721
2034-2038	--	--	--	--	744,646	323,137
2039-2043	--	--	--	--	634,370	146,591
2044-2048	--	--	--	--	287,611	22,812
	6,905	1,659	254,767	516	4,326,103	2,671,454
Less: Unamortized bond discounts	--	--	--	--	(1,906)	--
Add: Unamortized bond premiums	--	--	--	--	377,604	--
Net debt service requirements	$ 6,905	1,659	254,767	516	4,701,801	2,671,454

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.
(2) A portion of these bonds are variable rate bonds with rates ranging from 0.81% to 1.86%.

(Continued)

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-type Activities, continued
(in thousands)

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Business-Type Activities Debt Service Requirements Principal	Interest	Total
2019	$ 56	75	379,526	228,536	608,062
2020	60	73	163,054	200,684	363,738
2021	63	69	182,125	190,009	372,134
2022	67	66	195,635	182,190	377,825
2023	70	64	195,009	173,110	368,119
2024-2028	407	257	1,073,154	727,161	1,800,315
2029-2033	211	78	818,018	504,181	1,322,199
2034-2038	--	--	749,960	323,721	1,073,681
2039-2043	--	--	634,750	146,609	781,359
2044-2048	--	--	287,611	22,812	310,423
	934	682	4,678,842	2,699,013	7,377,855
Less: Unamortized bond discounts	--	--	(1,997)	--	(1,997)
Add: Unamortized bond premiums	--	--	382,574	--	382,574
Net debt service requirements	$ 934	682	5,059,419	2,699,013	7,758,432

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-type Activities: Austin Energy
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Commercial Paper Notes (1)		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 109	4	212,597	462	37,007	54,363
2020	50	2	--	--	46,993	52,724
2021	4	--	--	--	47,106	50,835
2022	--	--	--	--	54,593	48,794
2023	--	--	--	--	51,983	46,323
2024-2028	--	--	--	--	284,474	192,169
2029-2033	--	--	--	--	219,915	129,890
2034-2038	--	--	--	--	203,565	80,494
2039-2043	--	--	--	--	141,430	35,958
2044-2048	--	--	--	--	81,340	6,221
	163	6	212,597	462	1,168,406	697,771
Less: Unamortized bond discounts	--	--	--	--	(190)	--
Add: Unamortized bond premiums	--	--	--	--	85,627	--
Net debt service requirements	163	6	212,597	462	1,253,843	697,771

Fiscal Year Ended September 30	Capital Lease Obligations		Total Austin Energy Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2019	56	75	249,769	54,904	304,673
2020	60	73	47,103	52,799	99,902
2021	63	69	47,173	50,904	98,077
2022	67	66	54,660	48,860	103,520
2023	70	64	52,053	46,387	98,440
2024-2028	407	257	284,881	192,426	477,307
2029-2033	211	78	220,126	129,968	350,094
2034-2038	--	--	203,565	80,494	284,059
2039-2043	--	--	141,430	35,958	177,388
2044-2048	--	--	81,340	6,221	87,561
	934	682	1,382,100	698,921	2,081,021
Less: Unamortized bond discounts	--	--	(190)	--	(190)
Add: Unamortized bond premiums	--	--	85,627	--	85,627
Net debt service requirements	$ 934	682	1,467,537	698,921	2,166,458

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-type Activities: Austin Water Utility
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations		Other Tax Supported Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 239	51	91	59	1,352	126	595	382
2020	207	43	92	56	1,052	83	496	165
2021	186	34	99	53	671	50	525	145
2022	187	27	102	50	419	24	541	122
2023	155	17	109	47	175	4	567	100
2024-2028	188	9	612	165	--	--	1,786	152
2029-2033	--	--	463	38	--	--	--	--
2034-2038	--	--	--	--	--	--	--	--
2039-2043	--	--	--	--	--	--	--	--
2044-2048	--	--	--	--	--	--	--	--
	1,162	181	1,568	468	3,669	287	4,510	1,066
Less: Unamortized bond discounts	--	--	(5)	--	--	--	--	--
Add: Unamortized bond premiums	58	--	31	--	130	--	--	--
Net debt service requirements	1,220	181	1,594	468	3,799	287	4,510	1,066

Fiscal Year Ended September 30	Commercial Paper Notes (1)		Revenue Bonds (2)		Total Austin Water Utility Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	42,170	54	33,888	129,662	78,335	130,334	208,669
2020	--	--	62,085	106,267	63,932	106,614	170,546
2021	--	--	88,934	99,331	90,415	99,613	190,028
2022	--	--	97,927	95,195	99,176	95,418	194,594
2023	--	--	100,233	90,214	101,239	90,382	191,621
2024-2028	--	--	576,520	375,755	579,106	376,081	955,187
2029-2033	--	--	456,054	251,320	456,517	251,358	707,875
2034-2038	--	--	410,266	152,738	410,266	152,738	563,004
2039-2043	--	--	326,005	57,769	326,005	57,769	383,774
2044-2048	--	--	81,541	5,711	81,541	5,711	87,252
	42,170	54	2,233,453	1,363,962	2,286,532	1,366,018	3,652,550
Less: Unamortized bond discounts	--	--	(1,443)	--	(1,448)	--	(1,448)
Add: Unamortized bond premiums	--	--	226,433	--	226,652	--	226,652
Net debt service requirements	$ 42,170	54	2,458,443	1,363,962	2,511,736	1,366,018	3,877,754

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(2) Portions of these bonds are variable rate bonds with rates of 0.87% - 1.82%.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-type Activities: Airport
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest
2019	$ 20	1	24,249	35,646
2020	10	1	26,135	34,682
2021	2	--	26,150	33,702
2022	1	--	25,430	32,748
2023	--	--	26,430	31,769
2024-2028	--	--	135,820	143,741
2029-2033	--	--	102,495	118,931
2034-2038	--	--	130,815	89,905
2039-2043	--	--	166,935	52,864
2044-2048	--	--	124,730	10,880
	33	2	789,189	584,868
Less: Unamortized bond discounts	--	--	(204)	--
Add: Unamortized bond premiums	--	--	64,496	--
Net debt service requirements	33	2	853,481	584,868

Fiscal Year Ended September 30	Total Airport Debt Service Requirements Principal	Interest	Total
2019	24,269	35,647	59,916
2020	26,145	34,683	60,828
2021	26,152	33,702	59,854
2022	25,431	32,748	58,179
2023	26,430	31,769	58,199
2024-2028	135,820	143,741	279,561
2029-2033	102,495	118,931	221,426
2034-2038	130,815	89,905	220,720
2039-2043	166,935	52,864	219,799
2044-2048	124,730	10,880	135,610
	789,222	584,870	1,374,092
Less: Unamortized bond discounts	(204)	--	(204)
Add: Unamortized bond premiums	64,496	--	64,496
Net debt service requirements	$ 853,514	584,870	1,438,384

(1) Portions of these bonds are variable rate bonds with rates ranging from 0.84% - 1.86%.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-type Activities: Nonmajor Enterprise
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2019	$ 2,803	658	2,182	2,031	8,533	627
2020	2,852	542	2,279	1,960	6,499	387
2021	3,062	409	2,389	1,882	3,329	226
2022	2,386	270	2,501	1,799	1,567	134
2023	1,495	151	2,621	1,706	983	77
2024-2028	1,527	76	15,176	6,826	1,170	51
2029-2033	--	--	14,490	3,344	--	--
2034-2038	--	--	5,314	584	--	--
2039-2043	--	--	380	18	--	--
	14,125	2,106	47,332	20,150	22,081	1,502
Less: Unamortized bond discounts	--	--	(83)	--	(3)	--
Add: Unamortized bond premiums	676	--	3,434	--	641	--
Net debt service requirements	14,801	2,106	50,683	20,150	22,719	1,502

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest	Total Nonmajor Enterprise Debt Service Requirements Principal	Total Nonmajor Enterprise Debt Service Requirements Interest	Total
2019	195	208	13,440	4,127	27,153	7,651	34,804
2020	279	93	13,965	3,606	25,874	6,588	32,462
2021	295	81	9,310	3,192	18,385	5,790	24,175
2022	304	69	9,610	2,892	16,368	5,164	21,532
2023	318	56	9,870	2,582	15,287	4,572	19,859
2024-2028	1,004	86	54,470	7,874	73,347	14,913	88,260
2029-2033	--	--	24,390	580	38,880	3,924	42,804
2034-2038	--	--	--	--	5,314	584	5,898
2039-2043	--	--	--	--	380	18	398
	2,395	593	135,055	24,853	220,988	49,204	270,192
Less: Unamortized bond discounts	--	--	(69)	--	(155)	--	(155)
Add: Unamortized bond premiums	--	--	1,048	--	5,799	--	5,799
Net debt service requirements	$ 2,395	593	136,034	24,853	226,632	49,204	275,836

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.81% - 1.85%.

6 – DEBT AND NON-DEBT LIABILITIES, continued
e -- Defeased Bonds

Over time, the City has issued refunding bonds to advance refund certain public improvement bonds, certificates of obligation, and enterprise revenue bonds. The proceeds of the sale of the refunding bonds were deposited with an escrow agent in an amount necessary to accomplish the discharge and final payment of the refunded obligations. These funds are held by the escrow agent in an escrow fund and used to purchase direct obligations of the United States of America to be held in the escrow fund. The escrow fund is irrevocably pledged to the payment of the principal and interest on the refunded obligations.

On September 30, 2018, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity Dates	Balance (1)
Austin Energy		
Series 2008A	11/15/2018	$ 165,200
Austin Water Utility		
Series 2004A	11/15/2018 - 11/15/2019	14,010
Series 2009	11/15/2018 - 11/15/2019	126,100
Series 2009A	11/15/2018 - 11/15/2019	139,690
Series 2010A	11/15/2018 - 11/15/2020	5,450
Series 2011	11/15/2018 - 11/15/2021	26,570
Series 2012	11/15/2018 - 11/15/2020	10,055
Series 2014	5/15/2019	1,000
Series 2015A	11/15/2018	1,060
Series 2015B	11/15/2018	2,210
Combined Utility System Revenue		
Series 1994 Subordinate Lien	5/15/2019	3,700
		$ 495,045

(1) The balances shown have been escrowed to their respective call dates.

7 – RETIREMENT PLANS
a -- General Information

Plan Description. The City participates in funding three contributory, defined benefit retirement plans: the City of Austin Employees' Retirement and Pension Fund (City Employees), the City of Austin Police Officers' Retirement and Pension Fund (Police Officers), and the Fire Fighters' Relief and Retirement Fund of Austin, Texas (Fire Fighters). An Independent Board of Trustees administers each plan. These plans are City-wide single employer funded plans each with a fiscal year end of December 31.

All three plans were created by state law and can be found in Vernon's Texas Civil Statutes as follows:

City Employees' Fund	Article 6243n
Police Officers' Fund	Article 6243n-1
Fire Fighters' Fund	Article 6243e.1

State law governs benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

Plan Financial Statements. The most recently available financial statements of the pension funds are for the year ended December 31, 2017. Stand-alone financial reports that include financial statements and supplementary information for each plan are publicly available at the locations and internet addresses shown below.

Plan	Address	Telephone
City of Austin Employees' Retirement and Pension Fund	418 E. Highland Mall Blvd. Austin, Texas 78752-3720 **www.coaers.org**	(512)458-2551
City of Austin Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 100 Austin, Texas 78704 **www.ausprs.org**	(512)416-7672
Fire Fighters' Relief and Retirement Fund of Austin, Texas	4101 Parkstone Heights Dr., Ste. 270 Austin, Texas 78746 **www.afrs.org**	(512)454-9567

Classes of Employees Covered. The three pension plans cover substantially all full-time employees. The City Employees' fund covers all regular, full-time employees working 30 hours or more except for civil service police officers and fire fighters. Membership in this fund is comprised of two tiers. Group A includes all employees hired before January 1, 2012. Group B includes all employees hired on or after this date. The Police Officers' fund covers all commissioned law enforcement officers and cadets upon enrollment in the Austin Police Academy. The Fire Fighters' fund covers all commissioned civil service and Texas state-certified fire fighters with at least six months of service employed by the Austin Fire Department.

Benefits Provided. Each plan provides service retirement, death, and disability benefits as shown in the following chart. For the City Employees' fund, vesting occurs after 5 years of creditable service. For the other two systems, vesting occurs after 10 years of creditable service. For all three systems, creditable service includes employment at the City plus purchases of certain types of service where applicable. Withdrawals from the systems include actual contributions plus interest at varying rates depending on the system. This applies to both non-vested employees who leave the City as well as vested employees who leave the City and wish to withdraw their contributions. In addition, each plan offers various Deferred Retirement Option Programs (DROP). These are not included in the discussion of benefits provided.

7 – RETIREMENT PLANS, continued
a -- General Information, continued

	City Employees	Police Officers	Fire Fighters
Eligibility	Group A members qualify for retirement benefits at age 62; age 55 with 20 years creditable service; or any age with 23 years creditable service. No reduced benefits are available. Group B members qualify for normal retirement benefits at age 65 with 5 years creditable service or at age 62 with 30 years creditable service. Reduced benefits are available at age 55 with 10 years of creditable service.	Members are eligible for retirement benefits at any age with 23 years creditable service (excluding pre-membership military service), age 55 and 20 years creditable service (excluding pre-membership military service), or age 62 and any number of creditable service years.	Members are eligible for normal retirement benefits upon the earlier of age 50 with 10 years of service or 25 years of service regardless of age. Members are eligible for early retirement at 45 with 10 years of service or with 20 years of service regardless of age.
Calculation	Average of 36 highest months of base pay multiplied by years and months of creditable service multiplied by 3.0% for Group A and 2.5% for Group B.	Average of 36 highest months of base salary plus longevity pay multiplied by years and months of service multiplied by 3.2%.	Average of 36 highest months of base salary plus longevity pay multiplied by years of service multiplied by 3.3% with a $2,000 monthly minimum.
Death Benefits	Retiree or active member eligible for retirement, $10,000 lump sum and continuation of benefits to beneficiary if this option was selected. If not eligible for retirement, refund of accumulated deposits plus death benefit from COAERS equal to those deposits excluding purchases of time.	For retirees and members eligible for retirement, $10,000 lump sum and the member's accrued benefit as of the date of death based on annuity selected. Non-vested members receive the greater of $10,000 or twice the amount of the member's accumulated contributions.	Surviving spouse receives 75% of retiree benefits based on the greater of 20 years or years of service at time of death. If surviving spouse exists, each dependent receives 15% of the payment paid to the surviving spouse. If no surviving spouse exists, dependents split equally the amount that would have been paid to surviving spouse.
Disability Benefits	After approved for disability benefits, active members may choose from several different disability retirement options. Must have 5 years of service if disability is not job related.	After approved for disability benefits, if disability is the result of employment duties, benefit is based on the greater of 20 years or normal retirement calculation. Must have 10 years of service if disability is not job related.	For the first 30 months, eligible for retiree benefits based on the greater of service at time of disability or 20 years. After 30 months, continuance of annuity may be reevaluated.
Cost of Living Adjustments (COLA)	The plan does not require COLAs. Such increases must be deemed sustainable by the actuary and approved by the City Council and Board of Trustees of the fund. The most recent COLA was put into effect in 2002.	The plan does not require COLAs. Such increases must be approved by the Board of Trustees and the actuary of the fund. The most recent COLA was put into effect in 2007.	The plan does not require COLAs. Such increases must be approved by the Board of Trustees and the actuary of the fund. The most recent COLA was put into effect for 2018.

7 – RETIREMENT PLANS, continued
a -- General Information, continued

Employees Covered by Benefit Terms: Membership in the plans as of December 31, 2017, is as follows:

	City Employees	Police Officers		Fire Fighters
Inactive employees or beneficiaries currently receiving benefits	6,225	867		786
Inactive employees entitled to but not yet receiving benefits	2,657	98	(1)	9
Active employees	9,612	1,866		1,045
Total	18,494	2,831		1,840

(1) Includes 45 terminated vested members and 53 nonvested terminated members due refunds

Contributions. For all three systems, minimum contributions are determined by the enabling legislation cited above. In certain cases the City may contribute at a level greater than that stated in the law. While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted.

	City Employees	Police Officers	Fire Fighters
Employee contribution (percent of earnings)	8.00%	13.00%	18.70%
City contribution (percent of earnings)	18.00% (1)	21.313%	22.05%
City contributions year ended September 30, 2018 (in thousands)	$114,149	34,944	19,809

(1) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 18% was effective October 1, 2012.

The City's net pension liability was measured as of December 31, 2017 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the City Employees' and Police Officers' funds. For the Fire Fighters fund, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 using the final 2017 assumptions and then was rolled forward to the plan's year ending December 31, 2017.

Actuarial Assumptions. Actuarial assumptions used in the most recent actuarial valuations include:

	City Employees	Police Officers	Fire Fighters
Inflation rate	2.75%	3.00%	3.50%
Projected annual salary increases	4.00% to 6.25%	0.00% to 22.50% Service based (1)(2)	1.00% to 8.50% Service based (2)
Investment rate of return	7.50%	7.70%	7.70%
Ad hoc postemployment benefit changes including COLAs	None	None	None
Dates of experience studies	2011 - 2015	2012 - 2016	2004 - 2014
Source for mortality assumptions	RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014.	RP-2000 Combined Healthy without projection - Sex Distinct.	RP2000 (Fully Generational using Scale AA) set back two years for males and females - Sex Distinct.

(1) This includes the classification status change upon graduation from the academy.
(2) This does not include assumed general wage inflation increases of 3.25% and 3.00% for Police and Fire, respectively.

7 – RETIREMENT PLANS, continued

b -- Net Pension Liability

Development of Long-Term Rate of Return on Investments. Each pension plan utilizes different asset allocations and assumed rates of return in developing the long-term rate of return on investments. However, all three use the same methodology as follows:

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following provides asset allocations and long-term expected real rate of return for each asset class for the three funds.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
City Employees:		
US equity	30.00%	5.30%
International equity	20.00%	6.38%
Emerging markets equities	10.00%	6.62%
Fixed income	24.50%	3.33%
Alternative investments	10.00%	3.95% to 6.34%
Real estate	5.50%	5.52%
Total	100.00%	
Police Officers:		
Domestic equity	42.50%	7.50%
International equity	15.00%	8.50%
Other equity	7.50%	7.50%
US and non-US fixed income	10.00%	3.00%
Other fixed income	5.00%	3.50%
Real estate	15.00%	4.50%
Timber	0.00%	2.50%
Multi asset class	5.00%	5.00%
Total	100.00%	
Fire Fighters:		
Public domestic equity	20.00%	5.30%
Public foreign equity	22.00%	6.90%
Private equity fund of funds	15.00%	5.60%
Investment grade bonds	13.00%	1.10%
Treasury inflation protected securities	5.00%	0.80%
High yield/bank loans	5.00%	3.80%
Emerging market debt	7.00%	3.60%
Core real estate	5.00%	3.40%
Non-core real estate	5.00%	5.00%
Natural resources	3.00%	5.90%
Total	100.00%	

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

Discount Rate. The following provides information on the discount rate used to measure the City's total pension liability. Based on the assumptions presented below, the fiduciary net position for all three pension funds was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	City Employees	Police Officers	Fire Fighters
Single discount rate	7.50%	7.70%	7.70%
Change since last measurement date	None	None	None
Long-term expected rate of return on pension plan investments	7.50%	7.70%	7.70%
Cash flow assumptions	Plan member contributions will be made at the current rate. City contributions will be made at the current rate for 28 years and then will decrease to 8%.	Plan member contributions and City contributions will be made at current contribution rates and will remain a level percentage of payroll.	Plan member contributions will be made at current contribution rates. City contributions will be continued at the currently negotiated rate of 22.05%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of each of the pension funds of the City calculated using the long-term expected rate of return on pension plan investments, as well as what the net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability (Asset)
City Employees	6.50%	$ 1,608,628	7.50%	$ 1,147,385	8.50%	$ 762,471
Police Officers	6.70%	553,553	7.70%	420,116	8.70%	307,089
Fire Fighters	6.70%	189,653	7.70%	85,003	8.70%	(3,088)

Pension Plan Fiduciary Net Position. Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report of each of the pension systems.

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

Schedule of Changes in Net Pension Liability. Changes in net pension liability for all three funds and the City for the measurement period ended December 31, 2017 are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Total pension liability at December 31, 2016 (a)	$ 3,591,376	1,106,189	977,723	5,675,288
Changes for the year:				
Service cost	107,767	35,322	23,830	166,919
Interest	266,257	84,472	75,812	426,541
Benefit changes	--	--	8,964	8,964
Differences between expected and actual experience	22,755	17,241	4,360	44,356
Contribution buy back	--	2,915	--	2,915
Benefit payments including refunds	(190,332)	(56,548)	(51,888)	(298,768)
Net change in total pension liability	206,447	83,402	61,078	350,927
Total pension liability at December 31, 2017 (b)	$ 3,797,823	1,189,591	1,038,801	6,026,215
Total plan fiduciary net position at December 31, 2016 (c)	$ 2,299,688	686,020	829,610	3,815,318
Changes for the year:				
Employer contributions	110,846	35,141	19,242	165,229
Employee contributions	56,194	21,437	16,319	93,950
Contribution buy back	--	2,915	--	2,915
Pension plan net investment income (loss)	376,820	82,072	141,915	600,807
Benefits payments and refunds	(190,332)	(56,548)	(51,888)	(298,768)
Pension plan administrative expense	(2,778)	(1,562)	(1,400)	(5,740)
Net change in total plan fiduciary net position	350,750	83,455	124,188	558,393
Total plan fiduciary net position at December 31, 2017 (d)	$ 2,650,438	769,475	953,798	4,373,711
Net pension liability at December 31, 2016 (a-c)	$ 1,291,688	420,169	148,113	1,859,970
Net pension liability at December 31, 2017 (b-d)	$ 1,147,385	420,116	85,003	1,652,504

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

The City Employees' fund had no changes of assumptions or benefit terms that affected the total pension liability for the measurement period. The Police Officers' fund also had no changes of assumptions or benefit terms that affected the total pension liability for the measurement period.

The Fire Fighters' fund had no significant changes of assumptions during the measurement period but did have a change in benefit term that affected the total pension liability. Effective January 1, 2018 a cost-of-living adjustment increase of 2.20% went into effect.

c -- Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2018, was comprised of the following (in thousands):

	Pension Expense
City Employees	$ 203,901
Police Officers	59,126
Fire Fighters	32,775
Total	$ 295,802

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources (in thousands):

Source	City Employees	Police Officers	Fire Fighters	Total
Deferred Outflows of Resources				
Contributions to the plans subsequent to the measurement date	$ 84,001	25,478	14,558	124,037
Differences between expected and actual experience	43,447	21,257	14,903	79,607
Changes in assumptions	52,369	15,334	2,713	70,416
Net difference between projected and actual earnings on pension plan investments	--	8,140	--	8,140
Changes in proportionate share (between funds)	2,013	--	--	2,013
Total	181,830	70,209	32,174	284,213
Deferred Inflows of Resources				
Differences between expected and actual experience	--	4,423	--	4,423
Net difference between projected and actual earnings on pension plan investments	69,347	--	35,527	104,874
Changes in proportionate share (between funds)	2,013	--	--	2,013
Total	$ 71,360	4,423	35,527	111,310

7 – RETIREMENT PLANS, continued
d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

The portion of deferred outflows and inflows of resources that will be recognized as an increase (decrease) in pension expense is as follows (in thousands):

Fiscal Year Ended September 30	City Employees	Police Officers	Fire Fighters	Total
2019	$ 55,007	13,895	2,285	71,187
2020	34,929	11,549	(865)	45,613
2021	(30,005)	1,353	(11,675)	(40,327)
2022	(35,301)	(1,134)	(12,567)	(49,002)
2023	1,839	4,381	3,176	9,396
Thereafter	--	10,264	1,735	11,999
Total	$ 26,469	40,308	(17,911)	48,866

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)
a -- General Information

Plan Description. In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits to its retirees. The City of Austin OPEB Plan is a defined-benefit single-employer plan. Allocation of City funds to pay postemployment benefits 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 other postemployment benefits for retirees or their dependents. The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

Unlike pensions, State law does not provide specific requirements or authority for OPEB. Instead, the City relies on its status as a municipal corporation under Article XI, Section 5 of the Constitution of the State of Texas, the Home Rule Amendment, as the authority under which OPEB is provided to retirees. Any amendments to the OPEB Plan are approved by City Council through the annual budget approval process.

Benefits Provided. Other postemployment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and $1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems as described in Note 7 are eligible for other postemployment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate.

Plan members do not pay into the OPEB plan while in active employment nor does the City pay on behalf of active employees. The City pays actual claims for medical and prescription drug coverage as a primary provider for non-Medicare eligible, and as a secondary provider for Medicare eligible retirees through either a PPO, HMO, or CDHP, (Consumer Driven Health Plan), medical plan as selected by the retiree. The City subsidizes a maximum of 80% of the projected medical premium for retirees, 50% for dependents, and 70% (75% if pre-Medicare) for surviving spouses. Subsidies are based on years of service at retirement as displayed in the table below and are applied to the corresponding maximum reflected above. For example, a retiree with less than five years of service would be eligible for a subsidy of 16% (20% of 80%). Retirees must pay the unsubsidized portion of the premium.

For the 2017 plan year, (January 1 to December 31), the percentage of the maximum subsidy paid by the City was as follows:

Years of Service at Retirement	Percent of Maximum Subsidy Paid by the City
<5	20%
5-9	30%
10-14	50%
15-19	70%
20 and over	100%

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued
a -- General Information, continued

The City pays 100% of the retiree's basic life insurance premium. The cost of coverage above the $1,000 level 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. If excise tax is payable in the future, it is assumed that these costs will also be paid by the retirees.

Employees Covered by Benefit Terms: Membership in the plan as of December 31, 2017, is as follows:

Inactive employees or beneficiaries currently receiving benefits	7,178
Inactive employees entitled to but not yet receiving benefits	2,763
Active employees	12,557
Total	22,498

b – Total OPEB Liability

The City's total OPEB liability of $2,524,897 (in thousands) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date. Of the total liability, $53,076 (in thousands) is considered to be due within one year and the remaining $2,471,821 (in thousands) is considered to be a long-term liability.

Actuarial Assumptions and Other Inputs. Actuarial assumptions used in the most recent actuarial valuations are shown below. The majority of the demographic assumptions used in the OPEB valuation are identical to those used in the pension valuation from the previous reporting period. As a result, experience studies performed by the pension systems as discussed in Note 7a were also relied upon.

Inflation rate	NA
Salary increases	Vary by retirement group, age, and years of service
Discount rate	3.44%
Healthcare cost trend rates:	
Medical (pre-65)	7.00% graded to 4.50% over 5 years
Medical (post-65)	6.00% graded to 4.50% over 3 years
Prescription drug	9.00% graded to 4.50% over 9 years
Administrative costs	2.50%
Experience studies	Experience for healthcare cost trend rates was based on activity from November 1, 2015 to October 31, 2017 for medical costs and December 1, 2015 to November 30, 2017 for prescriptions.

Sources for mortality rate assumptions include:

General (Actives)	RP-2014 Blue Collar Employee Mortality Tables projected generationally using scale BB from 2014
General (Healthy retirees)	RP-2014 Blue Collar Healthy Annuitant Mortality Tables projected generationally using scale BB from 2014
General (Disabled retirees)	RP-2014 Blue Collar Healthy Annuitant Mortality Tables, set forward 3 years, projected generationally using Scale BB from 2014, with a minimum 3% rate of mortality applicable at all ages
Police (All lives)	RP-2000 Combined Healthy Mortality Tables
Fire (Healthy lives)	RP-2000 Combined Healthy Mortality Tables, set back 2 years, projected generationally using Scale AA from 2000
Fire (Disabled lives)	RP-2000 Disabled Retiree Mortality Tables

Discount Rate. The discount rate for OPEB funded entirely on a pay-as-you-go basis is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the OPEB measurement at December 31, 2017, the City's actuaries used the Bond Buyer US Weekly Yields 20 General Obligation Bond Index of 3.44%. The discount rate as of December 31, 2016 used in calculating the total OPEB liability as of September 30, 2017 for restating the financial statements was 3.78%. The discount rate decreased 0.34% between these two measurement dates.

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

b – Total OPEB Liability, continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City calculated using the discount rate discussed above, as well as what the total OPEB liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

1% Decrease			Current Discount Rate			1% Increase		
Rate	Total OPEB Liability		Rate	Total OPEB Liability		Rate	Total OPEB Liability	
2.44%	$	3,043,665	3.44%	$	2,524,897	4.44%	$	2,123,411

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the City calculated using the healthcare cost trend rates displayed above, as well as what the total OPEB liability (in thousands) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current rates.

1% Decrease		Current Rate		1% Increase	
Total OPEB Liability		Total OPEB Liability		Total OPEB Liability	
$	2,087,263	$	2,524,897	$	3,101,315

Schedule of Changes in Total OPEB Liability. Changes in the total OPEB liability for measurement period ended December 31, 2017 is as follows (in thousands):

Total OPEB liability at December 31, 2016	$ 2,055,627
Changes for the year:	
Service cost	86,687
Interest	80,132
Differences between expected and actual experience	64,227
Assumption changes	283,099
Expected benefit payments	(44,875)
Net change in total OPEB liability	469,270
Total OPEB liability at December 31, 2017	$ 2,524,897

The OPEB plan had no changes in benefit terms during the period. Assumption changes included:

- Lowering the discount rate from 3.78% to 3.44% based on Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date,
- Updating medical and prescription drug claim costs to reflect more recent experience,
- Modifying medical and prescriptions drug trend rates by splitting the single category from the previous valuation into three categories for the current valuation, grading these categories for different periods, and lowering the ultimate trend rate from 5.0% to 4.5%, and
- Updating third-party administrator and vendor administrative expenses to reflect more recent contracts and assumed trends on such costs.

c – Other Postemployment Benefits Expense

Total OPEB expenses recognized by the City for the fiscal year ended September 30, 2018 were $213,006 (in thousands).

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows	Deferred Inflows
Benefit payments subsequent to the measurement date	$ 35,830	--
Differences between expected and actual experience	55,720	--
Changes in assumptions	245,603	--
Changes in proportionate share (between funds)	11,713	11,713
Total	$ 348,866	11,713

The portion of deferred outflows and inflows of resources that will be recognized in OPEB expense is as follows (in thousands):

Fiscal Year Ended September 30	
2019	$ 46,004
2020	46,004
2021	46,004
2022	46,004
2023	46,004
Thereafter	71,303
Total	$ 301,323

9 – DERIVATIVE INSTRUMENTS

The City has derivatives in two hedging programs: Energy Risk Management Program and Variable Rate Debt Management Program.

In accordance with GAAP, the City is required to report the fair value of all derivative instruments on the statement of net position. All derivatives must be categorized into two basis types – (1) hedging derivative instruments and (2) investment derivative instruments. Hedging derivative instruments significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of an associated hedgeable item. Investment derivative instruments are entered into primarily for income or profit purposes or they are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in fair value of hedging derivative instruments are deferred on the statement of net position, and changes in fair value of investment derivative instruments are recognized as gains or losses on the statement of activities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, which is the City's fiscal year end date of September 30. This requires consideration of nonperformance risk when measuring the fair value of a liability and considers the effect of the government's own credit quality and any other factors that might affect the likelihood that the obligation will or will not be fulfilled.

a -- Energy Risk Management Program

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, Austin Energy has established a Risk Management Program. This program was authorized by the Austin City Council and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, swaps and congestion revenue rights for the purpose of reducing exposure to natural gas, energy and congestion price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. Austin Energy typically settles these contracts in cash.

9 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

Hedging Derivative Instruments

Natural Gas Derivatives
Austin Energy purchases financial contracts on the New York Mercantile Exchange (NYMEX) to provide a hedge against the physical delivery price of natural gas from its various hubs. Austin Energy enters into basis swaps to protect delivery price differences between Henry Hub and its natural gas delivery points, Western Area Hub Association (WAHA), Katy, and the Houston Ship Channel (HSC).

The fair value of futures, swaps, and basis swap contracts is determined using the NYMEX closing settlement prices as of the last day of the reporting period, using a hierarchy level 2 market approach. The fair value is calculated by deriving the difference between the closing futures price on the last day of the reporting period and purchase price at the time the positions were established. The fair value of the options is categorized as hierarchy level 2, calculated using the Black/Scholes valuation method utilizing implied volatility based on the NYMEX closing settlement prices of the options as of the last day of the reporting period, including any necessary price analysis adjustments, risk free interest rate, time to maturity, and the NYMEX forward price of the underlier as of the last day of the reporting period.

Premiums paid for options are deferred until the contract is settled. As of September 30, 2018, $96 thousand in premiums was deferred. As of September 30, 2018, the fair value of Austin Energy's futures, options, and swaps was an unrealized loss of $7.7 million, of which $7.8 million is reported as derivative instruments in liabilities and $50 thousand is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the statement of net position using deferred outflows and deferred inflows.

Congestion Revenue Rights Derivatives
Preassigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow Austin Energy to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. While the instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments, they are generally used by Austin Energy as factors in the cost of transmission, and therefore meet the Normal Purchases and Normal Sales scope exception allowing them to be reported at cost.

In fiscal year 2018, Austin Energy sold PCRRs and recorded a gain of $193 thousand; however, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2018, $344 thousand remained deferred.

On September 30, 2018, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction		Reference Index	Fair Value at September 30, 2018 Maturity Dates	Notional Volumes	Fair Value	Change in Fair Value	Premiums Deferred
Long	OTC Call Options	Henry Hub	Oct 2018 - Sept 2021	5,945,000 (1)	$ 50	(257)	1,246
			Derivative instruments (assets)		50	(257)	1,246
Short	OTC Put Options	Henry Hub	Oct 2018 - Sep 2021	(5,945,000) (1)	(2,743)	82	(1,150)
Long	OTC Basis Swaps	WAHA	Oct 2018	155,000 (1)	(189)	(187)	--
Long	OTC Swaps	Henry Hub	Oct 2018 - Sep 2020	4,645,000 (1)	(4,864)	(492)	--
			Derivative instruments (liabilities)		(7,796)	(597)	(1,150)
			Total		$ (7,746)	(854)	96

(1) Volume in MMBTUs

Austin Energy routinely purchases derivative instruments. The outstanding hedging derivative instruments were purchased at various dates.

The realized gains and losses related to the hedging activity derivative instruments are netted to Power Supply Adjustment expense in the period realized.

9 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

Risks

Credit Risk. Credit risk is the risk of loss due to a counterparty defaulting on its obligations. Austin Energy's fuel derivative contracts expose Austin Energy to custodial credit risk on exchange-traded derivative positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected. At September 30, 2018, the brokerages had credit ratings of A.

The over-the-counter agreements expose Austin Energy to credit risk; however, at September 30, 2018, none of the counterparties had outstanding obligations with Austin Energy. The contractual provisions applied to these contracts under the International Swaps and Derivatives Association (ISDA) agreement include collateral provisions. At September 30, 2018, no collateral was required under these provisions.

The congestion revenue rights expose Austin Energy to custodial credit risk in the event of default or nonperformance by ERCOT, a regulatory entity of the State of Texas. In the event of default of nonperformance, Austin Energy's operations will not be materially affected.

Termination Risk. Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. Termination risk for exchange-traded instruments is greatly reduced by the strict rules and guidelines set up by the exchange, which is governed by the Commodity Futures Trade Commission. Austin Energy's exposure to termination risk for over-the-counter agreements is minimal due to the high credit rating of the counterparties and the contractual provisions under the ISDA agreement applied to these contracts. Termination risk is associated with all of Austin Energy's derivatives up to the fair value of the instrument.

Netting Arrangements. Austin Energy enters into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by or owed to the non-defaulting party.

Basis Risk. Austin Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle i.e. NYMEX (Henry Hub). As of September 30, 2018, the NYMEX price was $3.02 per MMBTU (one million British thermal unit, a measurement of heating value), the WAHA Hub price was $1.21 per MMBTU, Katy was $3.20 per MMBTU, and the HSC Hub price was $3.17 per MMBTU.

Risks

As of September 30, 2018, Austin Energy was not exposed to credit, interest, or foreign currency risk on its investment derivative instruments.

b -- Variable Rate Debt Management Program

Hedging Derivative Instruments

The intention of each of the City's swaps is to provide a cash flow hedge for its variable interest rate bonds by providing synthetic fixed rate bonds. As a means to lower its borrowing costs when compared against fixed rate bonds at the time of issuance, the City executed pay-fixed, receive-variable swaps in connection with its issuance of variable rate bonds.

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

As of September 30, 2018, the City has three outstanding swap transactions with initial and outstanding notional amounts totaling $602.1 million and $364.1 million, respectively. The fair values of the interest rate derivative transactions were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The expected transaction cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing benchmark interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the transactions, where future amounts (the expected transaction cash flows) are converted to a single current amount, discounted using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows. Where applicable under the income approach an option pricing model is applied such as the Black-Scholes-Merton model, the Black-Derman-Toy model, one of the short-rate models, or other market standard models consistent with accepted practices in the market for interest rate option products. The option models consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. This valuation technique is applied consistently across all the transactions. Given the observability of inputs significant to the measurements, the fair values of the transactions are categorized as Level 2.

On September 30, 2018, the City had the following outstanding interest rate swap hedging derivative instruments (in thousands):

Item	Related Variable Rate Bonds	Terms	Effective Date	Maturity Date	Notional Amount	Fair Value
Business-Type Activities - Hedging derivatives:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031	$ 105,690	(9,653)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025	176,100	(12,349)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Pay 3.251%, receive 67% of LIBOR	8/14/2008	11/15/2029	82,325	(5,721)
					$ 364,115	(27,723)

All swaps are pay-fixed interest rate swaps. All were entered into with the objective of hedging changes in the cash flows on the related variable rate debt.

The fair value of the City's interest rate swap hedging derivative instruments is reported as derivative instruments in liabilities with an offsetting adjustment to deferred outflow of resources. The table below provides for the fair value and changes in fair value of the City's interest rate swap agreements as of September 30, 2018 (in thousands):

	Outstanding	Fair Value and Classification		Change in fair value	
Item	Notional Amount	Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	$ 105,690	(9,653)	Non-current liability	5,856	--
AIR1	176,100	(12,349)	Non-current liability	9,187	--
HOT1	82,325	(5,721)	Non-current liability	4,193	--
	$ 364,115	(27,723)		19,236	--

Due to the continued low interest rate levels during fiscal year 2018, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2018. The fair value takes into consideration nonperformance risk, the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that may have been received.

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

Risks

Credit risk. As of September 30, 2018, the City was not exposed to credit risk on any of its outstanding swap agreements because each swap had a negative fair value. However, should interest rates change and the fair value of a swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value.

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2018, are included in the table below:

			Counterparty Ratings		
Item	**Related Variable Rate Bonds**	**Counterparty**	**Moody's Investors Service, Inc**	**Standard & Poor's**	**Fitch, Inc**
Business-Type Activities:					
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Goldman Sachs Bank USA	A1	A+	A+
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Morgan Stanley Capital Services, LLC	A3	BBB+	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products (MKFP)	Baa2	BBB+	BBB+

Swap agreements for all three swaps contain collateral agreements with the counterparties. These swap agreements require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds in the agreements. For Swap AIR1, the City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/S&P. For Swap HOT1, the credit support provider of MKFP is Deutsche Bank AG, New York Branch (DBAG). This swap requires collateralization of the fair value of the swap should DBAG's credit rating fall below the applicable thresholds in the agreement.

Swap payments and associated debt. The net cash flows for the City's interest rate swap hedging derivative instruments for the year ended September 30, 2018, are included in the table below (in thousands):

		Counterparty Swap Interest				
Item	**Related Variable Rate Bonds**	**Pay**	**Receive**	**Net**	**Interest to Bondholders**	**Net Interest Payments**
Business-Type Activities:						
WW2	Water & Wastewater Revenue Refunding Bonds,	$ (3,830)	1,309	(2,521)	(1,326)	(3,847)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	(7,218)	2,122	(5,096)	(2,258)	(7,354)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(2,721)	960	(1,761)	(1,042)	(2,803)
		$ (13,769)	4,391	(9,378)	(4,626)	(14,004)

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

Basis and interest rate risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The City does not bear basis risk on Swap WW2. At September 30, 2018, the City bears basis risk on the two remaining swaps. These swaps have basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bonds. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Tax risk. Tax risk is a specific type of basis risk. Tax risk is the risk of a permanent mismatch occurring between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds. For example, a grandfathering of the elimination of federal tax-exemption on existing tax-exempt bonds, or a tax cut, would result in the yields required by investors on the City's bonds coming close to or being equal to taxable yields. This would result in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 71% of LIBOR on AIR1, and 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Nonperformance/Termination risk. The City or the counterparties may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City. Additionally, the City purchased swap insurance on the Swap AIR1 to further reduce the possibility of termination risk.

Rollover risk. The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument. The City is currently not exposed to rollover risk on its hedging derivative instruments.

Investment Derivative Instruments

At September 30, 2018, the City did not have any investment derivative instruments related to interest rate swaps.

c -- Swap Payments and Associated Debt

As of September 30, 2018, debt service requirement of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable Rate Bonds (in thousands) Principal	Variable Rate Bonds (in thousands) Interest (1)	Interest Rate Swaps, Net	Total Interest
2019	$ 28,525	234	12,501	12,735
2020	31,935	197	11,338	11,535
2021	31,010	159	10,177	10,336
2022	27,710	121	9,123	9,244
2023	39,185	84	7,931	8,015
2024-2028	149,125	(31)	19,882	19,851
2029-2032	56,625	(42)	2,863	2,821
Total	$ 364,115	722	73,815	74,537

(1) The net effect of the reference rate projected to be paid to the City versus the variable rate projected to be paid to bondholders utilizing rates in effect at 9/30/2018.

10 – DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2018, the following funds reported deficits in fund balances/net position (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

Nonmajor Governmental	Deficit
Special Revenue Funds:	
Auto Theft Interdiction	$ 27
Fiscal Surety - Land Development	947
Town Lake Beautification	16
Capital Projects Funds:	
2016 fund	
Mobility	1,260
Other funds	
General Government Projects	1,915
Build Austin	5
Public Works	711
City Hall, plaza, parking garage	6,232
Nonmajor Enterprise	
Austin Resource Recovery	86,927
Transportation	79,298

11 – INTERFUND BALANCES AND TRANSFERS

a -- Interfund receivables, payables, and advances

Interfund receivables, payables, and advances at September 30, 2018, are as follows (in thousands):

	Due From				
Due To	Nonmajor Governmental	Austin Energy	Austin Water Utility	Nonmajor Enterprise	Total
General Fund	$ 16	215	--	--	231
Nonmajor governmental	11,112	--	--	--	11,112
Airport	--	166	--	--	166
Nonmajor enterprise	--	--	301	1,148	1,449
Total	$ 11,128	381	301	1,148	12,958

Interfund receivables (due from) and payables (due to) reflect short term loans between funds, mainly the result of short term deficits in pooled investments and cash ($11.9 million). Deficits in grant funds awaiting reimbursement from grantors ($10.7 million) was borrowed from the Fiscal Surety fund.

	Advance To						
Advance From	Nonmajor Governmental	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Internal Service	Total
General Fund	$ --	441	--	--	--	--	441
Nonmajor governmental	7,779	152	--	32	229	12	8,204
Austin Water Utility	556	10,821	--	--	--	--	11,377
Airport	--	341	--	--	--	--	341
Nonmajor enterprise	348	--	1,803	--	--	--	2,151
Total	$ 8,683	11,755	1,803	32	229	12	22,514

Advances to and advances from reflect borrowing that will not be liquidated within one year. The advance to Austin Water Utility from Austin Energy funded the Combined Utility System Revenue Bond Retirement Reserve Account. Austin Energy funded the entire reserve, which replaced an insurance policy previously held for combined lien reserve, on behalf of both enterprise funds. Of the $7.8 million between nonmajor governmental funds, $6.3 million represents a long-term borrowing by the City Hall fund from the TPSD general improvements fund as a result of a deficit in pooled investments and cash.

11 – INTERFUND BALANCES AND TRANSFERS
b -- Transfers

Transfers at September 30, 2018, are as follows (in thousands):

	Transfers In						
Transfers Out	**General Fund**	**Nonmajor Governmental**	**Austin Energy**	**Austin Water Utility**	**Nonmajor Enterprise**	**Internal Service**	**Total**
General Fund	$ --	7,553	--	--	1,853	2,370	11,776
Nonmajor governmental	5,721	36,143	45	--	101,770	--	143,679
Austin Energy	115,873	--	--	12	--	--	115,885
Austin Water Utility	49,148	75	2,625	--	--	9	51,857
Airport	--	--	182	--	--	--	182
Nonmajor enterprise	635	5,794	27	53	84	--	6,593
Internal service	2,237	19,677	--	--	180	28	22,122
Total	$ 173,614	69,242	2,879	65	103,887	2,407	352,094

Interfund transfers are authorized through City council approval. Significant transfers include: Austin Energy and Austin Water Utility transfers to the General Fund ($165 million), which are comparable to a return on investment to owners. Tax collections from the Hotel-Motel Occupancy Tax ($69.5 million) and the Vehicle Rental Tax ($9.9 million), special revenue funds, are transferred to the Convention Center in support of convention operations and debt service. In addition, there was a transfer of ($22.1 million) from the Watershed Protection Annexed Areas fund to reimburse the Drainage fund for the buyouts of single family homes in flood-prone areas.

12 – SELECTED REVENUES
a -- Major Enterprise Funds

Austin Energy and Austin Water Utility
The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On July 2, 2018, the PUC approved the City's most recent wholesale transmission rate of $1.187214/KW. Transmission revenues totaled approximately $79 million in fiscal year 2018. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. As of September 30, 2018, the City has elected not to enter the retail market, as allowed by state law.

Electric rates include a fixed-rate component and cost-adjustment factors that allow for recovery of power supply, regulatory, and community benefit costs. If actual costs differ from amounts billed to customers, then regulatory assets or deferred inflows are recorded by Austin Energy. Pass-through rates are set annually and the power supply factor can be adjusted when over- or under-recovery is more than 10% of expected power supply costs. Any over- or under-collections of the power supply, regulatory, or community benefit costs are applied to the respective cost-adjustment factor.

12 – SELECTED REVENUES, continued
a -- Major Enterprise Funds, continued

Airport
The City has entered into certain lease agreements as the lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In the fiscal year 2018, the Airport fund revenues included minimum concession guarantees of $22,090,118.

The following is a schedule by year of minimum future rentals on non-cancelable operating leases with remaining terms of up to 80 years for the Airport fund as of September 30, 2018 (in thousands):

Fiscal Year Ended September 30	Airport Lease Receipts
2019	$ 28,359
2020	29,560
2021	29,507
2022	27,902
2023	27,728
2024-2028	105,933
2029-2033	11,441
2034-2038	8,331
2039-2043	3,568
Thereafter	1,780
Totals	$ 274,109

b -- Operating Lease Revenue

The City has entered into various lease agreements as the lessor of office space, antenna space and ground leases. Minimum guaranteed income on these non-cancelable operating leases is as follows (in thousands):

Fiscal Year Ended September 30	Future Lease Receivables
2019	$ 2,607
2020	2,425
2021	1,866
2022	1,731
2023	1,594
2024-2028	6,945
Totals	$ 17,168

13 – TAX ABATEMENTS

The City grants tax abatements under one of two programs, the Chapter 380 Performance Based Economic Development Incentive Program under which sales and property taxes may be rebated if the entity meets performance criteria, and the Media Production Development Zone program under which sales, excise, and use taxes may be abated.

13 – TAX ABATEMENTS, continued
Performance Based Rebate Program

To promote local economic development and stimulate business and commercial activity in the municipality, the City has granted tax rebate agreements under the authority of Chapter 380 of the Texas Local Government Code through the City's Chapter 380 Performance Based Economic Development Incentive Program. All or a portion of property taxes, sales taxes, or a combination of the two were abated as a part of these agreements. To be eligible to participate in the program an entity must make a commitment to move or expand its business in the City through investments in real and/or personal property or leasehold improvements as well as commitments about the number of new jobs it will create. Some agreements also require the participants in this program to meet other City requirements such as salary levels of employees and local business participation. Each agreement is negotiated individually and the terms vary depending on the type of development and the economic benefits to the City.

Sales taxes abated may either be all or a portion of those generated by the entity or its actions. The amount of property taxes abated may be all or a portion of property taxes on the entity's real and personal property or leasehold investment. Agreements generally run for a certain number of years and also may be subject to a not-to-exceed maximum of taxes to be abated. All taxes are collected and then rebated if the entity meets commitments made under the agreement. If the criteria are not met, no taxes are refunded.

During fiscal year 2018, the City had four agreements under this program which resulted in rebates that meet the definition of tax abatements of approximately $10.2 million. The City had no commitments related to these agreements other than the timeframe during which a compliance review will occur and a deadline for the refund of the taxes.

Exemption Program

There were no active agreements under the Media Production Development Zone Program during fiscal year 2018.

The City is not subject to any tax abatement agreements entered into by other governmental entities.

14 – COMMITMENTS AND CONTINGENCIES
a -- Fayette Power Project

Austin Energy's coal-fired electric generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with LCRA. Austin Energy has an undivided 50 percent interest in Units 1 and 2, and LCRA wholly owns Unit 3. A management committee of four members governs FPP; each participant administratively appoints two members. As managing partner, LCRA is responsible for the operation of the project and appoints project management.

Austin Energy's investment is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6), and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's pro-rata interest in FPP was $17.8 million as of September 30, 2018. The decrease in the pro-rata interest from 2017 is primarily due to a decrease in coal inventory. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within the City's financial statements. The original cost of Austin Energy's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of the City in accordance with its accounting policies.

b -- South Texas Project

Austin Energy is one of three participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are NRG South Texas LP and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2018, Austin Energy's investment in the STP was approximately $361.8 million, net of accumulated depreciation.

Effective November 17, 1997, the participation agreement among the owners of STP was amended and restated, and the STP Nuclear Operating Company (STPNOC), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. Each participant is responsible for its STP funding. The City's portion is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6). In addition, each participant has the obligation to finance any deficits that may occur.

14 – COMMITMENTS AND CONTINGENCIES, continued
b -- South Texas Project, continued

Each participant appoints one member to the board of directors of STPNOC, as well as one other member to the management committee. A member of the management committee may serve on the board of directors in the absence of a board member. The City's portion of STP is classified as plant in service, construction in progress, and nuclear fuel inventory. Nuclear fuel includes fuel in the reactor as well as nuclear fuel in process.

STP requested a 20-year license extension for units 1 & 2 with the Nuclear Regulatory Commission (NRC). The 20 year license renewal was issued by the NRC in September 2017. Unit 1 and 2 are currently licensed through 2047 and 2048, respectively.

c -- South Texas Project Decommissioning

Austin Energy began collecting in rates and accumulating funds for decommissioning STP in 1989 in an external trust. The Decommissioning Trust assets are reported as restricted investments held by trustee. The related liability is reported as a decommissioning liability payable. Excess or unfunded liabilities related to decommissioning STP will be adjusted in future rates so that there are sufficient funds in place to pay for decommissioning. At September 30, 2018, the trust's assets were in excess of the estimated liability by $20.9 million which is reported as part of deferred inflows of resources (in thousands).

Decommissioning trust assets	$ 222,505
Pro rata decommissioning liability	(201,617)
	$ 20,888

STP is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant-operating license submit a certificate of financial assurance to the NRC for plant decommissioning every two years or upon transfer of ownership. The certificate provides reasonable assurance that sufficient funds are being accumulated to provide the minimum requirement for decommissioning mandated by the NRC. The most recent annual calculation of financial assurance filed on December 31, 2016, showed that the trust assets exceeded the minimum required assurance by $49.0 million.

d -- Purchased Power

Austin Energy has commitments totaling $6.2 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041, landfill power through 2018, biomass through 2032, and solar through 2043.

e -- Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly, Fayette, and Decker Power Plants. At September 30, 2018, the financial statements includes a $3.8 million short-term decommissioning liability related to Holly and a $404 thousand short-term environmental liability related to Fayette and Decker, classified as other liabilities. The amount is based on 2018 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f -- Arbitrage Rebate Payable

The City's arbitrage consultant has determined that the City has not earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. Therefore, the City will not be required to rebate any amounts to the federal government. There are no estimated payables at September 30, 2018.

g -- Federal and State Financial Assistance Programs

The City participates in a number of federally assisted and state grant programs, financed primarily by the U.S. Housing and Urban Development Department, U.S. Health and Human Services Department, and U.S. Department of Transportation. The City's programs are subject to program compliance audits by the grantor agencies. Management believes that no material liability will arise from any such audits.

h -- Capital Improvement Plan

As required by charter, the City has a *Capital Improvements Program* plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2018 Capital Budget has substantial contractual commitments relating to its capital improvement plan.

14 – COMMITMENTS AND CONTINGENCIES, continued
h -- Capital Improvement Plan, continued

The key projects in progress include improvements to and development of the electric system, water and wastewater systems, airport, transportation infrastructure, public recreation and culture activities, and urban growth management activities. Remaining commitments represent current unspent budget and future costs required to complete projects.

Project	Remaining Commitment (in thousands)
Governmental activities:	
General government	$ 154,178
Public safety	39,003
Transportation, planning, and sustainability	206,795
Public health	3,642
Public recreation and culture	54,570
Urban growth management	13,980
Business-type activities:	
Electric	124,808
Water	117,755
Wastewater	146,555
Airport	283,530
Convention	69,557
Environmental and health services	9,282
Public recreation and culture	123
Urban growth management	111,594
Total	$ 1,335,372

i -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2018, is as follows (in thousands):

	Encumbrances
General Fund	$ 25,033
Nonmajor governmental	
Special Revenue	23,865
Capital Projects	136,487
	$ 185,385

Significant encumbrances include reservations for the 2016 bond program ($38,165), 2012 bond program ($31,535), Communications and Technology Management ($26,717), and General government projects ($16,465).

j -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Austin Resource Recovery fund, a nonmajor enterprise fund. Substantial closure occurred in fiscal year 2011. Flooding in fiscal year 2015 has delayed final closure, which is expected in fiscal year 2019. While the landfill only reached 99.04% capacity, the City is no longer accepting waste. The amount of costs reported, based on landfill capacity of 100% as of September 30, 2018, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	$ 23,706	9,899	33,605
% capacity used	100%	100%	100%
Cumulative liability accrued	23,706	9,899	33,605
Costs incurred	(21,115)	--	(21,115)
Closure and postclosure liability	$ 2,591	9,899	12,490

14 – COMMITMENTS AND CONTINGENCIES, continued
j -- Landfill Closure and Postclosure Liability, continued

These amounts are based on the 2018 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

k -- Risk-Related Contingencies

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

Fund Name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO, HMO, or CDHP with HSA for health coverage. Approximately 17% of City employees and 24% of retirees use the HMO option; approximately 73% of City employees and 75% of retirees use the PPO option; and approximately 11% of City employees and 1% of retirees use the CDHP with HSA option. Costs are charged to City funds through a charge per employee per pay period.
Liability Reserve	This self-insured program includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Premiums are charged to other City funds each year based on historical costs. Third-party claims activities are also reported directly in the Austin Energy, Austin Water Utility, and Airport enterprise funds.
Workers' Compensation	Premium charges for this self-insured program are assessed to other funds each year based on the number of full-time equivalent (FTE) employees per fund.

The City purchases stop-loss insurance for the City's PPO, HMO, and CDHP plans. This stop-loss insurance covers individual claims that exceed $500,000 per calendar year, up to a maximum of $5 million. In fiscal year 2018, eleven claims exceeded the stop-loss limit of $500,000; during fiscal year 2017, four claims exceeded the stop-loss limit of $500,000, and during fiscal year 2016, ten claims exceeded the stop-loss limit of $500,000. City coverage is unlimited for lifetime benefits. The City does not purchase stop-loss insurance for workers' compensation claims.

The City is self-insured for much of its risk exposure; however, the City purchases commercial insurance coverage for loss or damage to real property, theft and other criminal acts committed by employees, and third party liability associated with the airport, owned aircraft, and electric utility operations. There have been no claims settlements in excess of the purchased insurance coverage for the last four years. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third party liability coverage to contractors working on designated capital improvement project sites.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The City utilizes actuarial information and historical claim settlement trends to determine the claim liabilities for the Employee Benefits fund and Workers' Compensation fund. Claims liabilities for the Austin Energy, Austin Water Utility, Airport and Liability Reserve funds are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from $48.4 to $53.5 million. In accordance with GAAP, $48.4 million is recognized as claims payable in the financial statements with $23.9 million recognized as a current liability and $24.5 million recognized as long term. For Employee Benefits and Workers Compensation, city funds contribute amounts to these internal service funds based on an estimate of anticipated costs for claims each year. Austin Energy, Austin Water utility, and Airport report their respective claims activities for third-party claims. All other funds contribute amounts to the Liability Reserve fund based on an estimate of anticipated costs for claims each year.

14 – COMMITMENTS AND CONTINGENCIES, continued
k -- Risk-Related Contingencies, continued

Changes in the balances of claims liability are as follows (in thousands):

	Austin Energy		Austin Water Utility		Airport	
	2018	2017	2018	2017	2018	2017
Liability balances, beginning of year	$ 2,070	--	562	--	1	--
Claims and changes in estimates	(1,708)	2,221	29	1,839	--	9
Claim payments	(293)	(151)	(238)	(1,277)	(1)	(8)
Liability balances, end of year	69	2,070	353	562	--	1

	Employee Benefits (1)		Liability Reserve		Workers' Compensation	
	2018	2017	2018	2017	2018	2017
Liability balances, beginning of year	18,822	14,310	4,975	9,364	25,299	25,664
Claims and changes in estimates	158,704	18,568	2,963	3,984	5,101	3,524
Claim payments	(161,001)	(14,056)	(3,498)	(8,373)	(3,391)	(3,889)
Liability balances, end of year	$ 16,525	18,822	4,440	4,975	27,009	25,299

(1) For the Employee Benefits Fund, claim payments as reported above, represent amounts paid against claims outstanding at the beginning of the year. Claims initiated after the beginning of the year, but not yet settled, are reported in claims and changes in estimates. Cash paid for claims was $160,180 for the year ended September 30, 2017.

The Austin Water Utility fund claims liability balance at fiscal year-end included liabilities of $238 thousand discounted at 4.44% in 2018 and $216 thousand discounted at 3.75% in 2017. The Liability Reserve fund claims liability balance at fiscal year-end included liabilities of $2.8 million discounted at 4.44% in 2018 and $3.1 million discounted at 3.75% in 2017.

l -- Redevelopment of Robert Mueller Municipal Airport

In December 2004, City Council approved a master development agreement with Catellus Development Group (Catellus) to develop approximately 700 acres at the former site of the City's municipal airport into a mixed-use urban village near downtown Austin. Catellus is currently developing and marketing the property. The Mueller Local Government Corporation (MLGC), created by the City for this development, issues debt to fund infrastructure such as streets, drainage facilities, public parks, and greenways, which are supported by taxes generated from this development.

In September 2006, the MLGC issued debt in the amount of $12 million. Proceeds of the debt have been used to reimburse the developer for eligible infrastructure such as streets, drainage, and parks. Debt service payments are funded through an economic development grant from the City of Austin and supported by sales tax proceeds from the development.

The MLGC has three additional debt issuances: October 2009 ($15,000,000), October 2012 ($16,735,000), and October 2014 ($15,845,000). Proceeds from the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

The development contains over 2.1 million square feet of civic, institutional, hotel and Class A office space, including over 600,000 square feet of retail space that is either complete or under construction. Over 100 employers provide approximately 5,800 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2018, approximately 2,040 single-family homes and 2,110 multi-family units were either complete or under construction. Catellus has also recently completed the infrastructure for an additional 140 single-family homes, and commercial and multi-family sites in the Town Center.

14 – COMMITMENTS AND CONTINGENCIES, continued
m -- No-Commitment Special Assessment Debt

In November 2011, the City issued $15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. $2,111,882 in total assessments were levied in the year ended September 30, 2018. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2018 are $13,705,000 and $4,827, respectively.

In November 2011, the City issued $2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. $366,873 in total assessments were levied in the year ended September 30, 2018. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2018 are $2,525,000 and $365, respectively.

In July 2013, the City issued $12,590,000 of Special Assessment Revenue Bonds, Series 2013 related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. $1,786,810 in total assessments were levied during the fiscal year ended September 30, 2018. The aggregate principal outstanding at September 30, 2018 is $10,615,000.

n -- Capital Leases

The City has entered into a lease agreement to finance equipment for both governmental and business-type activities. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments at their inception date. The lease agreement ends in 2031. See Note 6 for the debt service requirements on this lease.

The following summarizes capital assets recorded at September 30, 2018, under capital lease obligations (in thousands):

Capital Assets	Governmental Activities	Austin Energy
Building and improvements	$ --	1,405
Equipment	14,257	--
Accumulated depreciation	--	(562)
Net capital assets	$ 14,257	843

o -- Operating Leases

The City is committed under various leases for building and office space, tracts of land and rights-of-way, and certain equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2018, was $24.3 million.

Fiscal Year Ended September 30	Future Lease Payments
2019	$ 23,285
2020	19,845
2021	18,872
2022	17,340
2023	17,319
2024-2028	17,316
Totals	$ 113,977

15 – LITIGATION

A number of claims and lawsuits against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and City management are of the opinion that settlement of these claims and lawsuits will not have a material effect on the City's financial statements. The City has accrued liabilities in the Austin Energy, Austin Water Utility, Airport, and Liability Reserve funds for claims payable at September 30, 2018. These liabilities, reported in the government-wide statement of net position, include amounts for claims and lawsuits settled subsequent to year-end.

16 – CONDUIT DEBT

The City has issued several series of housing revenue bonds to provide for low cost housing. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of September 30, 2018, $155.5 million in housing revenue bonds were outstanding with an original issue value of $163 million.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport. These bonds are special limited obligations payable solely from and secured by a pledge of revenue to be received from agreements between the entities and various third parties. As of September 30, 2018, $145 million in revenue and revenue refunding bonds were outstanding with an original issue value of $148.6 million.

The above bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

17 – SEGMENT INFORMATION – CONVENTION CENTER

The Convention Center provides event facilities and services to its customers. Below are the condensed financial statements for this segment (in thousands):

Condensed Statement of Net Position

ASSETS	
Current assets	$ 189,334
Capital assets	207,327
Other noncurrent assets	21,876
Total assets	418,537
DEFERRED OUTFLOWS OF RESOURCES	26,521
LIABILITIES	
Other current liabilities	24,138
Other noncurrent liabilities	218,914
Total liabilities	243,052
DEFERRED INFLOWS OF RESOURCES	1,803
NET POSITION	
Net investment in capital assets	68,515
Restricted	36,716
Unrestricted	94,972
Total net position	$ 200,203

17 – SEGMENT INFORMATION – CONVENTION CENTER, continued

Condensed Statement of Revenues, Expenses, and Changes in Net Position	
OPERATING REVENUES	
User fees and rentals	$ 33,752
Total operating revenues	33,752
OPERATING EXPENSES	
Operating expenses before depreciation	67,889
Depreciation and amortization	9,026
Total operating expenses	76,915
Operating income (loss)	(43,163)
Nonoperating revenues (expenses)	(3,752)
Transfers	76,681
Change in net position	29,766
Beginning net position, as restated	170,437
Ending net position	$ 200,203

Condensed Statement of Cash Flows	
Net cash provided (used) by:	
Operating activities	$ (26,910)
Noncapital financing activities	76,698
Capital and related financing activities	(23,512)
Investing activities	3,909
Net increase (decrease) in cash and cash equivalents	30,185
Cash and cash equivalents, beginning	157,807
Cash and cash equivalents, ending	$ 187,992

18 – RESTATEMENT

During fiscal year 2018, the City implemented a new accounting standard, GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” This statement revised the standards for determination of the OPEB liability, for accounting and reporting for OPEB expenses and liabilities, and for deferral of certain OPEB expense elements. As a result of implementing this statement, net position was restated at October 1, 2017. The City’s other postemployment benefits payable was eliminated and replaced by a larger OPEB liability which was divided into short- and long-term components. In addition, net contributions made by the City for retiree healthcare benefits from January 1 to September 30, 2017, are recorded as deferred outflows of resources. The impact of these changes on the beginning balances reported in the financial statements is shown below (in thousands):

	Government-wide		Proprietary Funds		
September 30, 2017	**Governmental Activities**	**Business-Type Activities**	**Airport**	**Nonmajor Enterprise Funds**	**Business-Type Activities**
Net position, as previously reported	$ 455,353	3,976,814	615,880	555,915	3,930,170
Adjustments to properly record implementation of GASB Statement No. 75	(639,689)	(188,749)	(40,600)	(148,149)	(188,749)
Net position, as restated	$ (184,336)	3,788,065	575,280	407,766	3,741,421

The adjustments associated with the implementation of this standard were deferred in accordance with accounting for regulated operations for Austin Energy and Austin Water Utility. The amount deferred is $103 million and $75.1 million respectively; therefore, there was no restatement to net position in these funds.

19 – SUBSEQUENT EVENTS

a -- General Obligation Bond Issue

In October 2018, the City issued $65,595,000 of Public Improvement Bonds, Series 2018. The net proceeds of $69,055,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility ($63,670,000), parks and recreation ($3,790,000), and facility improvements ($1,595,000). These bonds will be amortized serially on September 1 of each year from 2019 to 2038. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2019. Total interest requirements for these bonds, at rates ranging from 3.0% to 5.0%, are $12,395,116.

In October 2018, the City issued $7,140,000 of Certificates of Obligation, Series 2018. The net proceeds of $7,500,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts ($6,000,000), and fire station improvements ($1,500,000). These certificates of obligation will be amortized serially on September 1 of each year from 2019 to 2038. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2019. Total interest requirements for these obligations, at rates ranging from 3.0% to 5.0%, are $3,121,116.

In October 2018, the City issued $21,215,000 of Public Property Finance Contractual Obligations, Series 2018. The net proceeds of $23,115,000 (after issue costs, discounts, and premiums) from this issue will be used for capital equipment. These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2019 to 2025. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2019. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are $4,060,563.

In October 2018, the City issued $6,980,000 of Public Improvement Taxable Bonds, Series 2018. The net proceeds of $7,000,000 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing. Interest is payable March 1 and September 1 of each year from 2019 to 2038, commencing on March 1, 2019. Principal payments are due September 1 of each year from 2019 to 2038. Total interest requirements for this obligation, at rates ranging from 3.4% to 5.0% are $3,184,623.

b -- Water and Wastewater – System Revenue Bond Issue

In November 2018, the City issued $3,000,000 of Water and Wastewater System Revenue Bonds, Series, 2018. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $2,769,600 will be used to improve and extend the Water/Wastewater system. The total debt service requirements on the bonds are $3,740,207, with interest rates ranging from 1.2% to 2.6%. Interest payments are due May 15 and November 15 of each year from 2019 to 2038. Principal payments are due November 15 of each year from 2019 to 2038.

REQUIRED SUPPLEMENTARY INFORMATION

(In thousands)

General Fund	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	$ 702,761	100	702,861	691,467	691,467	11,394
Franchise fees	35,738	(76)	35,662	36,936	36,936	(1,274)
Fines, forfeitures and penalties	10,330	--	10,330	14,075	14,075	(3,745)
Licenses, permits and inspections	54,103	(7)	54,096	59,943	59,943	(5,847)
Charges for services/goods	61,705	2,565	64,270	65,457	65,457	(1,187)
Interest and other	21,389	(10,568)	10,821	6,982	7,850	2,971
Total revenues	886,026	(7,986)	878,040	874,860	875,728	2,312
EXPENDITURES						
General government						
Municipal Court	22,021	703	22,724	22,555	22,555	(169)
Public safety						
Police	338,547	49,056	387,603	402,536	402,536	14,933
Fire	172,356	20,356	192,712	195,713	195,713	3,001
Emergency Medical Services	73,857	9,016	82,873	86,320	86,320	3,447
Public health						
Public Health	38,673	(826)	37,847	39,123	39,123	1,276
Animal Services	10,915	1,653	12,568	13,266	13,266	698
Social Services	34,822	(783)	34,039	33,965	33,965	(74)
Public recreation and culture						
Parks and Recreation	75,509	9,334	84,843	86,026	85,745	902
Austin Public Library	44,611	5,380	49,991	50,446	50,446	455
Urban growth management						
Development Services	41,125	6,286	47,411	53,342	53,342	5,931
Planning and Zoning	6,148	1,636	7,784	8,722	8,722	938
Other urban growth management	35,020	3,422	38,442	39,846	40,864	2,422
General city responsibilities (4)	113,140	(105,665)	7,475	7,744	7,744	269
Total expenditures	1,006,744	(432)	1,006,312	1,039,604	1,040,341	34,029
Excess (deficiency) of revenues over expenditures	(120,718)	(7,554)	(128,272)	(164,744)	(164,613)	36,341
OTHER FINANCING SOURCES (USES)						
Transfers in	173,614	50,826	224,440	192,692	192,842	31,598
Transfers out	(11,776)	(57,817)	(69,593)	(37,714)	(37,995)	(31,598)
Total other financing sources (uses)	161,838	(6,991)	154,847	154,978	154,847	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	41,120	(14,545)	26,575	(9,766)	(9,766)	36,341
Fund balance at beginning of year	171,814	7,815	179,629	151,180	151,180	28,449
Fund balance at end of year	$ 212,934	(6,730)	206,204	141,414	141,414	64,790

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
(3) Variance is actual-budget basis to final budget.
(4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs and amounts budgeted as fund-level expenditures.

BUDGET BASIS REPORTING

a -- General

The City of Austin prepares its annual operating budget based on the modified accrual basis. Encumbrances constitute the equivalent of expenditures for budgetary purposes. In order to provide a meaningful comparison of actual results to the budget, the Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual-Budget Basis for the General Fund presents the actual and actual-budget basis amounts in comparison with original and final budgets.

The General Fund, as reported in the financial statements is comprised of fourteen separately budgeted funds: the Budgetary General Fund, as budgeted by the City, plus the Budget Stabilization Reserve, Barton Springs Conservation, Community Development Incentives, Economic Development, Economic Incentives Reserve, Emergency Reserve, Long Center Capital Improvements, Music Venue Assistance Program, Neighborhood Housing-Housing Trust, Parks and Recreation Special Events, Pay for Success, Property Tax Reserve, and Seaholm Parking Garage Revenue.

The General Fund budget includes other revenues and requirements, which are presented in the general city responsibilities category. The expenditure budget for these general city requirements includes interdepartmental charges ($7,156,713).

b -- Budget Amendments

During fiscal year 2018 an amendment to the General Fund Interest and other revenue budget increased it by $868,240 to reflect proceeds related to the Aspen Heights Density Bonus Program. This was the sole revenue budget amendment. The budget for Transfers in was increased by $150,000 related to a settlement with an apartment complex. Budgeted expenditures in Other urban growth management were increased by $868,240 to provide housing subsidies to the homeless and by $150,000 to fund relocation costs related to the apartment settlement. The expenditure budget related to Parks and Recreation was decreased by $280,630 and the budget for Transfers out was increased by the same amount. Upgrades to the Millennium Youth Entertainment Complex that were originally budgeted to be spent in 2018 were delayed resulting in this amendment which moved the funds from the operating to the capital budget.

c -- Reconciliation of GAAP Basis and Budget Basis Amounts

The primary differences between GAAP-basis and budget-basis reporting for the General Fund are the reporting of encumbrances and the reporting of certain transfers. General Fund accrued payroll is recorded at the department level on a GAAP basis and as an expenditure in the general city responsibilities activity on the budget basis. Adjustments necessary to convert the excess revenues and other sources over expenditures and other uses on a GAAP basis to a budget basis for the activities comprising the General Fund are provided, as follows (in thousands):

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	$ 41,120
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	3,011
Net compensated absences accrual	(325)
Outstanding encumbrances established in current year	(22,292)
Payments against prior year encumbrances	14,685
Other	(9,624)
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 26,575

RETIREMENT PLANS-TREND INFORMATION

Changes in net pension liability for each pension plan for the measurement periods ended December 31, 2014, 2015, 2016, and 2017 are presented in the next three schedules:

Schedule of Changes in the City Employees' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016	2017
Beginning total pension liability (a)	$ 2,909,918	3,094,056	3,391,796	3,591,376
Changes for the year:				
Service cost	89,235	93,506	107,111	107,767
Interest	222,710	236,844	251,684	266,257
Differences between expected and actual experience	33,911	13,414	19,914	22,755
Assumption changes	--	123,493	--	--
Benefit payments including refunds	(161,718)	(169,517)	(179,129)	(190,332)
Net change in total pension liability	184,138	297,740	199,580	206,447
Ending total pension liability (b)	3,094,056	3,391,796	3,591,376	3,797,823
Beginning total plan fiduciary net position (c)	2,130,624	2,209,800	2,144,804	2,299,688
Changes for the year:				
Employer contributions	93,331	100,485	104,273	110,846
Employee contributions	50,490	54,066	60,801	56,194
Pension plan net investment income (loss)	99,704	(47,608)	171,640	376,820
Benefits payments and refunds	(161,718)	(169,517)	(179,129)	(190,332)
Pension plan administrative expense	(2,631)	(2,422)	(2,701)	(2,778)
Net change in plan fiduciary net position	79,176	(64,996)	154,884	350,750
Ending total plan fiduciary net position (d)	2,209,800	2,144,804	2,299,688	2,650,438
Beginning net pension liability (a-c)	779,294	884,256	1,246,992	1,291,688
Ending net pension liability (b-d)	$ 884,256	1,246,992	1,291,688	1,147,385
Plan fiduciary net position as a percentage of the total pension liability (d/b)	71.42%	63.24%	64.03%	69.79%
Covered payroll	$ 514,787	546,058	573,308	609,553
City's net pension liability as a percentage of covered payroll	171.77%	228.36%	225.30%	188.23%

Notes to Changes in the City Employees' Net Pension Liability and Related Ratios

The City Employees' fund had no significant changes of benefit terms in any of the years presented. There were no other significant factors that affected measurement of the total pension liability during the years ended December 31, 2017, 2016 or 2014; however, significant changes to assumptions were made as the result of an experience study of the five years ended December 31, 2015, including:

- Decreasing the inflation assumption from 3.25% to 2.75%,
- Reducing the investment rate of return assumption from 7.75% to 7.5%,
- Decreasing the salary increase assumption from 4.5% to 4.0%,
- Increasing new entrant pay from 3.75% to 4.0%,
- Reducing the assumed retirement rates at most ages to better reflect the emerging trend of members retiring at later ages,
- Lowering termination rates and using a select table based on a three year select period for withdrawal rates, and
- Using the RP-2014 blue collar mortality table for males and females project from 2014 to 2026 using mortality improvement scale BB with a 62% weighting of males and a 38% weighting of females. Previously the RP-2000 white collar mortality tables were used.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Changes in the Police Officers' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016	2017
Beginning total pension liability (a)	$ 909,000	971,623	1,028,909	1,106,189
Changes for the year:				
Service cost	30,254	32,138	32,990	35,322
Interest	72,443	76,999	80,846	84,472
Benefit changes	(11,015)	(4,080)	--	--
Differences between expected and actual experience	--	(6,318)	7,455	17,241
Assumption changes	14,137	3,904	5,148	--
Contribution buy back	2,207	4,648	1,668	2,915
Benefit payments including refunds	(45,403)	(50,005)	(50,827)	(56,548)
Net change in total pension liability	62,623	57,286	77,280	83,402
Ending total pension liability (b)	971,623	1,028,909	1,106,189	1,189,591
Beginning total plan fiduciary net position (c)	595,110	638,019	644,174	686,020
Changes for the year:				
Employer contributions	32,400	33,239	33,814	35,141
Employee contributions	19,458	20,061	20,623	21,437
Contribution buy back	2,207	4,648	1,668	2,915
Pension plan net investment income (loss)	35,574	(322)	37,965	82,072
Benefits payments and refunds	(45,403)	(50,005)	(50,827)	(56,548)
Pension plan administrative expense	(1,327)	(1,466)	(1,397)	(1,562)
Net change in plan fiduciary net position	42,909	6,155	41,846	83,455
Ending total plan fiduciary net position (d)	638,019	644,174	686,020	769,475
Beginning net pension liability (a-c)	313,890	333,604	384,735	420,169
Ending net pension liability (b-d)	$ 333,604	384,735	420,169	420,116
Plan fiduciary net position as a percentage of of the total pension liability (d/b)	65.67%	62.61%	62.02%	64.68%
Covered payroll	$ 149,686	152,696	157,303	163,995
City's net pension liability as a percentage of covered payroll	222.87%	251.96%	267.11%	256.18%

Notes to Changes in the Police Officers' Net Pension Liability and Related Ratios

The Police Officers' fund had no significant changes of benefit terms, and no other significant factors that affected measurement of the total pension liability during the years ended December 31, 2017, 2015 or 2014. For the year ended December 31, 2016 there were no changes to benefit terms that affected measurement of the total pension liability; there were, however, the following assumption changes:

- The investment return assumption has been decreased from 7.80% to 7.70% (decreasing 0.30% over the last three years)
- The core inflation rate assumption has been decreased from 3.25% to 3.00%,
- The general wage inflation rate assumption has been decreased from 3.50% to 3.25%,
- The assumed rates of salary increase have been amended at most service points, and
- The payroll growth assumption has been increased from 3.50% to 4.00%.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Changes in the Fire Fighters' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016	2017
Beginning total pension liability (a)	$ 806,282	861,468	913,618	977,723
Changes for the year:				
Service cost	25,319	23,309	24,323	23,830
Interest	62,977	66,405	70,893	75,812
Benefit Changes	--	--	5,491	8,964
Differences between expected and actual experience	--	7,193	8,893	4,360
Assumption changes	4,883	--	--	--
Benefit payments including refunds	(37,993)	(44,757)	(45,495)	(51,888)
Net change in total pension liability	55,186	52,150	64,105	61,078
Ending total pension liability (b)	861,468	913,618	977,723	1,038,801
Beginning total plan fiduciary net position (c)	752,622	789,433	785,211	829,610
Changes for the year:				
Employer contributions	18,670	19,222	19,104	19,242
Employee contributions	14,660	15,547	15,884	16,319
Pension plan net investment income	42,005	6,328	55,569	141,915
Benefits payments and refunds	(37,993)	(44,757)	(45,496)	(51,888)
Pension plan administrative expense	(531)	(562)	(662)	(1,400)
Net change in plan fiduciary net position	36,811	(4,222)	44,399	124,188
Ending total plan fiduciary net position (d)	789,433	785,211	829,610	953,798
Beginning net pension liability (a-c)	53,660	72,035	128,407	148,113
Ending net pension liability (b-d)	$ 72,035	128,407	148,113	85,003
Plan fiduciary net position as a percentage of the total pension liability (d/b)	91.64%	85.95%	84.85%	91.82%
Covered payroll	$ 84,589	83,979	86,632	87,266
City's net pension liability as a percentage of covered payroll	85.16%	152.90%	170.97%	97.41%

Notes to Changes in the Fire Fighters' Net Pension Liability and Related Ratios

There were no significant assumption or benefit changes or any other significant factors that affected measurement of the total pension liability for the Fire Fighter's Fund during the years ended December 31, 2017, 2016, 2015, or 2014.

RETIREMENT PLANS-TREND INFORMATION, continued

Information pertaining to City contributions to the retirement systems for the fiscal year ending September 30, 2018, is shown in the following two tables (in thousands). An actuarially determined contribution was calculated for the City Employees' fund but was not calculated for the other two funds.

Schedule of Actuarially Determined City Contributions to the City Employees' Fund
(in thousands)

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
	$	$	$	$	
2015	96,554	97,655	(1,101)	540,110	18.08%
2016	109,725	102,609	7,116	566,227	18.12%
2017	119,038	108,929	10,109	600,726	18.13%
2018	123,058	114,149	8,909	630,631	18.10%

Notes to Schedule of Actuarially Determined City Contributions to the City Employees' Fund

Valuation Date: December 31 of each calendar year occurring during the fiscal year.

Notes: Members and employers contribute based on statutorily fixed or negotiated rates. A funding period is solved for through open group projections.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal (all years)
Asset Valuation Method	2017 forward - Expected actuarial value plus 20% recognition of prior years' differences between expected and actual investment income 2016 and 2015 - 20% of market plus 80% of expected actuarial value
Inflation	2.75% for 2016 forward, 3.25% for 2015
Salary Increases	4.00% to 6.25% for 2016 forward, 4.50% to 6.00% for 2015
Investment Rate of Return	7.50% for 2016 forward, 7.75% for 2015
Retirement Age	2016 forward - Experience-based table of rates that are gender specific. Last updated for December 31, 2015 valuation pursuant to an experience study of the 5-year period ending December 31, 2015. 2015 - For previous valuation updated on December 31, 2012 valuation pursuant to an experience study of the 5-year period ending December 31, 2011.
Mortality	2016 forward - RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014. For 2015 RP-2000 Mortality Table with White Collar adjustment and multipliers of 110% for males and 120% for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.

Other Information: There were no benefit changes during the periods displayed.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Statutorily Required City Contributions to the Police Officers' Fund and the Fire Fighters' Fund (in thousands)

Fiscal Year Ended September 30	Statutorily Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll (1)
	$	$	$	$	
Police Officers					
2015	32,942	32,942	--	152,229	21.64%
2016	33,141	33,141	--	155,476	21.32%
2017	34,717	34,717	--	162,891	21.31%
2018	34,944	34,944		163,956	21.31%
Fire Fighters					
2015	18,327	18,327	--	83,118	22.05%
2016	19,145	19,145	--	86,826	22.05%
2017	19,104	19,104	--	86,642	22.05%
2018	19,809	19,809		89,834	22.05%

(1) Statutorily required contribution for Police Officers decreased from 21.63% in 2015 to 21.313% in 2016.

Supplementary information for each plan as well as information on where to obtain plan financial statements can be found in Note 7.

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION

Schedule of Changes in the City of Austin OPEB Liability and Related Ratios (in thousands)

	2017
Beginning total OPEB liability	$ 2,055,627
Changes for the year:	
Service cost	86,687
Interest	80,132
Differences between expected and actual experience	64,227
Assumption changes	283,099
Expected benefit payments	(44,875)
Net change in total OPEB liability	469,270
Ending total OPEB liability	$ 2,524,897
Covered-employee payroll	$ 968,403
City's total OPEB liability as a percentage of covered-employee payroll	260.73%

The OPEB plan had no changes in benefit terms during the period. Assumption changes included:

- Lowering the discount rate from 3.78% to 3.44% based on Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date,
- Updating medical and prescription drug claim costs to reflect more recent experience,
- Modifying medical and prescriptions drug trend rates by splitting the single category from the previous valuation into three categories for the current valuation, grading these categories for different periods, and lowering the ultimate trend rate from 5.0% to 4.5%, and
- Updating third-party administrator and vendor administrative expenses to reflect more recent contracts and assumed trends on such costs.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES

General

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

Amendments to the Revenue Bond Ordinances

The Ordinances authorizing the issuance of the Bonds include amendments to the Ordinances 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 Ordinances and the existing Revenue Bond Ordinances described below, (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact to evidence an Owner's specific consent to and approval of the amendments described below, and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner. The amendments 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 not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding, and such amendments have not been consented to by any of the Owners of the Currently Outstanding Revenue Bonds. 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 Ordinances.

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

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

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

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

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

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

"Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2019A and the City of Austin, Texas, Airport System Revenue Bonds, Series 2019B (AMT), authorized by the Ordinances.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Debt Service Reserve Fund Surety Bond" means any surety bond, 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 Ordinances.

"Interest Payment Date" means each May 15 and November 15, commencing November 15, 2019, until maturity or prior redemption of the Bonds.

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

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

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

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

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

(a) any allowance for depreciation;

(b) costs of capital improvements;

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

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

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

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

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

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

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

"Operation and Maintenance Reserve Fund" means the fund so designated and created within the Revenue Fund in the Ordinances.

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

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

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

"Paying Agent/Registrar" means, for the Bonds, U.S. Bank 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 Ordinances.

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

"Revenue Bond Ordinances" means the ordinances authorizing the issuance of the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019 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 Ordinances, payable from and secured by a first lien on and pledge of Net Revenues.

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

"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).

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

"Special Facilities Bonds" means those bonds from time to time hereafter issued by the City pursuant to the appropriate provisions of the Ordinances.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Service Fund. 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 Ordinances 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 Ordinances, there shall be transferred from the Revenue Fund, to the extent amounts are available, to the Operation and Maintenance Reserve Fund an amount equal to 1/12th of the deficiency, if any, in the Operation and Maintenance Reserve Fund as of the last day of the previous Fiscal Year until the required balance in the Operation and Maintenance Reserve Fund is established or reestablished. Amounts from time to time credited to the Operation and Maintenance Reserve Fund may be used at any time: first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Revenue Fund; second, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency in any of these funds.

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

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

Construction Fund. From the proceeds of each series of Revenue Bonds (other than any refunding bonds) there shall be deposited into 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 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 aviation department.

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

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

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

Any interest and income derived from deposits and investments of any amounts credited to any Fund or Account may be: (i) transferred into any rebate account or subaccount; and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained in the Ordinances or required in order to prevent interest on any bonds payable from Net Revenues from being includable within the gross income of the Owners thereof for federal income tax purposes. 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 Ordinances shall be secured by the pledge of security, as provided by Texas law.

Additional Bonds

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

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

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

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

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

(ii) the first Fiscal Year in which the City will have scheduled payments of interest on or principal of the Additional Revenue Bonds to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of the Additional Revenue Bonds, investment income on such Additional Revenue Bonds or from other appropriated sources (other than Net Revenues), are equal to at least 125% of the Debt Service Requirements on all Outstanding Revenue Bonds scheduled to occur during each such respective Fiscal Year after taking into consideration the additional Debt Service Requirements for the Additional Revenue Bonds to be issued.

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

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

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

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

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

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

Particular Covenants

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

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

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

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

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

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

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

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

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

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

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

Notwithstanding the provisions of the foregoing paragraph: (i) acceleration as a remedy is expressly denied; (ii) no grace period for a default in the performance of any duty or covenant shall exceed 30 days, nor shall any grace period be extended for more than 60 days; 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 Ordinances. Any determination not to redeem Bonds that is made in conjunction with the payment arrangements described above shall not be irrevocable, provided that: (1) in the proceedings providing for the payment arrangements, the City expressly reserves the right to call the Bonds for redemption; (2) the City gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the payment arrangements; and (3) the City directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

Alteration of Rights and Duties. The rights, duties, and obligations of the City and the Owners of the Bonds and the holders of Credit Agreement Obligations related to the Bonds, and Persons to whom Administrative Expenses are owed, are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

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

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

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

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

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

(e) to amend any provisions of the Ordinances relating to the issuance of Revenue Bonds and Subordinate Obligations, or the incurrence of and security for reimbursement obligations in connection therewith, so long as to do so does not cause any reduction in any rating assigned to the Outstanding Revenue Bonds by any major municipal securities evaluation service then rating any Series of the Revenue Bonds;

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

(g) to amend the undertaking relating to continuing disclosure of information in Article Twelve of the Ordinances to the extent permitted in Article Twelve.

Amendments of the Ordinances Requiring Consent. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of the Ordinances but, if the amendment is not of the character described above, only with the consent of the Owner or Owners given in accordance with the Ordinances of not less than 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 Ordinances, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under such instrument, namely:

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

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

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

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

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

Consent to Certain Amendments Given Through Ownership of Bonds. (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 Section 9.04 of the Ordinances 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 this Ordinances 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 not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding, and such amendments have not been consented to by any of the Owners of the Currently Outstanding Revenue Bonds. 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%.

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APPENDIX D

FORMS OF BOND COUNSEL'S OPINIONS

[*Form of Bond Counsel opinion relating to 2019A Bonds*]

August 13, 2019

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 2019A in the original aggregate principal amount of $16,975,000 (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 June 19, 2019 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 have further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined a specimen of the form of registered Bond.

BASED ON SUCH EXAMINATION, 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; and

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.

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.

IT IS OUR FURTHER OPINION THAT, under existing law:

3. Interest on the Bonds is excludable from gross income for federal income tax purposes; and

4. The Bonds are not "private activity bonds" within the meaning of the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

IN PROVIDING SUCH OPINIONS, we have relied on representations of 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 we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in 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. In the event that such representations are determined to be inaccurate or incomplete, or if the City fails to comply with the foregoing covenants in the Ordinance, interest on the Bonds could become includable from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

EXCEPT AS STATED ABOVE, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or disposition of the Bonds.

OWNERS 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).

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem 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 regarding 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. We observe that the City has covenanted in the Ordinance not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in Section 61 of the Code, of the holders thereof for federal income tax purposes.

[*Form of Bond Counsel opinion relating to 2019B Bonds*]

August 13, 2019

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 2019B (AMT) in the original aggregate principal amount of $248,170,000 (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 June 19, 2019 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 have further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined a specimen of the form of registered Bond.

BASED ON SUCH EXAMINATION, 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; and

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.

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.

IT IS OUR FURTHER OPINION THAT, under existing law:

3. Interest on the Bonds is excludable from gross income for federal income tax purposes, 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 refinanced 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. The Bonds are "private activity bonds" within the meaning of the Code, and, as such, 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.

IN PROVIDING SUCH OPINIONS, we have relied on representations of 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 we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in 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. In the event that such representations are determined to be inaccurate or incomplete, or if the City fails to comply with the foregoing covenants in the Ordinance, interest on the Bonds could become includable from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

EXCEPT AS STATED ABOVE, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or disposition of the Bonds.

OWNERS 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).

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem 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 regarding 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. We observe that the City has covenanted in the Ordinance not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in Section 61 of the Code, of the holders thereof for federal income tax purposes.

CITY OF AUSTIN, TEXAS • Airport System Revenue Bonds, Series 2019A and Series 2019B (AMT)

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