OFFICIAL STATEMENT DATED OCTOBER 27, 2020

NEW ISSUES - Book-Entry-Only

Ratings: Moody's: "Aa3"
S&P: "AA"
Fitch: "AA"
(See "OTHER RELEVANT INFORMATION – Ratings")

Delivery of the Series 2020A Bonds is subject to the receipt of the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that, assuming continuing compliance by the City of Austin, Texas (the" City") with certain covenants contained in the Nineteenth Supplement described in this document, interest on the Bonds will be excludable from gross income for federal income taxation under existing law, subject to the matters described under "TAX MATTERS – Series 2020A" in this document. Interest on the Taxable Series 2020B Bonds will be included in gross income for federal income tax purposes. See "TAX MATTERS – Taxable Series 2020B" in this document.

CITY OF AUSTIN, TEXAS

$227,495,000	**$49,870,000**
Electric Utility System Revenue Refunding and Improvement Bonds, Series 2020A	**Electric Utility System Revenue Refunding Bonds, Taxable Series 2020B**

Dated: Date of Initial Delivery **Due: November 15, as shown on pages i and ii of this document**

The bonds offered in this document are the $227,495,000 City of Austin, Texas Electric Utility System Revenue Refunding and Improvement Bonds, Series 2020A (the "Series 2020A Bonds") and the $49,870,000 City of Austin, Texas Electric Utility System Revenue Refunding Bonds, Taxable Series 2020B (the "Taxable Series 2020B Bonds"). The Series 2020A Bonds and Taxable Series 2020B Bonds are collectively referred to in this document as the "Bonds." The Bonds represent the nineteenth and twentieth series, respectively, of "Parity Electric Utility Obligations" issued pursuant to City of Austin, Texas (the "City") Ordinance No. 010118-52A, passed on January 18, 2001, by the City Council of the City (the "City Council") governing the issuance of the City's Electric Utility System indebtedness (the "Master Ordinance") and are authorized and being issued in accordance with Ordinance No. 20200917-058 (the "Nineteenth Supplement") authorizing the Series 2020A Bonds and Ordinance No. 20200917-059 (the "Twentieth Supplement") authorizing the Taxable Series 2020B Bonds, each passed on September 17, 2020, by the City Council. The Nineteenth Supplement and Twentieth Supplement each delegated to a designated "Pricing Officer" the authority to effect the sale of the Bonds, subject to the terms of the Nineteenth Supplement and Twentieth Supplement. See "INTRODUCTION" in this document. The Master Ordinance provides the terms for the issuance of Parity Electric Utility Obligations and the related covenants and security provisions. The City also has outstanding one series of Prior Subordinate Lien Obligations (defined in this document), which are secured by joint and several pledges of the net revenues of both the Water and Wastewater System and Electric Utility System. The City must comply with the covenants and security provisions relating to the Prior Subordinate Lien Obligations while they remain outstanding. The Master Ordinance provides that no additional revenue obligations payable from the same sources and secured in the same manner as the Prior Subordinate Lien Obligations shall be issued. Commercial Paper Obligations (defined in this document) currently authorized, having a combined pledge of Net Revenues of the Electric Utility System and Water and Wastewater System (the "Combined Utility Systems"), may continue to be issued on a subordinate lien basis to the Parity Electric Utility Obligations. The Bonds are special obligations of the City, payable as to both principal and interest solely from, and together with the outstanding Parity Electric Utility Obligations and Prior Subordinate Lien Obligations, equally and ratably secured only by a lien on and pledge of the Net Revenues of the City's Electric Utility System as provided in the Master Ordinance, the Nineteenth Supplement for the Series 2020A Bonds and the Twentieth Supplement for the Taxable Series 2020B Bonds. **The taxing powers of the City and the State of Texas are not pledged as security for the Bonds.** See "SECURITY FOR THE BONDS" in this document.

The definitive Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from the date of initial delivery to the underwriters set forth below (the "Underwriters") and shall be payable on May 15, 2021 and each November 15 and May 15 thereafter until maturity or prior redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The City reserves the right to discontinue such book-entry system. See "Description of the Bonds" in this document. U.S. Bank National Association will serve as the initial paying agent/registrar (the "Paying Agent/Registrar") for the Bonds.

MATURITY SCHEDULE

See "Maturity Schedule" on pages i and ii of this document

The Bonds are subject to optional redemption and mandatory sinking fund redemption as described in "DESCRIPTION OF THE BONDS - Redemption of the Series 2020A Bonds" and "Redemption of the Taxable Series 2020B Bonds" in this document.

The Bonds are offered for delivery when, as, and if issued and subject, among other things, to the opinions of the Attorney General of the State of Texas and Norton Rose Fulbright US LLP, Bond Counsel for the City, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of Texas. The opinion of Bond Counsel will be printed on or attached to the Bonds (See "APPENDIX E – Form 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., Disclosure Counsel for the City, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP.

It is expected that the Bonds will be delivered through the facilities of DTC on or about November 17, 2020 (the "Date of Initial Delivery").

RBC Capital Markets

Hilltop Securities **Raymond James**

CITY OF AUSTIN, TEXAS

$227,495,000
Electric Utility System Revenue Refunding and Improvement Bonds,
Series 2020A

Base CUSIP No. 052414 (1)

MATURITY SCHEDULE

$132,000,000 Serial Bonds

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield		CUSIP Suffix (1)
2023	$4,000,000	5.000%	0.280%		TL3
2024	7,460,000	5.000%	0.320%		TM1
2025	7,845,000	5.000%	0.390%		TN9
2026	8,210,000	5.000%	0.580%		TP4
2027	8,680,000	5.000%	0.750%		TQ2
2028	9,055,000	5.000%	0.890%		TR0
2029	9,530,000	5.000%	1.030%		TS8
2030	10,000,000	5.000%	1.140%		TT6
2031	2,025,000	5.000%	1.270%	(2)	TU3
2032	5,885,000	5.000%	1.330%	(2)	TV1
2033	6,190,000	5.000%	1.420%	(2)	TW9
2034	6,505,000	5.000%	1.480%	(2)	TX7
2035	6,830,000	5.000%	1.530%	(2)	TY5
2036	7,185,000	5.000%	1.590%	(2)	TZ2
2037	7,550,000	5.000%	1.640%	(2)	UA5
2038	7,940,000	5.000%	1.680%	(2)	UB3
2039	8,340,000	5.000%	1.730%	(2)	UC1
2040	8,770,000	5.000%	1.760%	(2)	UD9

$41,815,000 5.000% Term Bonds maturing November 15, 2045, priced to yield 1.930%, CUSIP Suffix UE7 (1) (2)

$53,680,000 5.000% Term Bonds maturing November 15, 2050, priced to yield 2.010%, CUSIP Suffix UF4 (1) (2)

(Interest to accrue from Date of Initial Delivery)

Redemption of the Series 2020A Bonds

The Series 2020A Bonds are subject to optional redemption and mandatory sinking fund redemption as described in "DESCRIPTION OF THE BONDS – Redemption of the Series 2020A Bonds" in this document.

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(2) Initial yield shown is the yield to the first optional redemption date of November 15, 2030 for the Series 2020A Bonds.

CITY OF AUSTIN, TEXAS

$49,870,000
Electric Utility System Revenue Refunding Bonds,
Taxable Series 2020B

Base CUSIP No. 052414 (1)

MATURITY SCHEDULE

$14,465,000 Serial Bonds

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix (1)
2024	$1,000,000	0.733%	0.733%	UG2
2025	1,000,000	0.883%	0.883%	UH0
2026	1,000,000	1.150%	1.150%	UJ6
2027	1,000,000	1.350%	1.350%	UK3
2028	1,000,000	1.579%	1.579%	UL1
2029	1,000,000	1.679%	1.679%	UM9
2030	1,000,000	1.829%	1.829%	UN7
2031	1,000,000	1.959%	1.959%	UP2
2032	1,000,000	2.059%	2.059%	UQ0
2033	1,780,000	2.189%	2.189%	UR8
2034	1,820,000	2.289%	2.289%	US6
2035	1,865,000	2.429%	2.429%	UT4

$10,140,000 2.828% Term Bonds maturing November 15, 2040, priced to yield 2.828%, CUSIP Suffix UU1 (1)

$25,265,000 2.928% Term Bonds maturing November 15, 2050, priced to yield 2.928%, CUSIP Suffix UV9 (1)

(Interest to accrue from Date of Initial Delivery)

Redemption of the Taxable Series 2020B Bonds

The Taxable Series 2020B Bonds are subject to optional redemption and mandatory sinking fund redemption as described in "DESCRIPTION OF THE BONDS – Redemption of the Taxable Series 2020B Bonds".

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CITY OF AUSTIN

Elected Officials

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

Appointed Officials

Spencer Cronk	City Manager
Nuria Rivera-Vandermyde	Deputy City Manager
Mark Dombroski[(1)]	Interim 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

(1) Mark Dombroski was appointed Interim Chief Financial Officer effective July 1, 2020, following the planned retirement of Elaine Hart, who was the City's Chief Financial Officer. Mark Dombroski serves as the Deputy General Manager and Chief Financial and Risk Officer for Austin Energy, which is the City's electric utility system. The City has begun the recruitment process for hiring a new Chief Financial Officer.

BOND COUNSEL
Norton Rose Fulbright US LLP
Austin and Dallas, Texas

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

FINANCIAL ADVISOR
PFM Financial Advisors LLC
Austin, Texas

INDEPENDENT AUDITORS
Deloitte & Touche LLP
Austin, Texas

For additional information regarding the City, please contact:

Belinda Weaver
Treasurer
City of Austin
919 Congress Ave, Suite 1250
Austin, TX 78701
(512) 974-7885
belinda.weaver@austintexas.gov

Dennis P. Waley
Managing Director
PFM Financial Advisors LLC
111 Congress Ave, Suite 2150
Austin, TX 78701
(512) 614-5323
waleyd@pfm.com

SELECTED FINANCIAL INFORMATION

Combined Utility Systems (Electric Utility System and Water and Wastewater System)

The selected financial information below presents selected historical information related to the Combined Utility Systems of the City, which is comprised of the Electric Utility System and the Water and Wastewater System of the City, presented on a combined basis. The financial information for the fiscal years ended September 30, 2016 through September 30, 2019 is derived from the City's audited financial statements for the respective fiscal years. This information should be read in conjunction with the audited financial statements included in "APPENDIX B – AUDITED FINANCIAL STATEMENTS" in this document.

The historical financial information includes debt service on obligations issued under liens of the Combined Utility Systems that are now closed: the Prior First Lien Obligations (no obligations outstanding as of May 15, 2019) and Prior Subordinate Lien Obligations (one series of obligations outstanding with a final maturity of May 15, 2025). These closed prior liens are secured by joint and several pledges of the net revenues of both the Water and Wastewater System and Electric Utility System. While the remaining series of Prior Subordinate Lien Obligations remain outstanding, the City must comply with the covenants and security provisions relating to such Prior Subordinate Lien Obligations. **The Master Ordinance provides that no additional revenue obligations payable from the same sources and secured in the same manner as the Prior First Lien Obligations and Prior Subordinate Lien Obligations shall be issued.** Commercial Paper Obligations (defined in this document) currently authorized, having a combined pledge of Net Revenues of the Combined Utility Systems, may continue to be issued on a subordinate lien basis to the Parity Electric Utility Obligations.

Operating Summary of the Combined Utility Systems

		(000's) Fiscal Year Ended September 30			
	12-Months Ended 6-30-2020 (2)	2019	2018	2017	2016
Combined Gross Revenues	$2,037,148	$2,031,435	$1,998,556	$1,974,948	$1,941,815
Combined Maintenance and Operating Expenses	1,365,506	1,366,470	1,334,151	1,252,196	1,207,225
Combined Net Revenues	$ 671,642	664,965	$ 664,405	$ 722,752	$ 734,590
Principal and Interest on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Obligations) (1)	$ 21,090	$ 46,527	$ 80,433	$ 60,298	$ 33,867
Debt Service Coverage on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Obligations) (1)	31.85x	14.29x	8.26x	11.99x	21.69x

(1) Includes only the Prior First Lien Obligations, which were fully paid and discharged on May 15, 2019, and Prior Subordinate Lien Obligations, which are the obligations secured by a pledge of the Net Revenues of the Combined Utility Systems.
(2) Preliminary. See "OTHER RELEVANT INFORMATION – Independent Auditors" in this document.

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Electric Utility System Only

The selected financial information below presents selected historical information related to the Electric Utility System of the City. The financial information for the fiscal years ended September 30, 2016 through September 30, 2019 is derived from the City's audited financial statements for the respective fiscal years. This information should be read in conjunction with the audited financial statements included in "APPENDIX B – AUDITED FINANCIAL STATEMENTS" in this document.

The historical financial information includes the portion of Austin Energy's debt service on obligations issued under liens of the Combined Utility Systems that are now closed: the Prior First Lien Obligations (no obligations outstanding as of May 15, 2019) and Prior Subordinate Lien Obligations (one series of debt obligations outstanding with a final maturity of May 15, 2025). These closed prior liens are secured by joint and several pledges of the net revenues of both the Water and Wastewater System and Electric Utility System. While the remaining series of Prior Subordinate Lien Obligations remain outstanding, the City must comply with the covenants and security provisions relating to such Prior Subordinate Lien Obligations. **The Master Ordinance provides that no additional revenue obligations payable from the same sources and secured in the same manner as the Prior Subordinate Lien Obligations shall be issued.** Commercial Paper Obligations currently authorized, having a combined pledge of Net Revenues of the Combined Utility Systems, may continue to be issued on a subordinate lien basis to the Parity Electric Utility Obligations.

Operating Summary of the Electric Utility System

		(000's) Fiscal Year Ended September 30			
	12-Months Ended 6-30-2020 (3)	2019	2018	2017	2016
Gross Revenues	$1,449,643	$1,471,267	$1,417,232	$1,373,020	$1,378,749
Maintenance and Operating Expenses	1,098,884	1,105,466	1,083,928	1,018,604	989,768
Net Revenues	$350,759	$365,801	$333,304	$354,416	$388,981
Principal and Interest paid by the Electric Utility System on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Obligations)(1)	$ 11,052	$ 9,135	$ 12,604	$ 12,650	$ 19,742
Net Revenues available for Parity Electric Utility Obligations	$339,706	$356,666	$320,700	$341,766	$369,239
Principal and Interest on Parity Electric Utility Obligations (2)	$140,021	$82,236	$81,024	$92,320	$107,989
Debt Service Coverage on Parity Electric Utility Obligations	2.43x	4.34x	3.96x	3.70x	3.42x

(1) Represents Austin Energy's portion of the Prior First Lien Obligations (which were fully paid and discharged in fiscal year 2019), and Prior Subordinate Lien Obligations, which are obligations secured by a pledge of the Net Revenues of the Combined Utility Systems.

(2) Secured by a lien on and pledge of the Net Revenues of the City's Electric Utility System. Increased debt service for the 12-month period ending June 30, 2020 reflects the prior issuance of Parity Electric Utility Obligations in 2019.

(3) Preliminary. See "DEBT SERVICE REQUIREMENTS" and "OTHER RELEVANT INFORMATION – Independent Auditors" in this document.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED TO THIS OFFICIAL STATEMENT, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

No dealer, salesman or any other person has been authorized by the City or by the Underwriters to give any information or to make any representations, other than the information and representations contained in this document, in connection with the offering of the Bonds, and, if given or made, such 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, and there shall not be any sale of, any of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion contained in this document are subject to change without notice and neither the delivery of this Official Statement nor any sale made that references this document shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of this document. The delivery of this Official Statement at any time does not imply that the information in this document is correct as to any time subsequent to its date. See "CONTINUING DISCLOSURE OF INFORMATION" in this document for a description of the City's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") AND CONSEQUENTLY HAVE NOT BEEN REGISTERED WITH THE SEC. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED FROM REGISTRATION SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE OF THE BONDS.

CUSIP numbers have been assigned to this issue by CGS, and neither the City, PFM Financial Advisors LLC, nor the Underwriters are responsible for the selection or correctness of CUSIP numbers.

The City, PFM Financial Advisors LLC., and the Underwriters do not make any representation regarding the information contained in this Official Statement regarding DTC or its book-entry-only system, as such information has been furnished by DTC. Neither the City nor PFM Financial Advisors LLC make any representations regarding the information concerning the Underwriters contained in this document in "OTHER RELEVANT INFORMATION – Underwriting."

This Official Statement contains "forward–looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. **Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements**. See "OTHER RELEVANT INFORMATION – Forward-Looking Statements" in this document.

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

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

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

Relating to

CITY OF AUSTIN, TEXAS

$227,495,000
Electric Utility System Revenue Refunding and Improvement Bonds, Series 2020A

$49,870,000
Electric Utility System Revenue Refunding Bonds, Taxable Series 2020B

INTRODUCTION

This Official Statement is being furnished in connection with the proposed issuance by the City of Austin, Texas (the "City") of its $227,495,000 City of Austin, Texas Electric Utility System Revenue Refunding Bonds and Improvement Bonds, Series 2020A (the "Series 2020A Bonds") and its $49,870,000 City of Austin, Texas Electric Utility System Revenue Refunding Bonds, Taxable Series 2020B (the "Taxable Series 2020B Bonds"). The Series 2020A Bonds and Taxable Series 2020B Bonds are collectively referred to in this document as the "Bonds." The Bonds are to be issued pursuant to authority conferred by the laws of the State of Texas (the "State"), Ordinance No. 010118-53A, passed by the City Council of the City (the "City Council") on January 18, 2001 (the "Master Ordinance") providing the terms for the issuance of Parity Electric Utility Obligations and the related covenant and security provisions, Ordinance No. 20200917-058 authorizing the Series 2020A Bonds (the "Nineteenth Supplement") and Ordinance No. 20200917-059 authorizing the Taxable Series 2020B Bonds (the "Twentieth Supplement"), each passed by the City Council on September 17, 2020. The Nineteenth Supplement and the Twentieth Supplement each delegated to a designated "Pricing Officer" the authority, through the execution of a certificate stating the terms of the sale of the related series of Bonds (the "Pricing Certificate"), to effect the sale of the Bonds, subject to the terms of the Nineteenth Supplement and the Twentieth Supplement. A summary of certain provisions of the Master Ordinance is attached to this document as APPENDIX C. So long as the Prior Subordinate Lien Obligations are outstanding, the City must comply with the covenants contained in the ordinances authorizing their issuance (collectively, the "Bond Ordinance"). A summary of certain provisions of the Bond Ordinance is attached as APPENDIX D. **Capitalized terms not otherwise defined in this document have the meanings assigned in the Master Ordinance, the Nineteenth Supplement and the Twentieth Supplement, or the Bond Ordinance, as applicable (see APPENDICES C and D)**. A description of The Depository Trust Company, New York, New York ("DTC") and its Book-Entry-Only System applicable to the Bonds is attached as APPENDIX F. All descriptions of documents contained in this document are only summaries and are qualified in their entirety by reference to each such document.

References to web site addresses presented in this document are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. References to web sites and the information or links contained therein are not incorporated into, and are not a part of, this document. As used in this document, "FY" refers to the fiscal year of the City, which encompasses the twelve-month period commencing on October 1 and ending on the following September 30.

The City has issued, and there currently remains outstanding, one series of Prior Subordinate Lien Obligations and Commercial Paper Obligations secured by a joint and several pledge of the Net Revenues of the City's Combined Utility Systems. Pursuant to the Master Ordinance, no additional Prior Subordinate Lien Obligations may be issued. There are no Prior First Lien Obligations outstanding and no additional Prior First Lien Obligations may be issued. When the Prior Subordinate Lien Obligations and the Commercial Paper Obligations have been fully paid or discharged so that such obligations are no longer deemed to be outstanding under the terms of their respective ordinances and by law, all outstanding revenue obligations of Austin Energy shall be Parity Electric Utility Obligations, or obligations subordinate to the outstanding Parity Electric Utility Obligations, and shall be payable only from and secured only by a lien on, and pledge of, the Net Revenues of the Electric Utility System and the revenues deposited to the credit of the accounts and funds established and maintained as required by the supplemental ordinances providing for their issuance. The Master Ordinance governs the issuance of Parity Electric Utility Obligations and contains related covenants and security provisions. The City must also comply with the covenants and security provisions relating to the Prior Subordinate Lien Obligations while any such obligations remain outstanding.

The City has also issued revenue obligations secured solely by the net revenues of the Water and Wastewater System (the "Water and Wastewater System Separate Lien Obligations") pursuant to a separate Water and Wastewater Master Ordinance (Ordinance No. 0006008-56A, adopted June 8, 2000), the terms and provisions of which differ substantially from those of the Master Ordinance. The City intends to issue additional Water and Wastewater System Separate Lien

Obligations on or about the same time as the delivery of the Bonds, including the $203,505,000 Water and Wastewater System Revenue Refunding Bonds, Series 2020C on November 10, 2020 and the $16,995,000 of Water and Wastewater System Revenue Bonds, Series 2020D on November 17, 2020.

As noted under "DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUES" in this document, $78,540,000 of one series of Prior Subordinate Lien Obligations (with maturities extending through May 15, 2025) are outstanding as of the date of this document and no assurances can be given as to when or if such obligations will be defeased or paid prior to their stated maturity so as to allow the Parity Electric Utility Obligations (including the Bonds) to be first lien obligations of the Net Revenues of the Electric Utility System.

COVID-19 PANDEMIC

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation.

Due to a recent increase in COVID-19 cases, recent executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. For example, Executive Order GA-28, which was issued on June 26, 2020, and remains in effect until modified, amended, rescinded or superseded by the Governor, established occupancy limits to 50% of most businesses in Texas, limited bars and similar establishments to drive-through, pickup or delivery options, and made most outdoor gatherings of more than 100 people subject to approval by local authorities, subject to exceptions outlined in the order. Businesses otherwise subject to a 50% occupancy limit and located in a county meeting certain Department of State Health Services criteria are eligible to operate at up to 75% of occupancy. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at http://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement. In addition to the actions by the state and federal officials, certain local officials, including the City and Travis County, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts have reduced the collection of sales and other excise taxes, charges, and fees within the City and may continue to do so; the Pandemic's economic impact may also reduce or otherwise negatively affect future property values within the City as well as the assets of City pension funds. The duration, severity and degree of any impact of COVID-19 is uncertain and difficult to predict at this time due to the dynamic nature of the Pandemic. The City has experienced a loss in revenues and an increase in costs associated with mitigating the impacts of the Pandemic on the residents of the City, including public health, emergency response, support to homeless and vulnerable populations, small businesses support, among others.

Financial Impact of the COVID-19 Pandemic on Austin Energy

As a result of COVID-19 and the corresponding local stay-at-home mandates and social distancing guidelines, Austin Energy has experienced an increase in residential consumption and a decrease in commercial consumption and demand as a result of the Pandemic. The shifting of consumption between residential and commercial customers results in a revenue forecast for Fiscal Year 2020 that remains within normal range, once normalized for weather variations. Future impacts of the Pandemic are unknown and Austin Energy continues to monitor its customer consumption and demand to adjust revenue forecasts as needed.

The Bonds are secured by net revenues of the City's Electric Utility System. A reduction in system revenues may reduce the revenue available to pay the operations and maintenance expenses of the Electric Utility System and debt service on the Bonds, which may require an increase in system rates and charges. A reduction in the collection Electric Utility System revenues may negatively impact the system's operations and overall financial condition.

PLAN OF FINANCING

The Series 2020A Bonds are being issued as tax-exempt bonds pursuant to the provisions of the Nineteenth Supplement (see "TAX MATTERS - SERIES 2020A BONDS" in this document), and the Taxable Series 2020B Bonds are being issued as taxable bonds pursuant to the provisions of the Twentieth Supplement (see "TAX MATTERS – TAXABLE SERIES 2020B BONDS" in this document).

A portion of the Series 2020A Bonds are being issued to refund $113,000,000 of the City's outstanding tax-exempt commercial paper obligations issued for the Electric Utility System (the "Tax-Exempt Refunded Notes") and a portion of the Taxable Series 2020B Bonds are being issued to refund $49,480,000 of the City's outstanding taxable commercial paper obligations issued for the Electric Utility System (the "Taxable Refunded Notes"). The issuance of the Series 2020A Bonds and the Taxable Series 2020B Bonds, together with the City's November 10, 2020 issuance of its Water and Wastewater System Revenue Refunding Bonds, Series 2020C, to be issued as separate water and wastewater revenue refunding obligations (secured by net revenues of the City's Water and Wastewater System), will restore the City's available capacity under its commercial paper note program that has been established for the Combined Utility Systems (as described further in "COMMERCIAL PAPER NOTE PROGRAMS" in this document). The Tax-Exempt Refunded Notes and the Taxable Refunded Notes are hereafter collectively referred to in this document as the "Refunded Notes." Any interest on the Refunded Notes due is expected to be paid from available revenues of the Electric Utility System.

A portion of the Series 2020A Bonds will also be issued to refund a portion of the City's outstanding Parity Electric Utility Obligations as described in "SCHEDULE I – SCHEDULE OF REFUNDED BONDS" attached to this document (the "Refunded Bonds") for debt service savings.

A portion of the Series 2020A Bonds will be issued to fund the construction and acquisition of Austin Energy's new headquarters complex. Proceeds from the Bonds will also be used to pay costs of issuance.

The Bonds represent the nineteenth and twentieth encumbrances to be issued or incurred as Parity Electric Utility Obligations under the Master Ordinance. The City has issued, and there currently remain outstanding, one series of Prior Subordinate Lien Obligations and Commercial Paper Obligations secured by a joint and several pledge of the net revenues of the City's Combined Utility Systems. Pursuant to the Master Ordinance, no additional Prior Subordinate Lien Obligations may be issued. When the Prior Subordinate Lien Obligations, and the Commercial Paper Obligations have been fully paid or discharged so that such obligations are no longer deemed to be outstanding under the terms of their respective ordinances and by law, all outstanding Electric Utility System revenue obligations shall be Parity Electric Utility Obligations, or obligations subordinate to the outstanding Parity Electric Utility Obligations, and shall be payable only from and secured only by a lien on, and pledge of, the Net Revenues of the Electric Utility System and the revenues deposited to the credit of the accounts and funds established and maintained as required by the ordinances providing for their issuance. The Master Ordinance governs the issuance of Parity Electric Utility Obligations and contains related covenants and security provisions. The City must comply with the covenants and security provisions relating to the Prior Subordinate Lien Obligations while any such obligations remain outstanding.

Refunded Notes

The Nineteenth Supplement provides that from the proceeds of the sale of the Series 2020A Bonds, and the Twentieth Supplement provides that from the proceeds of the sale of the Taxable Series 2020B Bonds, in each case, together with other available funds of the City, the City will deposit or cause to be deposited with U.S. Bank National Association, in its capacity as the issuing and paying agent for the Refunded Notes (the "CP Issuing and Paying Agent"), the amount necessary to accomplish the discharge, defeasance and final payment of the Refunded Notes in accordance with the terms of the respective ordinances authorizing the issuance thereof. The principal of and interest on all of the Refunded Notes will be paid on the date of delivery of the Bonds, which is the scheduled maturity date of the Refunded Notes, from amounts deposited with the CP Issuing and Paying Agent.

Refunded Bonds

The Refunded Bonds, and interest due thereon, will be paid on the scheduled redemption date of the Refunded Bonds from funds to be deposited pursuant to an Escrow Agreement (the "Escrow Agreement"), between the City and U.S.

Bank National Association (the "Escrow Agent"). The Nineteenth Supplement provides that a portion of the proceeds of the sale of the Series 2020A Bonds, together with other lawfully available funds of the City, if any, will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge and final payment of the Refunded Bonds. These amounts will be used to purchase direct obligations of the United States of America (the "Escrowed Securities") to be held by the Escrow Agent in a special escrow account (the "Escrow Fund"). Escrowed Securities acquired and held by the Escrow Agent shall not mature after the scheduled date of redemption of the Refunded Bonds. Pursuant to the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds from amounts held in the Escrow Fund. Robert Thomas CPA, LLC, will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Escrowed Securities will mature and pay interest in such amounts and at such times which, together with any uninvested funds, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. The amounts held in the Escrow Fund will not be available to pay the debt service on the Bonds.

By deposit of cash and Escrowed Securities with the Escrow Agent pursuant to the Escrow Agreement, the City will have entered into a firm banking and financial arrangement for the discharge and final payment of the Refunded Bonds, in accordance with applicable law. As a result of such firm banking and financial arrangements, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the principal of and interest on the Escrowed Securities and the cash held for such purpose by the Escrow Agent, and the Refunded Bonds will not be included in or considered to be an obligation of the City for the purpose of any limitation on the issuance of ad valorem tax debt obligations by the City.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Bonds are as follows.

	The Series 2020A Bonds	The Taxable Series 2020B Bonds
Sources of Funds:		
Par Amount of the Bonds	$227,495,000.00	$49,870,000.00
Original Issue Premium	65,383,156.55	--
Total Sources of Funds	$292,878,156.55	$49,870,000.00
Uses of Funds:		
Refunding of Commercial Paper Notes	$113,000,000.00	$49,480,000.00
Deposit to Project Fund	88,000,000.00	--
Deposit to Escrow Fund and Refunding of Bonds	90,482,361.20	--
Costs of Issuance (1)	595,104.00	208,354.26
Underwriters' Discount	800,691.35	181,645.74
Total Uses of Funds	$292,878,156.55	$49,870,000.00

(1) Costs of Issuance includes the fees of bond counsel, disclosure counsel, financial advisor, rating agencies, Paying Agent/Registrar, escrow and verification agents and certain other bond issuance costs.

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DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUES
(As of November 17, 2020)

Combined Utility Systems Obligations (a)	
Prior Subordinate Lien Obligations	$78,540,000
Parity Electric Utility Obligations (b)	$1,850,355,000
Water and Wastewater System Separate Lien Obligations (c)	
Parity Water and Wastewater Obligations	$2,177,975,000
Commercial Paper and Direct Purchase Notes (d)	--
General Obligation Bonds (e)	$2,941,927
Assumed Municipal Utility District Obligations (f)	$3,418,668
TOTAL	$4,113,230,595

See "SECURITY FOR THE BONDS" in this document.

(a) No additional Prior Subordinate Lien Obligations can be issued under the terms of the Master Ordinance.

(b) Includes the Bonds and excludes the Refunded Bonds. Excludes $70,840,000 million of principal maturing on November 15, 2020.

(c) The Water and Wastewater System Separate Lien Obligations are payable from the Net Revenues of the Water and Wastewater System only. Includes the City's November 10, 2020 issuance of $203,505,000 Water and Wastewater System Revenue Refunding Bonds, Series 2020C and the City's November 17, 2020 issuance of $16,995,000 of Water and Wastewater System Revenue Bonds, Series 2020D, to be issued as additional Water and Wastewater System Separate Lien Obligations. Excludes $50,735,000 million of principal maturing on November 15, 2020.

(d) The City intends to refund the balance of all outstanding commercial paper and direct purchase notes issued for the Combined Utility Systems with the issuance of the Series 2020A Bonds, the issuance of the Taxable Series 2020B Bonds, and a separate November 10, 2020 issuance of Water and Wastewater System Revenue Refunding Bonds, Series 2020C (see "COMMERCIAL PAPER NOTE PROGRAMS" and "SECURITY FOR THE BONDS – Issuance of Parity Electric Utility Obligations" in this document).

(e) General Obligation Bonds include certain Contractual Obligations and Public Improvement Bonds of the City that are secured by City ad valorem taxes but are currently being paid from surplus Net Revenues of the Electric Utility System and Water and Wastewater System. See "THE CITY – Recent Annexations."

(f) Such bonds are secured by City ad valorem taxes but are currently being paid from surplus Net Revenues of the Water and Wastewater System. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Services Financed by Utility Districts."

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PRO FORMA DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Prior Subordinate Lien Obligations (b)	Electric Utility System Parity Obligations (a): Existing Electric Utility System Parity Obligations (c)	Electric Utility System Parity Obligations (a): The Series 2020A Bonds		Electric Utility System Parity Obligations (a): The Taxable Series 2020B Bonds		Electric Utility System Parity Obligations (a): Total Electric Utility System Parity Obligations	Total Separate Lien Water & Wastewater Obligations (d)	Assumed MUD Obligations (e)	Total Debt Service Payable from Revenues of the Combined Utility Systems
			Principal	Interest	Principal	Interest				
2021	$ 14,963,350	$ 139,765,330	$ -	$ 5,624,182	$ -	$ 635,190	$ 146,024,702	$ 169,134,006	$ 669,724	$ 330,791,782
2022	20,964,250	137,816,748	-	11,374,750	-	1,284,653	150,476,151	154,543,529	663,681	326,647,612
2023	19,950,225	129,255,150	-	11,374,750	-	1,284,653	141,914,553	181,456,932	666,568	343,988,278
2024	19,666,450	130,815,921	4,000,000	11,274,750	-	1,284,653	147,375,324	196,813,284	664,896	364,519,954
2025	15,834,863	130,498,886	7,460,000	10,988,250	1,000,000	1,280,988	151,228,124	197,655,047	668,673	365,386,706
2026	-	133,041,718	7,845,000	10,605,625	1,000,000	1,272,908	153,765,252	195,379,177	604,005	349,748,433
2027	-	145,041,660	8,210,000	10,204,250	1,000,000	1,262,743	165,718,653	194,550,599	-	360,269,252
2028	-	141,162,114	8,680,000	9,782,000	1,000,000	1,250,243	161,874,357	201,774,638	-	363,648,995
2029	-	134,509,231	9,055,000	9,338,625	1,000,000	1,235,598	155,138,454	185,313,809	-	340,452,263
2030	-	121,018,293	9,530,000	8,874,000	1,000,000	1,219,308	141,641,601	181,170,595	-	322,812,196
2031	-	120,879,191	10,000,000	8,385,750	1,000,000	1,201,768	141,466,710	143,022,097	-	284,488,807
2032	-	120,660,502	2,025,000	8,085,125	1,000,000	1,182,828	132,953,456	128,661,166	-	261,614,622
2033	-	77,701,332	5,885,000	7,887,375	1,000,000	1,162,738	93,636,445	128,693,572	-	222,330,018
2034	-	73,511,916	6,190,000	7,585,500	1,780,000	1,132,961	90,200,377	128,644,120	-	218,844,497
2035	-	73,356,290	6,505,000	7,268,125	1,820,000	1,092,649	90,042,064	128,457,448	-	218,499,512
2036	-	73,342,776	6,830,000	6,934,750	1,865,000	1,049,169	90,021,695	127,765,009	-	217,786,704
2037	-	73,103,522	7,185,000	6,584,375	1,915,000	999,440	89,787,337	125,676,934	-	215,464,271
2038	-	72,970,256	7,550,000	6,216,000	1,970,000	944,506	89,650,762	113,660,248	-	203,311,010
2039	-	71,733,677	7,940,000	5,828,750	2,025,000	888,017	88,415,444	103,590,686	-	192,006,130
2040	-	47,956,213	8,340,000	5,421,750	2,085,000	829,902	64,632,865	103,157,463	-	167,790,328
2041	-	47,814,665	8,770,000	4,994,000	2,145,000	770,090	64,493,755	90,699,286	-	155,193,041
2042	-	49,271,352	7,550,000	4,586,000	2,205,000	707,478	64,319,830	79,568,701	-	143,888,530
2043	-	46,659,028	7,930,000	4,199,000	2,275,000	641,891	61,704,919	66,449,968	-	128,154,886
2044	-	47,741,481	8,345,000	3,792,125	2,340,000	574,327	62,792,933	54,745,208	-	117,538,141
2045	-	47,363,908	8,770,000	3,364,250	2,410,000	504,787	62,412,945	30,483,811	-	92,896,756
2046	-	47,441,541	9,220,000	2,914,500	2,480,000	433,198	62,489,239	30,471,427	-	92,960,666
2047	-	18,326,702	9,690,000	2,441,750	2,555,000	359,485	33,372,937	18,958,297	-	52,331,234
2048	-	18,329,337	10,185,000	1,944,875	2,630,000	283,577	33,372,789	11,853,184	-	45,225,973
2049	-	18,332,716	10,710,000	1,422,500	2,710,000	205,399	33,380,615	11,852,507	-	45,233,122
2050	-	18,330,320	11,260,000	873,250	2,790,000	124,879	33,378,449	11,851,765	-	45,230,214
2051	-	-	11,835,000	295,875	2,870,000	42,017	15,042,892	11,326,250	-	26,369,142
Total	$ 91,379,138	$ 2,507,751,776	$ 227,495,000	$ 200,466,807	$ 49,870,000	$ 27,142,046	$ 3,012,725,629	$ 3,507,380,763	$ 3,937,547	$ 6,615,423,076

(a) Parity Electric Utility Obligations are secured by and payable from Net Revenues of the Electric Utility System.
(b) Prior Subordinate Lien Obligations (closed lien) are payable from Net Revenues of the Combined Utility Systems. Approximately 25.8% of debt service for the Prior Subordinate Lien Obligations is paid from net revenues of Austin Water and 74.2% is paid from net revenues of Austin Energy.
(c) Excludes debt service on the Refunded Bonds.
(d) Water and Wastewater System Separate Lien Obligations are secured by and payable solely from Net Revenues of the Water and Wastewater System. This table includes the City's November 10, 2020 issuance of Water and Wastewater System Revenue Refunding Bonds, Series 2020C ($203.505 million) and the November 17, 2020 issuance of Water and Wastewater System Revenue Bonds, Series 2020D ($16.995 million to be issued as a low-interest loan with the Texas Water Development Board).
(e) Assumed municipal utility district obligations are secured by City ad valorem taxes but are currently being paid from surplus Net Revenues of the Water and Wastewater System.

SECURITY FOR THE BONDS

Pledges of Net Revenues

Prior Subordinate Lien Obligations. . . . The Net Revenues of the Combined Utility Systems have been pledged, jointly and severally, on a first lien basis to the payment and security of the Prior Subordinate Lien Obligations. In the ordinances authorizing the issuance of the Prior Subordinate Lien Obligations, the City retained the right to issue "Separate Lien Obligations," which are defined as obligations payable solely from the Net Revenues of either the Electric Utility System or the Water and Wastewater System, but not both, and such payments for their retirement by the terms of the ordinance authorizing their issuance are secured solely by a lien on and pledge of the Net Revenues of the Electric Utility System or the Net Revenues of the Water and Wastewater System, but not both. The pledge of the Net Revenues of the Electric Utility System and the pledge of the Net Revenues of the Water and Wastewater System to the related Separate Lien Obligations are of equal dignity with the lien on and pledge of these Net Revenues of the Combined Utility Systems securing the payment of the Prior Subordinate Lien Obligations.

As of the date of this document, there is $78,540,000 in aggregate principal amount of Prior Subordinate Lien Obligations outstanding, with the final maturity of the outstanding Prior Subordinate Lien Obligations occurring on May 15, 2025.

Parity Electric Utility Obligations . . . The Bonds are to be issued as Separate Lien Obligations of the City's Electric Utility System. The Master Ordinance, the Nineteenth Supplement (with respect to the Series 2020A Bonds) and the Twentieth Supplement (with respect to the Taxable Series 2020B Bonds) pledge the Net Revenues of the Electric Utility System to the payment of the "Parity Electric Utility Obligations" (which includes the Outstanding Parity Electric Utility Obligations, the Bonds and additional parity obligations issued or incurred subsequent to the issuance of the Bonds). The Parity Electric Utility Obligations, together with the Prior Subordinate Lien Obligations, are equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Electric Utility System.

In addition to the pledge of Net Revenues of the Electric Utility System, the Parity Electric Utility Obligations are secured by a lien on the funds, if any, deposited to the credit of the Debt Service Fund, any special fund or funds created and maintained for the payment and security of the Parity Electric Utility Obligations pursuant to a Supplemental Ordinance and funds on deposit in any construction fund maintained and established with the proceeds of sale of Parity Electric Utility Obligations pending expenditure in accordance with the terms of the Master Ordinance and any Supplemental Ordinance. The Nineteenth Supplement and the Twentieth Supplement each affirms that a reserve fund will be created and established only when the "Pledged Net Revenues" of the Electric Utility System for a Fiscal Year (the Net Revenues of the Electric Utility System in a Fiscal Year remaining after deducting the amounts, if any, expended to pay the annual debt service requirements for Prior Subordinate Lien Obligations in such Fiscal Year) are less than one hundred fifty per cent (150%) of the Annual Debt Service Requirements of the Parity Electric Utility Obligations due and payable in such Fiscal Year. When a reserve fund is required to be maintained, the amount to be accumulated is to be based on the amount of the shortfall of the Pledged Net Revenues below 150% of the annual Debt Service Requirements for the Parity Electric Utility Obligations and ranges from a maximum amount of 50% of the Maximum Debt Service Requirement when the Pledged Net Revenues for a Fiscal Year are less than 110% of the annual Debt Service Requirement for the Fiscal Year, to a minimum of 10% of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 150% of the annual Debt Service Requirement for that Fiscal Year, but greater than or equal to 140% of the annual Debt Service Requirement for that Fiscal Year. Currently, the Pledged Net Revenues are in excess of 150% of the Annual Debt Service Requirements, and therefore the City is not required, and currently does not intend, to fund a reserve fund for the Bonds (see "No Reserve Fund for the Bonds and Parity Electric Utility Obligations" below).

Rate Covenant Required By Prior Subordinate Lien Obligations

The City has agreed to establish rates and charges for the facilities and services of the Combined Utility Systems to provide Gross Revenues of the Combined Utility Systems in each Fiscal Year sufficient (i) to pay the Maintenance and Operating Expenses of the Combined Utility Systems, (ii) to fund the reserves required for Prior Subordinate Lien Obligations, Separate Lien Obligations and other obligations or evidences of indebtedness payable only from and secured solely by a lien on and pledge of the Net Revenues of the Combined Utility Systems, and (iii) to produce Net Revenues of the Combined Utility Systems (after satisfaction of the amount required in (ii) above) equal to at least (a) 1.25 times the annual principal and interest requirements (or other similar payments) for the then outstanding Separate Lien Obligations plus (b) 1.10 times the total annual principal and interest requirements (or other similar payments) for the then outstanding Prior Subordinate Lien Obligations and all other indebtedness, except Separate Lien Obligations, payable only from and secured solely by a lien on and pledge of the Net Revenues of either the Electric Light and Power System or the Waterworks and Sewer System, or both.

Rate Covenant Required by Master Ordinance

In the Master Ordinance, the City has agreed to fix, establish, maintain and collect such rates, charges and fees for electric power and energy and services furnished by the Electric Utility System and to the extent legally permissible, revise such rates, charges and fees to produce Gross Revenues of the Electric Utility System each Fiscal Year sufficient: (i) to pay all current Operating Expenses; (ii) to produce Net Revenues of the Electric Utility System, after (x) deducting amounts expended during the Fiscal Year from the Electric Utility System's Net Revenues for the payment of debt service requirements of the Prior Subordinate Lien Obligations and (y) taking into account ending fund balances in the Electric Fund (defined in this document) to be carried forward in a Fiscal Year, equal to an amount sufficient to pay the annual debt service due and payable in such Fiscal Year of the then Outstanding Parity Electric Utility Obligations; and (iii) to pay, after deducting the amounts determined in (i) and (ii) above, all other financial obligations of the Electric Utility System reasonably anticipated to be paid from Gross Revenues of the Electric Utility System.

If the Net Revenues of the Electric Utility System in any Fiscal Year are less than the aggregate amount specified above, the City shall promptly, upon receipt of the annual audit for that Fiscal Year, cause such rates, charges and fees to be revised and adjusted to comply with such rate covenant or obtain a written report from a Utility System Consultant, after a review and study of the operations of the Electric Utility System has been made, concluding that, in their opinion, the rates and charges then in effect for the current Fiscal Year are sufficient or adjustments and revisions need to be made to such rates and charges to comply with the rate covenant described in the immediately preceding paragraph and such adjustments and revisions to electric rates, charges and fees are promptly implemented and enacted in accordance with such Utility System Consultant's report. The City shall be deemed to be in compliance with the rate covenant described in the immediately preceding paragraph if either of the actions mentioned in the preceding sentence are undertaken and completed before the end of the Fiscal Year next following the Fiscal Year the deficiency in Net Revenues of the Electric Utility System occurred.

Reserve Fund for Prior Subordinate Lien Obligations

A separate reserve fund was established for the benefit of the Prior Subordinate Lien Obligations. In 2002, the City obtained the consent of the holders of at least 51% of the principal amount and Maturity Amount of the outstanding Prior Subordinate Lien Obligations to amend the provisions of the Bond Ordinance relating to the Reserve Fund to allow for the funding of all or a part of the amount required to be maintained in the Reserve Fund (the "Required Reserve") with Financial Commitments (defined below) and change the Required Reserve to an amount equal to the average annual requirement (calculated on a calendar year basis) for the payment of principal of and interest (or other similar payments) on all outstanding Prior Subordinate Lien Obligations, as determined on (i) the date of the initial deposit of a Financial Commitment to the Reserve Fund or (ii) the date one or more rating agencies announces the rating of the insurance company or association providing the Financial Commitment for the Reserve Fund falls below the minimum requirement, whichever date is the last to occur. The term "Financial Commitments" means an irrevocable and unconditional policy of bond insurance or surety bond in full force and effect issued by an insurance company or association duly authorized to do business in the State of New York and the State of Texas and with financial strength rated in the highest rating category by Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") and Fitch Ratings, Inc. ("Fitch") and, if rated, by A.M. Best on the date the Financial Commitment is deposited to the credit of the Reserve Fund.

The amount on deposit to the credit of the Reserve Fund securing the Prior Subordinate Lien Obligations under the Bond Ordinance as of September 30, 2020 is $24,906,910 and is funded with cash. The City may at any time substitute one or more Financial Commitments for the cash and securities deposited to the credit of the Reserve Fund, and following such substitution, the cash and securities released from the Reserve Fund shall be deposited to the credit of one or more special accounts maintained on the books and records of the City and expended only to pay, discharge and defease Prior Subordinate Lien Obligations in a manner that reduces the principal amount and "Maturity Amount" (in the case of Prior Subordinate Lien Obligations issued as capital appreciation bonds, the principal and interest on which is payable upon maturity) of outstanding Prior Subordinate Lien Obligations.

No Reserve Fund for the Bonds and Parity Electric Utility Obligations

The Master Ordinance does not provide for a reserve fund for the Bonds and outstanding Parity Electric Utility Obligations. The Nineteenth Supplement and the Twentieth Supplement each affirms that a reserve fund shall not be required to be established or maintained by the City for the payment of the Parity Electric Utility Obligations so long as the "Pledged Net Revenues" of the Electric Utility System for a Fiscal Year (the Net Revenues of the Electric Utility System in a Fiscal Year remaining after deducting the amounts, if any, expended to pay the annual debt service requirements for Prior Subordinate Lien Obligations in such Fiscal Year) equal or exceed one hundred fifty per cent (150%) of the Annual Debt Service Requirements of the Parity Electric Utility Obligations due and payable in such Fiscal Year. If for any Fiscal Year such Pledged Net Revenues do not exceed 150% of the Annual Debt Service Requirements of the Parity Electric Utility Obligations, the City shall be obligated to establish and maintain on the books of the City a separate fund or account designated as the "Electric Utility System Revenue Obligation Reserve Fund" (the "Electric Utility System Reserve Fund"). When an Electric Utility System Reserve Fund is required to be established, the "Required Reserve Amount" to be accumulated and maintained in such Fund shall be determined and redetermined as follows:

(i) ten per cent (10%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 150% of the annual Debt Service Requirement for such Fiscal Year, but greater than or equal to 140% of the annual Debt Service Requirement for such Fiscal Year;

(ii) twenty per cent (20%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 140% of the annual Debt Service Requirement for such Fiscal Year, but greater than or equal to 130% of the annual Debt Service Requirement for such Fiscal Year;

(iii) thirty per cent (30%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 130% of the annual Debt Service Requirement for such Fiscal Year, but greater than or equal to 120% of the annual Debt Service Requirement for such Fiscal Year;

(iv) forty per cent (40%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 120% of the annual Debt Service Requirement for such Fiscal Year, but greater than or equal to 110% of the annual Debt Service Requirement for such Fiscal Year; and

(v) fifty per cent (50%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 110% of the annual Debt Service Requirement for such Fiscal Year.

When an Electric Utility System Reserve Fund is required, the City may deposit cash to the Electric Utility System Reserve Fund or acquire and deposit a surety bond to provide the Required Reserve Amount, or deposit a combination of such cash and a surety bond. In funding such Required Reserve Amount, or to increase the Required Reserve Amount pursuant to a Supplemental Ordinance, the Required Reserve Amount or increase in the Required Reserve Amount, as applicable, may be funded in up to twelve (12) substantially equal consecutive monthly deposits commencing not later than the month following the receipt of audited financial statements for the Electric Utility System for the preceding Fiscal Year. See "SELECTED FINANCIAL INFORMATION – Electric Utility System Only" in this document.

Issuance of Additional Prior Subordinate Lien Obligations Precluded

The Master Ordinance provides that no additional revenue obligations of the Combined Utility Systems will be issued on parity with the Prior Subordinate Lien Obligations.

Issuance of Parity Electric Utility Obligations

Under the Master Ordinance the City reserves and shall have the right and power to issue or incur Parity Electric Utility Obligations for any purpose authorized by law pursuant to the provisions of the Master Ordinance and any Supplemental Ordinance. The City may issue, incur, or otherwise become liable in respect of any Parity Electric Utility Obligations if a Designated Financial Officer shall certify in writing: (i) the City is in compliance with all covenants contained in the Master

Ordinance and any Supplemental Ordinance, is not in default in the performance and observance of any of the terms, provisions and conditions in the Master Ordinance and any Supplemental Ordinance to the Master Ordinance, and the Funds and Accounts established for the payment and security of the Parity Electric Utility Obligations then Outstanding contain the amounts then required to be deposited in those Funds and Accounts, or the proceeds of sale of the Parity Electric Utility Obligations then to be issued are to be used to cure any deficiency in the amounts on deposit to the credit of such Funds and Accounts, if any; and (ii) the Net Revenues of the Electric Utility System, for the last completed Fiscal Year preceding the date of the then proposed Parity Electric Utility Obligations, or for any twelve (12) consecutive calendar month period ending not more than ninety (90) days before the date of the then proposed Parity Electric Utility Obligations and after deducting amounts expended from the Electric Utility System's Net Revenues during the last completed Fiscal Year for the payment of debt service requirements of the Prior Subordinate Lien Obligations, exceed one hundred ten percent (110%) of the maximum Annual Debt Service Requirement of the Parity Electric Utility Obligations to be Outstanding after giving effect to the Parity Electric Utility Obligations then being issued.

For purposes of clause (ii) in the preceding paragraph, if Parity Electric Utility Obligations are issued to refund less than all of the Parity Electric Utility Obligations then Outstanding, the required Designated Financial Officer's certificate described above shall give effect to the issuance of the proposed refunding Parity Electric Utility Obligations (and shall not give effect to the Parity Electric Utility Obligations being refunded following their cancellation or provision being made for their payment).

In making a determination of Net Revenues of the Electric Utility System, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the Electric Utility System that became effective at least thirty (30) days before the last day of the period for which Net Revenues of the Electric Utility System are determined and, for purposes of satisfying the Electric Utility System Net Revenues coverage test described above, make a pro forma determination of the Net Revenues of the Electric Utility System for the period of time covered by such certification based on such change in rates and charges being in effect for the entire period covered.

Short-Term Parity Electric Utility Obligations

Pursuant to the Master Ordinance, the City may issue or incur additional Parity Electric Utility Obligations issued in the form of commercial paper. For the purposes of satisfying the Electric Utility System Net Revenues coverage test for additional Parity Electric Utility Obligations, the term "Outstanding Funded Debt" shall include subordinated debt that matures by its terms, or that is renewable at the option of the City to a date, more than one year after the date of its issuance by the City. The terms and conditions pertaining to the issuance of Parity Electric Utility Obligations in the form of commercial paper, including, without limitation, the security, liquidity and reserves necessary to support such commercial paper obligations, shall be contained in a Supplemental Ordinance relating to their issuance. The City has no present intention of issuing additional Parity Electric Utility Obligations in the form of commercial paper.

Special Facilities Debt and Subordinated Debt

The City may incur special facilities debt and subordinated debt without limitation.

Credit Agreements

Payments to be made under a Credit Agreement may be treated as Parity Electric Utility Obligations if the City Council makes a finding in the Supplemental Ordinance authorizing and approving the Credit Agreement that Gross Revenues of the Electric Utility System will be sufficient to meet the obligations of the Electric Utility System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of Parity Electric Utility Obligations then Outstanding and the financial obligations of the City under the Credit Agreement, and such finding is supported by a certificate executed by a Designated Financial Officer of the City.

Electric Fund

The Master Ordinance recites that in accordance with the provisions of the ordinances authorizing the issuance of the Prior Subordinate Lien Obligations and the Commercial Paper Obligations, the City has created and there shall be maintained on the books of the City while the Parity Electric Utility Obligations are Outstanding a separate fund or account known and designated as the "Electric Light and Power System Fund" (the "Electric Fund"). All funds deposited to the credit of the Electric Fund and disbursements from such Fund shall be recorded in the books and records of the City and moneys deposited to the credit of such Fund shall be in an account or fund maintained at an official depository of the

City. The Gross Revenues of the Electric Utility System shall be deposited, as collected, to the credit of the Electric Fund and such Gross Revenues shall be allocated, budgeted and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: To the payment of Operating Expenses, as defined in the Master Ordinance or required by statute to be a first charge on and claim against the Gross Revenues.

SECOND: To the payment of the amounts required to be deposited to the credit of the reserve fund established for the Prior Subordinate Lien Obligations.

THIRD: Equally and ratably to the payment of the amounts required to be deposited to the credit of (i) the special fund created and established for the payment of principal of and interest on the Prior Subordinate Lien Obligations as the same becomes due and payable, and (ii) the special Funds and Accounts for the payment of the Parity Electric Utility Obligations.

FOURTH: To pay Subordinated Debt, including amounts for the payment of the Commercial Paper Obligations, and the amounts, if any, due and payable under any credit agreement executed in connection therewith.

Any Net Revenues of the Electric Utility System remaining in the Electric Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment, may be appropriated and used for any other City purpose permitted by law.

COMMERCIAL PAPER NOTE PROGRAMS

The City has established two short-term interim financing commercial paper program structures, a $400,000,000 tax-exempt commercial paper program (the "Tax-Exempt Commercial Paper Note Program") and a $100,000,000 taxable commercial paper program (the "Taxable Commercial Paper Note Program," and together with the Tax-Exempt Commercial Paper Note Program, the "Commercial Paper Note Programs"). The purpose of the Commercial Paper Note Programs is to provide funds for the interim financing of a portion of the costs of capital improvements of the Combined Utility Systems. Notes issued under the Commercial Paper Note Programs (referred to as "Commercial Paper Obligations" in this document) are payable from the Net Revenues of the Combined Utility Systems after providing for the payment of the Prior Subordinate Lien Obligations, the Parity Electric Utility Obligations and the Water and Wastewater System Separate Lien Obligations.

The City's current financial policy provides that the proceeds of Commercial Paper Obligations issued for the Water and Wastewater System can only be utilized to finance (i) new water and wastewater plans, (ii) capital expansions, (iii) growth-related projects, (iv) routine capital improvements required for normal business operation, and/or (v) improvements to comply with local, state and federal mandates or regulations. The City's current financial policy provides that the proceeds of Commercial Paper Obligations issued for the Electric Utility System can only be utilized (i) to finance capital improvements required for normal business operation for Electric Utility System additions, extensions, and improvements or improvements to comply with local, state and federal mandates or regulations without prior voter authorization; however, this shall not apply to new nuclear or conventional coal generation, or (ii) for voter-authorized projects (although such voter authorization is not required by State law). See "SECURITY FOR THE BONDS" in this document.

Liquidity support for the $400,000,000 Tax-Exempt Commercial Paper Note Program is provided by a revolving credit agreement issued by JPMorgan Chase Bank, National Association ("JPMorgan"). The revolving credit agreement with JPMorgan, which was amended and restated in October 2020, expires in accordance with its terms on October 7, 2022. The revolving credit agreement with JPMorgan also allows for the direct placement of tax-exempt commercial paper notes with JPMorgan.

Liquidity support for the $100,000,000 Taxable Commercial Paper Note Program is provided by a revolving credit agreement issued by Barclays Bank PLC ("Barclays"). The revolving credit agreement with Barclays, which became effective in October 2020, expires in accordance its terms on October 7, 2022. The revolving credit agreement with Barclays amended and restated the Taxable Commercial Paper Note Program to increase the amount of taxable commercial paper notes outstanding from time to time to $100,000,000 from the previous authorization of $75,000,000.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of delivery. Interest on the Bonds will accrue from their dated date and will be payable on May 15, 2021 and each November 15 and May 15 thereafter until maturity or prior redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will mature on November 15 in the years and in the principal amounts set forth on pages i and ii of this document. Principal of the Bonds is payable at maturity, subject only to prior redemption as described in this document.

Redemption of the Series 2020A Bonds

Optional Redemption of the Series 2020A Bonds…The City reserves the right at its option to redeem Series 2020A Bonds maturing on or after November 15, 2031, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on November 15, 2030, or any date thereafter, at the par value plus accrued interest to the date fixed for redemption.

Upon any optional redemption of Series 2020A Bonds, if less than all of the Series 2020A Bonds are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity is to be redeemed, the Series 2020A Bonds, or portion of the Series 2020A Bonds, within such maturity will be selected at random, by lot or other customary method selected by the Paying Agent/Registrar.

At least forty-five (45) days prior to a redemption date for the Series 2020A Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Series 2020A Bonds, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor. The decision of the City to exercise the right to redeem Series 2020A Bonds shall be entered in the minutes of the governing body of the City.

Mandatory Sinking Fund Redemption of the Series 2020A Bonds…The Series 2020A Bonds having stated maturities of November 15, 2045 and November 15, 2050, respectively (the "Series 2020A Term Bonds"), shall be subject to mandatory redemption in part prior to maturity at the redemption price of par plus accrued interest to the date of redemption on November 15 in each of the years and in principal amounts as follows:

5.000% Series 2020A Term Bond due November 15, 2045

Year	Principal Amount
2041	$7,550,000
2042	7,930,000
2043	8,345,000
2044	8,770,000
2045+	9,220,000

5.000% Series 2020A Term Bond due November 15, 2050

Year	Principal Amount
2046	$ 9,690,000
2047	10,185,000
2048	10,710,000
2049	11,260,000
2050+	11,835,000

+Stated maturity.

Approximately 45 days prior to each mandatory redemption date for the Series 2020A Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Series 2020A Term Bonds within the applicable stated maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund. Any Series 2020A Term Bond not selected for prior redemption shall be paid on the date of its Stated Maturity.

The principal amount of the Series 2020A 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 Series 2020A 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 Series 2020A 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.

Redemption of the Taxable Series 2020B Bonds

Optional Redemption of the Taxable Series 2020B Bonds…The Taxable Series 2020B Bonds maturing on or after November 15, 2031 shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on November 15, 2030, or any date thereafter, at the par value plus accrued interest to the date fixed for redemption.

Upon any optional redemption of Taxable Series 2020B Bonds, if less than all of the Taxable Series 2020B Bonds are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity is to be redeemed, the Taxable Series 2020B Bonds, or portion of the Taxable Series 2020B Bonds, within such maturity will be selected at random, by lot or other customary method selected by the Paying Agent/Registrar.

At least forty-five (45) days prior to a redemption date for the Taxable Series 2020B Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem the Taxable Series 2020B Bonds, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor. The decision of the City to exercise the right to redeem Taxable Series 2020B Bonds shall be entered in the minutes of the governing body of the City.

Mandatory Sinking Fund Redemption of the Taxable Series 2020B Bonds…The Taxable Series 2020B Bonds having stated maturities of November 15, 2040 and November 15, 2050, respectively (the "Taxable Series 2020B Term Bonds"), shall be subject to mandatory redemption in part prior to maturity at the redemption price of par plus accrued interest to the date of redemption on November 15 in each of the years and in principal amounts as follows:

2.828% Taxable Series 2020B Term Bond due November 15, 2040

Year	Principal Amount
2036	$1,915,000
2037	1,970,000
2038	2,025,000
2039	2,085,000
2040+	2,145,000

2.928% Taxable Series 2020B Term Bond due November 15, 2050

Year	Principal Amount
2041	$2,205,000
2042	2,275,000
2043	2,340,000
2044	2,410,000
2045	2,480,000
2046	2,555,000
2047	2,630,000
2048	2,710,000
2049	2,790,000
2050+	2,870,000

+Stated maturity.

Approximately 45 days prior to each mandatory redemption date for the Taxable Series 2020B Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Taxable Series 2020B Term Bonds within the applicable stated maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund. Any Taxable Series 2020B Term Bond not selected for prior redemption shall be paid on the date of its Stated Maturity.

The principal amount of the Taxable Series 2020B 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 Taxable Series 2020B 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 Taxable Series 2020B 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.

Redemption Procedures for the Bonds

Notice of redemption of the Bonds identifying the Bonds or portions thereof to be redeemed, and specifying the redemption date, the redemption price, the places and dates of payment, that from the redemption date interest will cease to accrue, and whether the redemption (in the case of an optional redemption) is conditioned upon sufficient moneys being available on the redemption date (or any other condition), shall be given by the Paying Agent/Registrar by mailing a copy of such redemption notice, not less than 30 days nor more than 60 days prior to the date fixed for redemption, to the Registered Owner of each such Bond to be redeemed in whole or in part at the address shown on the registration books. Redemption notices will be sent by first class mail, except that notices to Registered Owners of at least $1,000,000 of Bonds shall be sent by registered mail. Failure to mail any such notice to the Registered Owner of any such Bond or any defect therein shall not affect the validity of the proceedings for such redemption of such Bond. Any such notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Registered Owner of any Bond receives the notice.

If a Bond is of a denomination larger than $5,000, all or a portion of such Bond (in a denomination of $5,000 or any integral multiple thereof) may be redeemed, but such Bond shall be redeemed only in a principal amount equal to $5,000 or any integral multiple thereof. Upon surrender of any Bond for redemption in part only, the City shall execute and the Paying Agent/Registrar shall authenticate and deliver to the Registered Owner thereof, at the expense of the City, a new Bond, maturity and interest rate and of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Selection of Bonds to be Redeemed

If fewer than all of the Series 2020A Bonds are called for redemption, such Series 2020A Bonds (or portions thereof) to be redeemed shall be selected by lot by the Paying Agent/Registrar (except at any time when such Series 2020A Bonds are held in a book-entry system, in which case selection of such Series 2020A Bonds to be redeemed will be in accordance with procedures established by the book-entry depository).

It is the City's intent that redemption allocations on the Taxable Series 2020B Bonds made by DTC be made on a pro-rata pass-through distribution of principal basis as described above. However, none of the City, the Underwriters or the Paying Agent/Registrar can provide any assurance that DTC, DTC's Participants or any other intermediary will allocate the redemption of Taxable Series 2020B Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Taxable Series 2020B Bonds on a pro-rata pass-through distribution of principal basis as discussed above, then the Taxable Series 2020B Bonds will be selected for redemption in accordance with DTC procedures, by lot.

Notice of Redemption

Not less than thirty (30) days before a redemption date for the Bonds, a notice of redemption shall be sent by United States mail, first-class postage prepaid, in the name of the City, to the registered owner of each Bond to be redeemed in whole or in part at the address of the bondholders appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the bondholder.

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

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND NOT HAVING BEEN RESCINDED, BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption relating to the Bonds, notice of proposed amendment to the ordinances or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds within a maturity to be redeemed will not be governed by the Nineteenth Supplement or the Twentieth Supplement, as the case may be, and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "APPENDIX F - DTC BOOK-ENTRY" in this document.

Defeasance

The City may defease and discharge its obligation to the Holders of any or all of the Bonds to pay the principal of, redemption premium, if any, and interest owing on the Bonds by depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust:

(a) cash in an amount equal to the principal amount of, redemption premium, if any, and interest to become due on the Bonds to the date of maturity or prior redemption; or

(b) Government Obligations, consisting of:
   (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; or
   (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or
   (iii) non-callable 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 of acquisition by the City are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or
   (iv) such other obligations authorized by law to be acquired for defeasance and payment of outstanding indebtedness of the City.

Deposits of cash and Government Obligations to defease the Bonds shall be held in trust and are required to be affirmed by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to pay the principal of, redemption premium, if any, and interest on the Bonds being defeased.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association, Dallas, Texas. The City retains the right to replace the Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause written notice to be given to each registered owner of the Bonds affected by such change, which notice will also give the address of the new Paying Agent/Registrar. Any Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to act as and perform the duties of Paying Agent/Registrar in accordance with the terms of the Nineteenth Supplement and the Twentieth Supplement, as applicable.

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined in this document), and such interest shall be paid:

(i) by check sent by United States Mail, first-class postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar; or

(ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

Principal of the Bonds will be paid to the registered owner at their stated maturity upon their presentation to the designated payment/transfer office of the Paying Agent/Registrar. If a date for making a payment on the Bonds, the taking of any action or the mailing of any notice by the Paying Agent/Registrar shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment, taking of action or mailing of a notice shall be the next day which is not a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and a payment, action or mailing on such date shall have the same force and effect as if made on the original date the payment was due or the action was required to be taken or the mailing was required to be made. As of the date of this document, the office of the Paying Agent/Registrar in Houston, Texas is its designated payment/transfer office.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date for the Bonds means the close of business on the last business day of the month before each interest payment date. In the event of a non-payment of interest on the Bonds on one or more maturities on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment for such maturity or maturities (a "Special Record Date") will be established by the Paying Agent/Registrar, if any, when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which is fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days before the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Bond of such maturity or maturities appearing on the books of the Paying Agent/Registrar at the close of business on the last business day before the date the notice is mailed.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the Holders and thereafter the Bonds may be transferred and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such registration shall be at the expense of the City, except for any related tax or other governmental charge. A Bond may be assigned by execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds of like series and aggregate principal amount will be delivered by the Paying Agent/Registrar to the last assignee (the new registered owner) in exchange for such transferred and assigned Bonds not more than three (3) days after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds must be in the denomination of $5,000 or any integral multiple thereof within a maturity.

Bondholders' Remedies

None of the Master Ordinance, the Nineteenth Supplement or the Twentieth Supplement specify events of default with respect to the Bonds. 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 Master Ordinance, the Nineteenth Supplement or the Twentieth Supplement, as applicable, the registered owners may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds, the Master Ordinance, the Nineteenth Supplement or the Twentieth Supplement, as applicable, and if the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and 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. None of the Master Ordinance, the Nineteenth Supplement or the Twentieth Supplement provide for the appointment of a trustee to represent the interests of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Nineteenth Supplement or the Twentieth Supplement, as applicable, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants contained in the Master Ordinance, the Nineteenth Supplement or the Twentieth Supplement. 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"), ruled 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 and common law 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.

Furthermore, 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 creditors' rights 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.

For a more detailed explanation of the various covenants and agreements with the Holders of the Bonds, including provisions for amendments to the Master Ordinance and any supplemental ordinances thereto (including the Nineteenth Supplement and the Twentieth Supplement), and defeasance of the Bonds, see APPENDIX C attached to this document.

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THE SYSTEMS

The City owns and operates an electric utility system (also referred to in this document as the "Electric Utility System, " the "Electric Light and Power System" or "Austin Energy") and a water and wastewater system (also referred to in this document as the "Water and Wastewater System," the "Water and Wastewater Utility" or "Austin Water") which provide the City, as well as adjoining areas of Travis County and certain adjacent areas of Williamson County, with electric, water and wastewater services. The City jointly participates with other electric utilities in the ownership of coal-fired electric generation facilities and a nuclear-powered electric generation facility. Additionally, City individually-owned gas/oil-fired electric facilities and a biomass generation facility are available to meet Electric Utility System demand. The City owns all the facilities of the Water and Wastewater System. For the fiscal year commencing October 1, 2019, the Electric Utility System had approximately 1,784 full-time regular employees and the Water and Wastewater Utility had approximately 1,218 full-time regular employees.

ELECTRIC UTILITY SYSTEM
"AUSTIN ENERGY"

Management (as of July 31, 2020)

	Years at City	Additional Years of Experience	Total
General Manager			
Jacqueline Sargent, PE	5	26	31
Deputy General Managers			
Elton Richards, *Interim Chief Operating Officer*	1	40	41
Russell Maenius, *Acting Chief Financial and Risk Officer*(1)	20	16	36
Kerry Overton, *Chief Customer and Compliance Officer*	19	11	30
Vice Presidents			
Erika Bierschbach, *Market Operations and Resource Planning*	19	7	26
Gerardo Galvan, *Customer Care Services*	3	15	18
Elaine Veselka, *Customer Account Management*	11	12	23
Deborah Kimberly, *Customer Energy Solutions and Corp. Communication*	6	30	36
William Sweeney, *Power Production*	28	4	32
Tammy Cooper, *Regulatory Affairs and Corporate Communications*	0.2	23	23
David Bowles, *Acting Electric System Field Operations*	8	16	24
Thomas Pierpoint, *Electric Systems Engineer and Technical Services*	1	39	40

(1) Russell Maenius was appointed Acting Chief Financial and Risk Officer following the appointment of Mark Dombroski, Austin Energy's Chief Financial and Risk Officer, to the position of Interim Chief Financial Officer of the City of Austin effective July 1, 2020.

Service Area

The service area for Austin Energy was established by the Public Utility Commission of Texas ("PUCT") pursuant to a certificate of convenience and necessity on April 3, 1978. The City's service area encompasses 227 square miles within the City itself and approximately 210 square miles of surrounding Travis and Williamson Counties. The establishment of such a service area entitles Austin Energy to provide electric service within this area. As presently constituted, the City's service area overlaps with approximately 11 square miles of the service area of ONCOR Electric Delivery in Travis and Williamson Counties.

The City may not extend the service area for Austin Energy to an area receiving similar utility service from another utility service provider without first obtaining a certificate of convenience and necessity from the PUCT. The City has no plans to expand its present service area.

Real Estate Taxes

Austin Energy pays no real property taxes on facilities inside or outside the City.

Customer Base – Average Monthly Number of Customers

For the 12-Month Period ended September 30, 2019	Average Monthly Number of Customers	Percent
Residential	443,792	89.43
Commercial	49,587	9.99
Industrial	114	0.02
Public Street & Highway	4	0.00
Governmental Authorities	2,761	0.56
Total Service Area Customers	496,258	100.00

Source: Austin Energy.

Physical Property

The City either owns or has an ownership interest in a diverse mix of generation sources, including coal, nuclear, natural gas, and biomass facilities. In addition, Austin Energy has renewable energy installations or contracts for purchased power from wind and solar. See "DESCRIPTION OF AUSTIN ENERGY'S PHYSICAL PROPERTY" and "AUSTIN ENERGY'S STRATEGIC PLANS, GOALS AND POLICIES – Austin Energy Resource, Generation and Climate Protection Plan to 2030" in this document.

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Generation Facilities

As of August 1, 2020, generation facilities wholly or partially owned by Austin Energy and in operation are as follows.

Unit	Year Installed	Nameplate Rating (MW)	Fuel
Fayette Power Project			
Unit No. 1	1979	285.0	Coal
Unit No. 2	1980	285.0	Coal
Decker Power Station			
Unit No. 1 (3)	1970	321.0	Gas
Unit No. 2	1977	405.0	Gas
Gas Turbines	1988	200.0	Gas
Sand Hill Energy Center			
Gas Turbines	2001	180.0	Gas
Gas Turbines	2010	90.0	Gas
Combined Cycle	2004	300.0	Gas
MEC CHP (Dell Children's Hospital)	2006	4.6	Gas
South Texas Project Electric Generating Station			
Unit No. 1	1988	200.0	Nuclear
Unit No. 2	1989	200.0	Nuclear
Nacogdoches Biomass Facility	2012	115.0	Biomass
Total Capacity owned by Austin Energy		2,585.6	
Purchased Power (1)(2):			
Skyline Renewables Whirlwind Energy LLC	2007	59.80	Wind
Skyline Renewables RES North America Hackberry Wind, LLC	2008	165.6	Wind
Exelon Whitetail Wind Energy, LLC	2012	92.3	Wind
Duke Energy Los Vientos IB, LLC	2012	201.6	Wind
FRV Solar AE, LLC	2011	30.0	Solar
Duke Energy Los Vientos III, LLC	2015	200.0	Wind
BHE Renewables TX Jumbo Road Wind, LLC	2015	300.0	Wind
Duke Energy Los Vientos IV, LLC	2016	200.0	Wind
Southern Power Roserock Solar, LLC	2016	157.5	Solar
Southern Power East Pecos Solar, LLC	2017	118.5	Solar
Consolidated Edison CED Upton County Solar, LLC	2017	157.5	Solar
DESRI Midway Solar, LLC	2018	178.5	Solar
Power Fin Texas Solar Project, LLC	2018	3.2	Solar
Avangrid Karankawa Wind, LLC	2019	206.6	Wind
Total Capacity from Purchased Power		2,071.1	
Total Capacity including Purchased Power		4,656.7	

(1) The City has also signed contracts to purchase electric energy to be provided in future years. See "AUSTIN ENERGY's CUSTOMER STATISTICS - Power and Energy Purchase Contracts" in this document.
(2) Purchased power portfolio is comprised of 100% renewable energy.
(3) ERCOT approved Decker Unit No. 1 suspension of operations effective October 31, 2020.
Source: Austin Energy.
See "AUSTIN ENERGY's CUSTOMER STATISTICS - Generation and Use Data" in this document for more information on peak demand and generation capacity.

Fuel Supply

The cost and availability of fuel are two of several factors that affect Austin Energy's finances. Fuel mix percentages (based on generation as a percent of load) by fuel type are provided below.

	Percentage Net Load (*) As of September 30				
Fuel Type	2015	2016	2017	2018	2019
Coal	24.3%	23.1%	29.2%	29.4%	26.5%
Natural Gas	16.1	16.5	13.2	18.7	15.6
Nuclear	26.0	24.6	24.2	25.2	25.1
Renewable Energy	23.2	29.7	35.9	37.5	38.3
Net Market Purchases/(Sales)	10.4	6.1	(2.5)	(10.8)	(5.5)
Total	100.0	100.0	100.0	100.0	100.0

* Inputs to the categories above have been updated; "Purchased Power" in prior Official Statements included bilateral and market purchases. Purchase power agreements remain in the "Renewable Energy" category.
Source: Austin Energy.

Fuel Type

Coal . . . Coal supply and rail transportation are procured through a portfolio of contracts designed to minimize cost. Typically, several weeks of coal inventory are maintained to protect against disruptions. Coal inventories are managed within targeted ranges, and depending on the efficiency of railroad performance, train sets are either removed from or added to service to maintain desired inventory levels. Austin Energy's coal inventory share was 142 days as of August 31, 2020.

Natural Gas . . . Austin Energy utilizes a portfolio of gas contracts and multiple pipelines in an effort to diversify risk and minimize cost.

Nuclear . . . The South Texas Project Nuclear Operating Company ("STPNOC"), on behalf of the owners of the South Texas Project, is responsible for the supply of nuclear fuel and for the disposal of spent fuel for the South Texas Project Electric Generating Station ("STP") (see "DESCRIPTION OF AUSTIN ENERGY'S PHYSICAL PROPERTY - South Texas Project" in this document). Volatility in uranium prices and a number of industry-wide challenges to security of supply in the past few years have led to decisions to enter into long-term supply contracts and to carry a full reload of natural uranium hexafluoride.

Renewable Energy . . . Renewable Energy purchases result from a recurring Request for Proposals (RFP) process under which proposals are submitted to Austin Energy from renewable energy developers with renewable projects located within the Electric Reliability Council of Texas ("ERCOT") territory or the Austin Energy service territory. After a rigorous project evaluation process, Austin Energy may elect to negotiate Power Purchase Agreements with selected developers and then submit finalized contracts to the Austin City Council for approval.

DESCRIPTION OF AUSTIN ENERGY'S PHYSICAL PROPERTY

Fayette Power Project

The Fayette Power Project ("FPP") is a power project co-owned by the Lower Colorado River Authority ("LCRA") and Austin Energy. Austin Energy is a 50% owner in Units 1 and 2 of the FPP. A third unit, also at the facility, is 100% owned by LCRA. Pursuant to the Participation Agreement between the City and LCRA, LCRA was appointed Project Manager and a Management Committee comprised of an equal number of voting representatives from each participant was established, supported by four Subcommittees (Environmental, Fiscal/Budget, Fuels, and Technical) composed of representatives from each participant to direct the operation of the project. FPP is a 7,500 acre site located 8½ miles east of LaGrange, Texas, which is approximately 65 miles southeast of the City.

FPP installed scrubbers on Units 1 and 2 in 2011 to meet sulfur dioxide (SO2) permit levels and to help meet limits of air toxics in the federal Mercury and Air Toxics Standards ("MATS") rules published in 2012. Beginning in 2012, FPP installed mercury removal technology equipment to reach compliance with the MATS rule on Units 1 and 2. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Environmental Regulation Related to Air Emissions – Mercury and Air Toxics Standards ("MATS")" in this document. For additional information regarding FPP, see "AUSTIN ENERGY'S STRATEGIC PLANS, GOALS AND POLICIES" in this document.

Austin Energy Gas Generation Facilities

Austin Energy owns three gas generation facilities located in Austin Energy's service territory.

Decker Power Plant consists of two large steam-boiler units, Decker 1 and Decker 2, placed in service in 1970 and 1977, respectively. Decker 1 and 2 have a combined generating capacity of 730 megawatts. The plant also includes four Pratt and Whitney aeroderivative gas turbines with a combined generating capacity of 200 megawatts placed into service in 1988. The Decker plant is served by two natural gas pipelines. In line with the Resource, Generation and Climate Protection Plan to 2030, Austin Energy has received regulatory approval effective October 31, 2020 for the suspension of operations at Decker Unit 1. Austin Energy intends to seek approval and cease operations at Decker 2 following the summer season of 2021.

Austin Energy began commercial operation of a 300 MW combined cycle gas-fired electric generating facility at the Sand Hill Energy Center on September 1, 2004. The "one-on-one" combined cycle unit consists of one "F" class combustion turbine ("CT"), one natural circulation, duct fired, heat recovery steam generator ("HRSG"), and one steam turbine and balance of plant equipment and controls. The unit was designed so that a future "F" technology CT/HRSG train may be added to achieve a nominal rating of 500 MW for this power block. In summer 2010, two General Electric LM6000 aeroderivative gas turbines were placed into service at the Sand Hill Energy Center. The two new units (45 MW each) are similar to the four existing peaking units installed at Sand Hill in 2001. The plant is served by three natural gas pipelines.

In July 2006, Austin Energy added electric generation at a central utility plant located at the redevelopment site of the former Robert Mueller Airport. The plant is a tri-generation facility producing steam, chilled water and power for adjacent buildings. Excess electric power generated at the facility is sent to the electric grid. The electric power is produced by a gas turbine rated at 4.6 MW. The gas turbine exhaust passes through a heat recovery steam generator producing steam for use by an adjoining hospital and/or in an absorption chiller. A 1.5 MW standby diesel generator provides the plant with "Black Start" capability. The plant is served by one natural gas pipeline.

South Texas Project

STP is a two-unit pressurized water reactor nuclear power plant with Unit 1 and Unit 2 (or Units 1 and 2) having a nominal output of approximately 1,350 MW each. It is located on a 12,220 acre site in Matagorda County, Texas, near the Texas Gulf Coast, approximately 200 miles southeast of the City. Participant Ownership ("Participants") in STP Units 1 and 2 and their percentage of ownership are as follows:

	Ownership Effective February 2, 2006 (1)	
	%	MW (Approximate)
NRG Energy ("NRG")	44.0	1,188
CPS Energy (City of San Antonio)	40.0	1,080
City of Austin – Austin Energy	16.0	432
	100.0	2,700

(1) In 2006, Texas Genco, holder of a 44% interest in STP, was acquired by NRG Energy, Inc. NRG Energy holds its interest in STP Units 1 and 2 in NRG South Texas LP.

STP is operated by STPNOC, financed and directed by the Participants pursuant to an operating agreement among the Participants and STPNOC. Currently, a four-member board of directors governs the STPNOC, with each of the three Participants appointing one member to serve. The fourth member is STPNOC's chief executive officer and president. All costs and generation output are shared in proportion to each Participant's interest.

STP Units 1 and 2 each originally had a 40-year Nuclear Regulatory Commission ("NRC") license that was scheduled to expire in 2027 and 2028, respectively. Under NRC regulations, the STP owners requested a 20-year license renewal which was approved for STP Units 1 and 2 on September 18, 2017. The license renewals allow operation of STP Units 1 and 2 until August 20, 2047 and December 15, 2048, respectively.

On November 13, 2008, NRG South Texas LP, one of the STP partners, provided Austin Energy with notice of an updated proposal to add STP Units 3 and 4 at the STP site. The City had the right to participate in the ownership of the proposed new units, up to its existing 16 percent share of the STP. Austin Energy evaluated the City's ownership option and provided City Council with an analysis on which to base a decision. The City Council elected to decline participation in this expansion as then proposed. Nuclear Innovation North America ("NINA"), operating as a subsidiary of NRG Energy, Inc., became the lead applicant for the license and assumed responsibility for design, construction, and licensing prior to operation of STP Units 3 and 4 on January 24, 2011. The NRC issued the Combined License for STP Units 3 and 4 on February 12, 2016. A press release from NINA at the time of the license issuance stated "NINA plans to hold these licenses until market economics support construction."

Low Pressure turbine upgrades were completed in 2007 for STP Units 1 and 2. The replacement resulted in an additional 136.9 MW of capacity, of which Austin Energy's share is 21.9 MW. STP Unit 1 was retrofitted with a High Pressure Turbine upgrade in 2020 which resulted in an additional 21.9 MW of capacity, of which Austin Energy's share is 3.5 MW.

In 2018, STP completed construction of an on-site Dry Cask Storage ("DCS") system and NRC licensed Independent Spent Fuel Storage Installation ("ISFSI"). The DCS and ISFSI are necessary to store spent nuclear fuel on-site as the spent fuel pool for both STP Units 1 and 2 were nearing their full design limit. The DCS and ISFSI were successfully placed into operation in early 2019 with the off-loading of spent nuclear fuel from the STP Units 1 and 2 spent fuel pool.

Nacogdoches Biomass Facility

Austin Energy acquired from Southern Power Company a 115 MW biomass power plant, fueled by wood waste such as forest residue, mill residue, waste pallets and municipal wood waste located in Nacogdoches County, Texas in June of 2019. Prior to the acquisition, Austin Energy received up to 100 MW of output from the Nacogdoches Biomass Facility under a 20-year Power Purchase Agreement ("PPA") that would have expired in 2032. The acquisition enabled Austin Energy to avoid approximately $275 million in additional costs over the remaining term of the PPA. Austin Energy has contracted with NAES Corporation ("NAES") to provide full-service operations and maintenance at the Nacogdoches Biomass Facility. NAES currently has operations at over 160 power plants in North America, including a similar biomass facility located in Gainesville, Florida.

No immediate changes to the operation of the Nacogdoches Biomass Facility are expected. As is the case with respect to all elements of the electric generating capacity needs of Austin Energy, the long-term status of the operations of the Nacogdoches Biomass Facility will be addressed by Austin Energy in the normal course of future resource planning efforts.

District Energy & Cooling Program

Austin Energy's District Energy & Cooling program (the "DEC Program") is a market-based program that constructs, maintains and operates district energy and cooling plants. These plants transform electrical energy into thermal energy to distribute, via a network of underground pipes, to external customers in the form of chilled water to cool and air condition their buildings. Aggregation of loads enables superior efficiency, reliability, and quality when compared to stand-alone systems. In this region, 40-45% of the electricity consumed by a typical commercial building powers its air conditioning system. The thermal energy storage elements enable Austin Energy to shift electrical consumption from on-peak to off-peak electrical periods.

The DEC Program serves the City's Central Business District, Domain development (the "Domain"), and the Mueller Redevelopment Zone ("Mueller"). The DEC Program currently has 70 customers with over 19 million square feet of space connected to its district energy and cooling systems including residential towers, office buildings, hotels, the Austin Convention Center, downtown library and City Hall. The systems serving the Central Business District and Domain provide chilled water services while the system serving Mueller provides chilled water, steam and on-site generated electricity to the Dell Children's Medical Center of Central Texas and chilled water to neighboring buildings.

The DEC Program is supported by revenue from its customers and offers many benefits in return, including reduced construction and capital costs, extraordinary reliability, and simple, low risk operations. Benefits to Austin Energy and the City include having a valuable tool for economic development, providing new revenue from long-term service agreements, and environmental stewardship. All Austin Energy customers benefit from reduced electric market and regulatory charges due to the active electric demand management provided by the thermal energy storage elements of the DEC Program. The Resource, Generation and Climate Protection Plan to 2030 includes a goal of 30 MW and 40 MW of thermal demand shift by 2027 and 2030 respectively. The DEC Program currently provides a peak of 19 MW shift and is projected to reach 30 MW by 2027.

Austin Energy entered into a 30-year contract with Austin Community College ("ACC") on May 2, 2019 for DEC Program to provide chilled water for ACC's Highland Campus located in North Austin. ACC was founded in 1973 and has grown to over 76,000 students across 11 campuses serving Central Texas. Once complete, the Highland Campus will consist of 1.3 million square feet on 81 acres.

Austin Energy will design and build a 6000-ton, unmanned Chilled Water Plant on the ACC Highland Campus. The plant, will include all appurtenances associated with a chilled water plant, including pumps, chillers, plant controls, cooling towers, piping, and thermal energy storage. The project is scheduled for completion in the spring of 2021.

Austin Energy is currently constructing its fourth chilled water plant in downtown (Austin Energy recently completed its third downtown plant – DCP4 - a 3,000-ton satellite plant on the roof of the Austin Convention Center). District Cooling Plant #3 (DCP3) is scheduled for completion in the 4th quarter of 2020. It will provide 10,000 tons of additional cooling capacity to support growth of the downtown DEC Program.

Austin Energy has just closed a Request for Qualifications for a design/build firm to construct its second chilled water plant at Mueller. The plant (Mueller Energy Center #2) will provide 6,000 tons of additional capacity (as well as thermal energy storage) to support the new Austin Energy headquarters, expansion of the Dell Children's Medical Center and other customers at Mueller.

AUSTIN ENERGY'S CUSTOMER RATES

Retail Service Rates

The City Council has original jurisdiction over Austin Energy's retail electric rates. Customers living outside of Austin can appeal rate changes to the PUCT under section 33.101 of the Public Utility Regulatory Act (Title 2 (Chapters 11 through 66) of the Texas Utilities Code, and referred to herein as "PURA").

State courts have held that the PUCT may apply the same ratemaking standards to the City as are applied to utilities over which the PUCT has original jurisdiction.

In August 2016, the City Council approved a system average 6.65% base rate reduction for Austin Energy, which was reflected in electric bills beginning in January 2017. Austin Energy's financial policy require its rates be reviewed at least every five years. In 2020, a rate adequacy review was performed using fiscal year 2019 as a test year and it determined that rates were adequate to support operations. The City Council reaffirmed that future rate increases should not result in system average rates exceeding 2% annual compounded growth rate that began October 2012 and that Austin Energy average system rates should remain in the lower 50% among Texas electric utilities. Council approved rates also include the below line item charges that will be reviewed and updated annually:

- Power Supply Adjustment ("PSA"): recovers dollar-for-dollar fuel and net power supply costs.
- Regulatory Charge: recovers dollar-for-dollar Austin Energy's retail transmission expense and other regulatory expenses, such as the ERCOT's Administrative Fees. Congestion Revenue Rights are netted against the system regulatory costs. The Regulatory Charge was modified to provide for a system-wide recovery mechanism rather than a rate class approach.
- Customer Assistance Program ("CAP"): funds utility bill discounts, weatherization, arrearage management and emergency financial assistance for low income customers (approximately 35,000 customers through Fiscal Year 2019).
- Service Area Streetlights ("SAL"): maintains and powers the streetlights and traffic signals in the City (outside-the-city customers are not assessed this fee). The SAL charge was also modified to reflect a system-wide recovery approach.
- Energy Efficiency Services ("EES"): funds energy efficiency programs. The EES Charge was also modified to reflect a system-wide recovery approach.

Base Rate Decrease: The 2016 rate review resulted in a $42.5 million base rate decrease. In addition to reducing base revenues, the rate update also eliminated the seasonal base rate differential, created a seasonal adjustment capability for PSA rates, modified and moderately flattened the residential tiered rates, redefined the boundaries of the Secondary Voltage 2 and Secondary Voltage 3 rate classes, and provided a level of price protection for low load factor customers. The changes in rate design are expected to improve cash flow for the utility and provide more stable and predictable rates for customers of Austin Energy. The approved rates were a negotiated result that included residential, commercial, and industrial customers.

Residential rates and structure: Residential base rates consist of a customer charge and an energy charge (tiered). Residential customers also pay the pass-through charges for PSA (fuel and other power supply costs), regulatory charge (primarily ERCOT transmission costs), and the Community Benefit Charge (low income programs, energy efficiency programs, and street lights).

Commercial rates: Commercial rates generally include a customer charge, demand and electric delivery charges (based on monthly peak demand), energy charges, and the pass-through charges for the PSA, Regulatory Charge, and the Community Benefit Charge (see "Residential Rates and Structure" above in this document).

Industrial rates: Generally, industrial rates are comprised of a customer charge, electric delivery and demand charges, and in some instances, an energy charge. Industrial customers pay pass-through charges for the PSA and the Regulatory Charge, and in some instances, all or part of the Community Benefit Charge. In March 2017, the State of Texas agreed to a new long-term contract for large accounts, extending through August 2026. The City Council approved a new tariff in May 2015 for Austin Energy's largest transmission customer that replaced their prior long-term contract. As a result, four of Austin Energy's largest customers are served under a tariff that includes an executed long-term contract.

Power Supply Adjustment

During the annual budget process, the City Council reviews Austin Energy's proposal for updating the PSA, which recovers ERCOT Settlements, fuel and other power supply costs, and purchased power agreement costs, plus an adjustment for the prior year over/under-recovery.

Typical Monthly Residential Electric Bills of Large Texas Cities

City	Monthly Electric Bill*
AUSTIN	**$101.68**
Dallas	102.27
San Antonio	107.21
Houston	111.80
El Paso	114.57
Corpus Christi	117.13

* Average monthly residential bill for 1,000 KWh during the period October 2018 – September 2019, including fuel costs. Dallas, Houston, and Corpus Christi are served by competitive retail service providers ("REP"). Many REPs design their offerings around the 1,000 kWh standard, resulting in an atypically low rate at the 1,000 kWh level, compared to the 500 kWh or 2,000 kWh consumption levels.
Source: PUCT and powertochoose.org.

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AUSTIN ENERGY'S CUSTOMER STATISTICS

Five Year Electric Customer Statistics

The following table shows service area billed customer sales for fiscal years 2015 through 2019. The revenue per year varies in large degree due to the price of power which is passed through to customers in the Power Supply Adjustment clause as stated above. MWH sales variances are due to a combination of customer growth and weather.

	Fiscal Year Ended September 30				
	2015	2016	2017	2018	2019
Revenue (000's)					
Residential	$ 465,608	$ 453,555	$ 460,644	$ 490,443	$ 496,643
Commercial	467,175	484,162	476,618	465,363	484,138
Industrial	185,034	181,909	176,698	178,676	187,206
Public Street & Highway	2,412	2,679	2,734	2,636	2,788
Sales to Government Authorities	81,656	75,897	73,191	72,019	73,274
Total	$1,201,885	$1,198,202	$1,189,885	$1,209,137	$1,244,049
MWH					
Residential	4,320,492	4,258,275	4,360,743	4,608,438	4,522,859
Commercial	4,644,241	4,891,990	4,921,879	4,924,929	4,937,091
Industrial	2,795,815	2,817,055	2,820,344	2,968,235	2,962,835
Public Street & Highway	50,315	51,164	51,438	51,673	52,087
Sales to Government Authorities	879,415	862,343	855,887	864,734	854,147
Total	12,690,278	12,880,827	13,010,291	13,418,009	13,329,019
Average Monthly Number of Customers					
Residential	401,556	411,366	421,752	433,411	443,792
Commercial	46,253	47,352	48,285	48,966	49,587
Industrial	127	110	104	112	114
Public Street & Highway	6	7	6	4	4
Sales to Government Authorities	2,501	2,508	2,554	2,711	2,761
Total	450,443	461,343	472,701	485,204	496,258
Average Monthly KWH per Customer					
Residential	897	863	862	886	849
Commercial	8,367	8,609	8,495	8,382	8,297
Industrial	1,838,142	2,127,685	2,250,873	2,213,449	2,168,986
Public Street & Highway	653,436	609,091	695,102	1,076,528	1,108,227
Sales to Government Authorities	29,303	28,655	27,931	26,584	25,781
Average Monthly Bill per Customer					
Residential	$ 96.63	$ 91.88	$ 91.02	$ 94.30	$ 93.26
Commercial	841.70	852.07	822.58	791.98	813.61
Industrial	121,652.57	137,393.42	141,020.30	133,240.82	137,047.14
Public Street & Highway	31,325.98	31,891.33	36,947.02	54,922.30	59,312.68
Sales to Government Authorities	2,720.86	2,521.99	2,388.52	2,213.79	2,211.65
Average Revenues per KWH					
Residential	$0.10777	$0.10651	$0.10563	$0.10642	$0.10981
Commercial	0.10059	0.09897	0.09684	0.09449	0.09806
Industrial	0.06618	0.06457	0.06265	0.06020	0.06318
Public Street & Highway	0.04794	0.05236	0.05315	0.05102	0.05352
Sales to Government Authorities	0.09285	0.08801	0.08552	0.08328	0.08579

Source: Austin Energy.

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Electric Rates

The PSA, Regulatory Charge, and Community Benefit Charges are updated each year and the new rates are effective as of November 1. Austin Energy's approved rates schedules are contained in the City's annual continuing disclosure filing for the fiscal year ended September 30, 2019 for the City's outstanding Parity Electric Utility Obligations, which filing is available from the Municipal Securities Rulemaking Board (the "MSRB") on its Electronic Municipal Market Access ("EMMA") system website (see "CONTINUING DISCLOSURE OF INFORMATION – Availability of Information" in this document), and such rate schedules are incorporated into this document by reference.

In April, 2020, as a result of the Pandemic, Austin Energy temporarily reduced residential rates and returned a Regulatory Charge over-recovery during the final six months of the fiscal year. Austin Energy also increased the discount for the CAP from 10% to 15%. The residential rates will return to their prior rates and the Regulatory Charge will be recalculated and updated on November 1, 2020. The CAP discount will continue at the 15% rate.

Transmission Rates

The PUCT has exclusive jurisdiction over rates and terms and conditions for the provision of transmission services by the City. On February 14, 2019, the PUCT approved the City's most recent wholesale transmission rate of $1.187214/kW. Transmission revenues totaled $82 million in fiscal year 2019 and are expected to total approximately $84 million in fiscal year 2020. Austin Energy will continue to manage and review the need for wholesale transmission rate increases as necessitated by its investment and cost to serve.

GreenChoice® Energy Rider

GreenChoice® is Austin Energy's renewable energy program that allows residential and commercial customers to meet their electricity needs by purchasing 100% renewable Texas wind power. Customers who subscribe to the GreenChoice program will pay, in lieu of the PSA, a renewable energy charge as determined by Austin Energy. Subscribers see the PSA charge replaced with a GreenChoice charge on their electric bill. Austin Energy's GreenChoice program has led all voluntary utility green-pricing programs in the nation in kilowatt-hours of renewable energy sold over the past decade of operation, as ranked by the National Renewable Energy Laboratory. GreenChoice renewable energy sales are certified by Green-e, a leading national independent consumer protection program for the sale of renewable energy and greenhouse gas reductions in the retail market.

GreenChoice Sales (kWh) by Calendar Year

2010	754,203,479
2011	698,703,263
2012	744,442,709
2013	863,956,193
2014	683,986,607
2015	637,575,158
2016	719,814,465
2017	708,313,000
2018	759,088,000
2019	774,575,973

Power and Energy Sales Contracts

Austin Energy has numerous enabling agreements in place with various market participants. The agreements are designed to facilitate energy transactions by providing a standard agreement and may be cancelled by either party upon thirty (30) days' written notice. Transactions are by mutual agreement; no party is obligated to offer, sell or buy energy under the agreements. Austin Energy is an active participant in the ERCOT wholesale power market. In December 2010, ERCOT commenced operation of a nodal or Locational Market Price market. Under this structure, Austin Energy generators are economically dispatched based on their cost against total ERCOT load rather than Austin Energy load. All load is likewise served by the ERCOT centralized dispatch. Bilateral power purchase and sale contracts are unaffected by this change and remain a key feature of the market. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – ERCOT Wholesale Market Design" in this document.

Generation and Use Data

	Fiscal Year Ended September 30									
	2019		2018		2017		2016		2015	
	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh
Net kWh Generated		14,686,072,244		15,404,121,570		13,905,297,109		12,415,243,709		11,610,500,640
kWh Received from ERCOT		858,953,254		400,176,250		863,722,320		1,452,541,760		1,990,108,990
Less: kWh Delivered to ERCOT		(1,590,257,054)		(1,858,211,190)		(1,218,787,411)		(501,325,385)		(215,343,640)
				-						
Total kWh Delivered to Service Area		13,954,768,444		13,946,086,630		13,550,232,018		13,366,460,084		13,385,265,990
Service Area Energy Use:										
Residential	443,792	4,522,859,322	433,411	4,608,437,926	421,752	4,360,742,811	411,366	4,258,275,530	401,556	4,320,491,678
General Service (Less UT & ENW)	51,463	8,405,888,312	50,760	8,370,161,391	49,908	8,182,982,288	48,952	8,180,335,482	47,815	7,930,288,974
	495,255	12,928,747,634	484,171	12,978,599,317	471,660	12,543,725,099	460,318	12,438,611,012	449,371	12,250,780,652
Public Street Lighting	4	52,086,667	4	51,673,359	6	51,437,560	7	51,163,631	6	50,314,561
City Utility Departments	282	240,686,856	309	264,127,365	327	288,204,138	309	268,278,325	349	265,271,198
Other City Departments	717	107,497,843	720	112,841,653	708	110,543,607	709	110,274,454	717	110,732,138
	1,003	400,271,366	1,033	428,642,377	1,041	450,185,305	1,025	429,716,410	1,072	426,317,897
Total Service Area Sales	496,258	13,329,019,000	485,204	13,418,009,000	472,701	13,010,291,000	461,343	12,880,827,000	450,443	12,690,278,000
		--								
Loss and Unaccounted For		625,749,444		528,077,630		539,941,018		485,633,084		694,987,990
Total kWh Delivered to Service Area	496,258	13,954,768,444	485,204	13,946,086,630	472,701	13,550,232,018	461,343	13,366,460,084	450,443	13,385,265,990
System Peak Demand (kW)		2,809,978		2,878,000		2,654,000		2,755,000		2,735,000

Source: Austin Energy.

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Energy Risk Management

In an effort to mitigate the financial and market risk associated with the purchase of natural gas and energy price volatility, Austin Energy has established an Energy Risk Management Program. This program is authorized by the City Council with an $800 million limit and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, and swaps for the purpose of reducing exposure to natural gas and energy price risk over a five-year time horizon. 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.

The City implemented GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments, in fiscal year 2010, which addresses the recognition, measurement, and disclosure related to derivative instruments. In accordance with GASB Statement No. 53, the City is required to report the fair value of all derivative instruments on the statement of net position. In addition, GASB Statement No. 53 requires that all derivatives be categorized into two 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 item that is hedged. 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.

Premiums paid for options are deferred until the contract is settled. As of September 30, 2019, $105,207 in premiums were deferred. As of September 30, 2019, the fair value of Austin Energy's futures, options and swaps was an unrealized loss of $3.3 million, of which $3.5 million is reported as derivative instruments in liabilities and $206,000 is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the balance sheet using deferred outflows and deferred inflows.

Further explanation and historical information at last fiscal year end can be found in the footnotes to the financial statements for the fiscal year ended September 30, 2019. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS – Note 9a – Energy Risk Management Program" in this document.

Power and Energy Purchase Contracts

The City has signed several long-term energy purchase agreements for conventional, wind and solar electric generation. All power generated from these facilities is sold into the ERCOT market.

In September 2006, Austin Energy signed a 20-year contract with Renewable Energy Systems ("RES") America Development, Inc. to purchase the output of a 59.8 MW wind energy project located in Floyd County, Texas. On October 10, 2006, RES assigned the contract to Whirlwind Energy, L.L.C. The project began full-scale commercial operation in December 2007.

In August 2007, Austin Energy signed a 15-year contract with RES to purchase the output of a 165.6 MW wind energy project located in Shackelford County, Texas near Abilene. On September 6, 2007, RES assigned the contract to Hackberry Wind, LLC. The project began full-scale commercial operation in December 2008.

In August 2009, Austin Energy signed a 25-year contract with FRV Solar AE, LLC, a subsidiary of Austin Solar, LLC, a successor to Gemini Solar Development Company, LLC, predecessor to the current joint owners, Longsol LLC and Metlife, to purchase the output of a 30 MW solar power plant. The project is located on an Austin Energy site near Webberville just east of Austin and commenced commercial operation in December 2011.

In September 2011, Austin Energy signed a 25-year contract with Los Vientos Windpower IB, LLC, an affiliate of Duke Energy to purchase the output of a 201.6 MW wind energy project located in Willacy County, Texas. Energy purchases from Los Vientos IB commenced in November, 2012, and full scale commercial operation commenced in December 2012. Also in September 2011, Austin Energy signed a 25-year contract with Whitetail Wind Energy, LLC an affiliate of Exelon Corporation, to purchase the output of a 92.34 MW wind energy project located in Webb County, Texas. Energy purchases from Whitetail also began in November 2012, and full-scale commercial operation commenced on December 21, 2012.

In September 2013, Austin Energy entered into two 25-year Power Purchase Agreements with Duke Energy affiliates, Los Vientos Windpower III, LLC and Los Vientos Windpower IV, LLC, to purchase the output of 200 MW wind energy projects from each entity located in Starr County, Texas. Los Vientos III commenced commercial operation in April 2015 and Los Vientos IV commenced commercial operation in July 2016.

In February 2014, Austin Energy signed an 18-year contract with TX Jumbo Road Wind, LLC, an affiliate of BHE Renewables LLC, to purchase the output of a 300 MW wind energy facility located in Castro County, Texas. Commercial operation began in April 2015.

In May 2014, Austin Energy and RE Roserock LLC, a Canadian Solar affiliate, entered into a 20-year Power Purchase Agreement for the purchase and sale of up to 157.5 MW of solar generated renewable energy from the Roserock Solar Facility to be constructed in west Texas. In November 2015, a Southern Company subsidiary purchased a controlling interest in the project. Commercial operation was achieved in November 2016.

In May 2015, Austin Energy and a subsidiary of Power Fin Texas Solar Projects, LLC entered into a 25-year Power Purchase Agreement for the purchase up to 3.2 MW of solar generated renewable energy from a facility to be constructed in the Austin Energy service territory; this purchase will be considered a component of Austin Energy's local solar goal. Commercial operation began in the first quarter of 2018.

In October 2015, Austin Energy entered into three separate transactions for the purchase and sale of energy from three solar projects in west Texas: (1) a 15-year Power Purchase Agreement with East Pecos Solar, LLC, a subsidiary of Southern Company who purchased the project from the original developer, First Solar Development, LLC, for up to 118.5 MW of capacity from a facility constructed in east Pecos County, commercial operation of which began in April 2017; (2) a 25-year Power Purchase Agreement with Midway Solar LLC, a subsidiary of DESRI, who purchased the asset from 174 Power Global, a subsidiary of Hanwha Q Cells for up to 178.5 MW of capacity from a facility located in east Pecos County; commercial operation began in December 2018; and (3) a 25-year Power Purchase Agreement with CED Upton County Solar LLC, a subsidiary of Consolidated Edison Development, for up to 157.5 MW of capacity from a facility in Upton County; commercial operation under this project began in August of 2017.

In June 2017 Austin Energy signed a 15 year Power Purchase Agreement with Karankawa Wind LLC, a subsidiary of Avangrid Renewables, LLC, for the sale and purchase of up to 206.6 MW of wind energy form a facility under construction in San Patricio and Bee Counties Texas. Commercial operation began in December 2019.

In December 2017 Austin Energy entered into a Power Purchase Agreement with IP Aragorn, LLC, an Intersect Power subsidiary, for the sale and purchase of solar power generated from a planned 180 MW project in Culberson County, Texas. Commercial operations are expected to commence in the third quarter of 2021.

In October 2018, Austin Energy and East Blackland Solar Project, LLC, a Recurrent Energy subsidiary, entered into a 15 year Power Purchase Agreement for the purchase and sale of energy produced from a 144 MW solar facility to be constructed in Travis County, Texas near the town of Pflugerville. Commercial operation is expected in the third quarter of 2021.

In March 2019, Austin Energy signed a 20 year Power Purchase Agreement with a subsidiary of Pattern Energy Group, Inc. for the purchase and sale of 170 MW of energy output from a wind project located in Kenedy County, Texas with commercial operation planned for the fourth quarter of 2020.

In May 2019, Austin Energy and Pandora Solar, LLC, a subsidiary of NextEra Energy, entered into a 15-year contract covering the purchase and sale of energy generated from a 250 MW solar project to be constructed in Wilson County, Texas. Commercial operation is expected by the end of 2023.

In August 2019, Austin Energy and RWE Renewables (successor to E.ON Climate and Renewables) entered into a 12 year Power Purchase Agreement providing for the purchase and sale of energy generated from the 200 MW Raymond Wind facility located in Willacy and Cameron Counties, Texas. Commercial operations are expected in the fourth quarter 2020.

With respect to the contracts described above, Austin Energy is obligated to purchase all of the energy generated by each of the facilities up to the maximum amount as described above, to the extent energy is so generated. Many of the facilities described above do not run at full capacity for 24 hours a day; therefore, Austin Energy may be purchasing energy in amounts less than the maximum amounts that are shown above.

Electric Transmission and Distribution System Statistics

The transmission and distribution plant statistics of Austin Energy as of August 31, 2020 are as follows:

	Number of Substations	Miles of Lines	Kilovolts
Transmission	14	632	345/138/69
Distribution	62	11,666	35/12.5/7.2
Overhead Primary		2,372	
Overhead Secondary		2,520	
Underground Primary		3,395	
Underground Secondary		3,379	

The City and the LCRA entered into the FPP Transmission Agreement dated March 17, 1977, setting forth the duties, obligations and responsibilities with respect to the transmission of energy from FPP. See "DESCRIPTION OF AUSTIN ENERGY'S PHYSICAL PROPERTY – Fayette Power Project" in this document.

The City has also entered into the STP 345 kV Transmission Line Agreement dated as of January 1, 1976 with the participants in STP, setting forth the duties, obligations and responsibilities with respect to transmission facilities associated with STP. See "DESCRIPTION OF AUSTIN ENERGY'S PHYSICAL PROPERTY – South Texas Project" in this document.

Austin Energy is interconnected with LCRA, CenterPoint Energy (formerly Houston Lighting & Power Co.), CPS Energy and American Electric Power. Austin Energy is a member of ERCOT. As a participant in ERCOT, Austin Energy is able to provide and be provided with a reliable backup supply of generation under normal and emergency conditions. The diversification of fuel sources of the member systems increases the potential for economic interchanges among the respective systems. Sale and purchase transactions generally maximize the use of less expensive fuel sources by all members of the interconnected system.

Until recently, electric utilities operating in the State have not had any significant interstate connections, and hence investor-owned utilities have not been subject to regulation by the Federal Energy Regulatory Commission ("FERC") and its predecessor agencies under the Federal Power Act. Over the past several years, however, successful efforts have been made to provide interstate connections. These efforts have resulted in protracted judicial and administrative proceedings involving ERCOT members. The settlement of such proceedings permits the ERCOT members to avoid federal regulation as the result of any interstate interconnection with another interstate connected utility.

ISO 9001 Registration

Austin Energy's two major business units have earned their International Organization for Standardization (ISO) 9001 registrations. ISO 9001 is a series of international quality standards designed to ensure that all activities related to providing and delivering a product or service are appropriately quality assured. To earn the registration, applicants must develop a Quality Management System that reflects standards of performance for every major process, in this case, related to building, operating, maintaining, and repairing the Electric Utility System.

- The Electric Systems Field Operations and Electric Systems Engineering and Technical Services business units – responsible for the construction, maintenance and operation of the City's Electric Utility System - became the first of any utility in the nation to earn ISO-9001:2000 registration. Auditors from the National Standards Authority of Ireland ("NSAI"), the worldwide entity that certifies ISO quality management program, issued the registration on January 3, 2008. The certification followed a rigorous four-day review in December 2007 of the Electric Systems Quality Management System by NSAI auditors. In June 2012, Electric Systems Quality Management System was re-registered under the ISO- 9001:2008 standard. More recently, in June 2017, Austin Energy's Electric Systems Quality Management System was recommended for upgraded certification under the ISO-9001: 2015 standard, by NSAI.

- In June 2010, Austin Energy's Customer Care Services ("CCS") business unit was also registered as an ISO 9001:2008 organization. CCS is responsible for receiving customer requests, responding to customer requests, billing customers, processing customer payments, and managing customer accounts. In June 2013, Austin Energy's CCS Quality Management System was re-registered under the ISO-9001: 2008 standard. In February 2017, Austin Energy's CCS Quality Management System was upgraded to certification under the ISO-9001:2015 standard. At the same time, Austin 311, received initial certification under the ISO–9001:2015 standard – the first distinction of this kind for a 311 Contact Center in the United States. In February 2019, both the CCS Quality Management System, and Austin 311's Quality Management System were recertified to ISO-9001:2015 and combined into a single registration.

These business units continue to maintain their respective certifications.

Conventional System Improvements

Austin Energy's five-year Capital Improvements Spending Plan (the "Capital Plan"), which was approved by the City Council in August 2020, addresses approximately $1.05 billion of capital spending needs from fiscal year 2021-2025. Funding for the Capital Plan is expected to be provided from revenues of Austin Energy and the issuance of debt, including short-term commercial paper and long-term revenue bonds. Austin Energy currently anticipates that approximately 50% of the five-year Capital Plan will be debt funded and 50% will be funded from revenues.

The Capital Plan provides continued funding for distribution and street lighting additions, including line extensions for new service, system modifications for increased load, and relocations or replacements of distribution facilities in the central business district and along major thoroughfares. It also includes funding for transmission, generation and other general additions. Major projects in the Capital Plan include, the construction of a new downtown substation, the construction of three distinct chiller plants to serve the Austin Community College Highland Campus, the downtown Seaholm development, and the Mueller development respectively, and the purchase of Austin Energy's new headquarters (estimated cost of $150 million, with final funding of $88 million slated to be provided in FY2021).

$1,045,000,000 Five Year Capital Spending Plan

$ in Millions	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Distribution	$ 108	$ 93	$ 90	$ 85	$ 76	$ 452
Distribution Substation	17	11	9	9	9	55
Transmission	36	25	25	25	25	136
Electric Service Delivery	161	129	124	119	110	643
Power Production	76	57	32	27	24	216
Customer Service Billing & Metering	5	2	4	0	0	11
Facilities, Technology & Support Services	115	18	20	18	4	175
Total	$ 357	$ 206	$ 180	$ 164	$ 138	$ 1,045

Austin Energy Smart Meter Installation Program

Austin Energy maintains an Advanced Metering Infrastructure ("AMI") program. A component of the AMI program is the installation of AMI meters, which send and receive commands related to acquiring consumptive and diagnostic data, including daily meter reads via radio signals. Austin Energy has approximately 517,000 AMI meters: 462,000 2-way communicating residential meters and 54,000 2-way communicating commercial and industrial meters. As of 2015, Austin Energy has deployed a full 2-way AMI system. Continued improvements in AMI technology utilized at Austin Energy have provided demonstrable enhancements to customer service and reliability while reducing operating costs.

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AUSTIN ENERGY'S STRATEGIC PLANS, GOALS AND POLICIES

Strategic Plan

Austin Energy's mission is "*To safely deliver clean, affordable, reliable energy and excellent customer service.*" To achieve its mission, Austin Energy adopted a 2020-2025 strategic plan. (the "Strategic Plan"). The Strategic Plan identifies adaptive strategies to proactively address customer expectations, deploy innovative technology, provide responsible energy services and ensure Austin Energy is well prepared for the challenges ahead.

The Strategic Plan is informed by several sources, including Austin Energy's Technology Roadmap, Facilities Masterplan, Resource, Generation Plan and Climate Protection Plan, and the City's strategic planning efforts. The primary focus of the Strategic Plan is to improve Austin Energy's competitive position while realizing its vision of "*Powering a cleaner, brighter future with customer-driven, community-focused solutions.*"

The Strategic Plan addresses six overarching goals that are designed to enable Austin Energy to realize its vision. **Customer Experience**, **Environmental Leadership**, and **Grid Resilience** focus on delivering value to the customer and providing customer choice in the products and services offered. **Employee Experience** and **Financial Health** provide an internal focus on maintaining and increasing the value provided to employees, customers and the communities served. Finally, **Health and Safety** has both an internal and external focus, speaking to Austin Energy's responsibility to always operate safely.

Each goal is overseen by a goal manager and a cross-functional team of staff who are executing the projects to achieve their goal. Each goal manager is partnered with an executive sponsor, a member of the Austin Energy executive team, who is responsible for ultimately achieving the goal.

In order to measure performance over time, thirteen Key Performance Indicators ("KPIs"), and a target value for each KPI, have been established. Austin Energy publicly reports its strategic progress through both the Strategic Plan 2020-2025 Tableau Dashboards and a monthly strategic project update report that is sent to the Chief Operating Officer.

Austin Energy Resource, Generation, and Climate Protection Plan to 2030

On August 12, 2019 the Electric Utility Commission (EUC) created the Resource Plan Working Group (Working Group) to provide leadership and guidance to Austin Energy and the City Council on technical and market issues to meet environmental, efficiency and goals established by the City Council.

The Austin Energy Resource, Generation and Climate Protection Plan to 2030 (the "2030 Plan") outlines the Working Group's recommendations and strategic goals and represents an extensive effort of the Austin community working through the Working Group and Austin Energy staff. The 2030 Plan is based on analysis of the risks, costs and opportunities to meet future demand for electricity. The 2030 Plan is intended to be flexible and dynamic in order to respond to changing circumstances, including customer electric load, economic conditions, energy prices, and technological development, while strictly committing to firm carbon reductions.

The 2030 Plan updates and replaces the Austin Energy Resource, Generation and Climate Protection Plan to 2027. To the extent the provisions of the 2030 Plan are inconsistent with prior resource plans for Austin Energy or related City Council resolutions adopting such plans, the 2030 Plan will prevail.

Vision Statement – This 2030 Plan commits Austin Energy to continuing to provide affordable, dependable and safe electricity service to residents and businesses while pursuing the City's climate protection and sustainability goals and the directives set forth in the Austin Climate Emergency Resolution. As a part of its commitment, Austin Energy will maintain an energy supply portfolio sufficient to offset customer demand while eliminating carbon and other pollutant emissions from its electric generation facilities within the limitations set by the City Council. Austin Energy commits to providing access to the benefits of this 2030 Plan for limited-income communities and communities of color.

Affordability – Affordability of electricity service for Austin Energy customers is an overarching goal of the 2030 Plan. Developments in the wholesale energy market in recent years have demonstrated that if Austin Energy carefully manages its portfolio it can achieve its environmental goals economically, efficiently and affordably. Austin Energy will do so with a commitment to the specific affordability metrics set by the City Council.

Generation Resource Objectives – As of March 2020, Austin Energy generates energy on an annualized basis equal to approximately 63% of its total customer load using carbon-free resources, 40% from renewable resources and 23% from the South Texas Project nuclear facility. As explained in more detail below, under the 2030 Plan, Austin Energy will eliminate its existing emissions through retirement of its carbon-emitting generation plants and anticipates purchasing additional, cost-effective, renewable energy resources.

No New Carbon Generating Assets – Austin Energy will seek to avoid purchasing, contracting for or building long-term generation or storage resources that emit new carbon, or any additional nuclear power generation resources.

Carbon Reduction Goals – Austin Energy has established a goal to have 86% of its electricity generation carbon-free by year-end 2025, 93% carbon-free by year-end 2030, and all generation resources carbon-free by 2035. Austin Energy commits to advance these goals more rapidly, if feasible given technological developments, affordability, and risks to Austin Energy customers.

Additional Renewable Generation Facilities – Austin Energy will utilize its annual RFP process to seek the best available renewable energy and electricity storage opportunities to add to Austin Energy's generation resource portfolio as necessary to meet 2030 Plan goals and to assess market trends for future planning. With the exception of the Local Solar goals, the 2030 Plan does not designate the components of Austin Energy's renewable energy portfolio. Austin Energy will plan for least-cost and least-risk acquisition of renewable resources and electricity storage as available in the energy market and as necessary to meet 2030 Plan goals.

Specific Actions to Achieve Generation Resource Objectives

Fayette Power Project – Austin Energy seeks to maintain its current target to cease operation of Austin Energy's portion of the Fayette Power Project (FPP) coal plant by year-end 2022. Austin Energy will continue to recommend to the City Council the establishment of any cash reserves necessary to provide for that schedule.

Decker Creek Power Station – Austin Energy seeks to maintain its current target to cease operations and begin retirement of existing Decker Steam gas-fired units, assuming ERCOT approval, with Steam Unit 1 ceasing operations after summer peak of 2020 and Steam Unit 2 ceasing operations after summer peak of 2021.

REACH for Carbon Free by 2035 – Upon City Council approval of the 2030 Plan, Austin Energy anticipates adopting a new market-based approach to accelerate reduction of carbon emissions by its legacy generators in the most economic manner available. This approach, known as *Reduce Emissions Affordably for Climate Health* ("REACH"), will incorporate a cost of carbon in the generation dispatch price, allowing Austin Energy to reduce generation output during low-margin periods but keep the resources available for high-margin periods. Austin Energy anticipates applying an annual amount of approximately 2% of the prior year's PSA to implement REACH. Austin Energy will continue to adhere to the City Council affordability metrics through active portfolio management. The REACH plan is expected to reduce the utility's carbon emissions by 30% or approximately 4 million metric tons between approval of this 2030 Plan and Austin Energy's exit from FPP. Thereafter, the REACH plan is expected to reduce carbon emissions by 8% each year, while maintaining the flexibility to protect our customers' rates in periods of high prices in the wholesale market, until achieving zero carbon emissions by 2035. Austin Energy will report semi-annually to the Electric Utility Commission and the City Council the realized reduction in carbon emissions from the REACH plan's implementation.

Local Solar Resources – In addition to the large-scale energy resources discussed above, Austin Energy seeks to:

- Achieve a total of 375 MW of local solar capacity by the end of 2030, of which 200 MW will be customer-sited (when including both in-front-of-meter and behind-the- meter installations).
- Continue a shared solar pilot program for multi-family housing and upon development of an automated electronic billing system, allow for expansion of this program.
- Provide moderate and limited-income customers preferential access to community solar programs.

Energy Efficiency and Demand Response – In addition to the generation resources described above, Austin Energy will sponsor energy efficiency and demand response initiatives aimed to reduce overall system load and reduce peak demand as follows:

- Achieve energy efficiency savings equal to at least 1% per annum of retail sales, targeting a total of at least 1,200 MW of demand side management (energy efficiency and demand response) capacity by 2030, including a target of 225 MW of economic peak demand response capacity by 2030.
- Target serving at least 25,000 residential and business customer participants per year for all CES programs (Energy Efficiency, Austin Energy Green Building, Demand Response and Solar) with at least 25% of those customers being limited-income customers.
- Commit to achieving 30 MW of local thermal storage by 2027 and 40 MW of local thermal storage by 2030.
- Allow near real-time access to hourly energy use data for Austin Energy customers via the automated meter infrastructure, including compatibility with Green Building products and services.
- Continue to move forward on energy code and green building development, including assessing the 2021 International Energy Conservation Code, and specific solar-ready, EV- ready, electric building-ready and net-zero requirements for commercial and residential construction for possible adoption in future codes.

Electric Transportation – Austin Energy will pursue the Climate Protection Plan Goals and Austin Mobility Plan and expansion of Austin Energy revenue base by:

- Supporting private-public partnerships that promote, market, and provide electric vehicle support to assist in the transition to electric transportation.
- Support the City of Austin Fleet Services' electrification plan.
- Evaluate equitable growth of public and private charging station deployments by offering rebates, operational support, outreach, and special public charging rates that includes support for limited-income populations.

Financial Policies

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

- Current revenue, which does not include the beginning fund balance, will be sufficient to support current expenditures (defined as "structural balance"). However, if projected revenue in future years is not sufficient to support projected requirements, the ending balance may be budgeted to achieve structural balance.

- Net revenues generated by Austin Energy shall be used for a transfer to the City's General Fund (the "General Fund Transfer," which is a formula-based appropriation), capital investment, repair and replacement, debt management, competitive strategies, and other Austin Energy funding requirements. Once these obligations have been met, any remaining net revenues of the Electric Utility System will be deposited into Austin Energy's reserve funds in the following order until each reserve reaches its minimum funding level: Working Capital Reserve, Contingency Reserve, Power Supply Stabilization Reserve, and then Capital Reserve. The sum of the four reserves shall be the cash equivalent of no less than 150 days of operating and maintenance expense.

- Austin Energy shall maintain an operating cash equivalent (also known as working capital) of 60 days of budgeted operations and maintenance expense, less power supply costs, plus the amount of additional monies required to bring the sum of all Austin Energy's reserves to no less than 150 days of operating and maintenance expense. As of September 30, 2019, Austin Energy's operating cash balance was $407 million and Days Cash on Hand ("DCOH") was 218 days.

- Austin Energy shall maintain a minimum quick ratio of 1.50 (current assets less inventory divided by current liabilities). The source of this information shall be the City's Comprehensive Annual Financial Report ("CAFR").

- Austin Energy shall maintain either bond insurance policies or surety bonds issued by highly rated ("AAA") bond insurance companies, or a cash-funded debt service reserve, or a combination of bond insurance policies, surety bonds, or cash for its existing revenue bond issues, in accordance with the bond covenants of the Combined Utility Systems revenue bonds.

- Debt service coverage of a minimum of 2.0x shall be targeted for the Electric Utility System's revenue bonds, and a coverage minimum of 1.0x coverage shall be targeted when additionally including all short-term debt, including commercial paper obligations and non-revenue obligations.
- The Contingency Reserve shall be created and established for unanticipated or unforeseen events that reduce revenue or increase obligations, such as costs related to a natural disaster, extended unplanned plant outages, insurance deductibles, or unexpected costs created by Federal or State legislation. The Contingency Reserve may be used to fund unanticipated power supply expenses only after the Power Supply Stabilization Reserve has been fully depleted. The Contingency Reserve shall maintain an operating cash equivalent of 60 days of budgeted operations and maintenance expense, less power supply costs. In the event any portion of the Contingency Reserve is used, the balance will be replenished to the targeted funding level within two fiscal years.
- The Capital Reserve shall be created and established for providing extensions, additions, replacements and improvements to the Electric Utility System. The Capital Reserve shall maintain a minimum cash equivalent of 50% of the previous year's depreciation expense of the Electric Utility System.
- The Power Supply Stabilization Reserve shall be created and established for mitigating power supply cost volatility which causes frequent variation in the Power Supply Adjustment. The Power Supply Stabilization Reserve shall maintain a cash equivalent of 90 days of net power supply costs. Net power supply costs shall be defined as costs eligible for inclusion in the Power Supply Adjustment. The Power Supply Stabilization Reserve shall be funded using net revenues after meeting other obligations and consistent with the flow of funds schedule.
- The General Fund Transfer shall not exceed 12% of Austin Energy's three-year average operating revenues, calculated using the current fiscal year estimate and the previous two fiscal years' actual revenues less power supply costs and District Cooling Program revenue from the City's CAFR.
- Electric rates shall be designed to generate sufficient revenue, after consideration of interest income and miscellaneous revenue, to support (1) the full cost (direct and indirect) of operations including depreciation, (2) debt service, (3) the General Fund Transfer, (4) equity funding of capital investments, (5) requisite deposits of all reserve accounts, (6) sufficient annual debt service requirements of the Parity Electric Utility Obligations and other bond covenant requirements, if applicable, and (7) any other current obligations. In addition, Austin Energy may recommend to the City Council in the budget directing excess net revenues for the General Fund Transfer, capital investment, repair and replacement, debt management, competitive strategies and other Austin Energy requirements such as working capital. In addition to these requirements, electric rates shall be designed to generate sufficient revenue, after consideration of interest income and miscellaneous revenue, to ensure a minimum debt service coverage of 2.0x on revenue bonds of the Electric Utility System. A rate adequacy review shall be completed every five years, at a minimum, through performing a cost of service study.
- A decommissioning trust shall be established external to the City to hold the proceeds for monies collected for the purpose of decommissioning the STP. An external investment manager may be hired to administer the trust investments. As of June 30, 2020, the market value of the investments in the trust was $234.6 million.
- A Non-Nuclear Plant Decommissioning Fund shall be established to fund plant retirement. The amount set aside will be based on a decommissioning study of the plant site. Funding will be set aside over a minimum of four years prior to the expected plant closure.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Rate Regulation

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

Section 35.004 of PURA requires Austin Energy to provide transmission service at wholesale to another utility, a qualifying facility, an exempt wholesale generator, a power marketer, a power generation company, or a retail electric provider.

Section 35.004 of PURA requires Austin Energy to provide wholesale services at rates, terms of access, and conditions that are not unreasonably preferential, prejudicial, discriminatory, predatory, or anti-competitive.

ERCOT serves as the Independent System Operator ("ISO") for the ERCOT region of Texas. ERCOT was certified in 2000 to serve as the ISO by the PUCT under Senate Bill 7, adopted by the State legislature and signed into law in 1999 ("SB7").The ISO's responsibilities as detailed in SB7 are to (1) ensure nondiscriminatory access to the ERCOT transmission system; (2) ensure the reliability and adequacy of the ERCOT network; (3) ensure timely and accurate customer switching; and (4) ensure the accuracy of accounts among wholesale buyers and sellers. Austin Energy is a member of ERCOT, and Austin Energy staff are active in the ERCOT stakeholder process. ERCOT membership includes stakeholders from all segments of the Texas electric market and is responsible for the management and oversight of the day-to-day operations of the transmission network and wholesale market settlement. Under PURA, the PUCT has specific responsibilities to oversee ERCOT operations and market participant compliance with ERCOT Protocols, Operating Guides, and Other Binding Documents.

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

ERCOT Wholesale Market Design

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

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

The PUCT has considered changes to the ERCOT wholesale market to address potential reliability challenges. To address these concerns, the PUCT increased the market offer caps and implemented an Operating Reserve Demand Curve to represent the value of operating reserves in the real-time market relative to the probability of loss of load. Austin Energy staff closely monitor PUCT activities and provides comments to the PUCT regarding possible market design changes.

Federal Rate Regulation

Austin Energy is not subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under sections 205 and 206 of the Federal Power Act and is not subject to Federal statutes and regulation in the establishment of rates, the issuance of securities or the operation, maintenance or expansion of Austin Energy. Nevertheless, Austin Energy submits various reports to FERC and participates in ERCOT, a stakeholder organization established under State law that is similar to the Regional Transmission Organizations envisioned in FERC Order No. 2000.

Pursuant to the Energy Policy Act of 2005, Austin Energy is subject to certain FERC authority on reliability. On July 20, 2006, FERC certified the North American Electric Reliability Corporation ("NERC") as the nation's Electric Reliability Organization responsible for developing and enforcing mandatory electric reliability standards under FERC's oversight. Every five years, FERC reviews and approves the Delegation Agreement between NERC and Texas Reliability Entity, Inc. ("Texas RE"), which governs the responsibilities of Texas RE as the Regional Entity responsible for overseeing the NERC reliability standards in the ERCOT region. Additionally, Texas RE serves as the PUCT's Reliability Monitor. In that role, Texas RE monitors Austin Energy's compliance with the ERCOT Protocols and other reliability-related rules. Austin Energy has established a Reliability Compliance Program to examine the requirements for compliance with reliability standards and to evaluate and implement any needed changes to systems and procedures. Austin Energy's compliance with reliability standards is verified through external audits and other oversight processes conducted by Texas RE.

Environmental Regulation - General

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

Environmental Regulation Related to Air Emissions

Federal Greenhouse Gas Regulations

In October 2015, the United States Environmental Protection Agency ("USEPA") finalized the Clean Power Plan ("CPP") requiring CO_2 emissions reductions from the electricity section in most states, and directed each state to develop its own plan to achieve those reductions. Twenty-seven states and numerous industry groups filed a combined 39 lawsuits from a total of 157 petitioners asking the D.C. Circuit to review the rule. Briefings were completed in April 2016 and oral arguments were conducted in September 2016. The Supreme Court stayed the CPP rule in February, 2016, pending review in the D.C. Circuit Court. Prior to a final decision by the Circuit Court, the USEPA proposed revising the rule in August 2018, and in September 2019 the final Affordable Clean Energy ("ACE") rule became effective and replaced the Clean Power Plan. The ACE rule requires states to submit plans to EPA with carbon emission rate limits for coal generating units based on heat rate improvement measures. Coal generators in Texas including Fayette Power Project ("FPP") must submit evaluations of the potential for emission rate reductions from heat rate improvements to the Texas Commission on Environmental Quality "(TCEQ") by October 30, 2020. Final carbon rate limits pursuant to the ACE rule are expected to be final and effective no later than July 2024.

Mercury and Air Toxics Standards (MATS)

USEPA's final MATS rule published in February 2012 set emissions limits for mercury and other toxic air emissions from coal-fired electric utility boilers. For Austin Energy, this rule applies to FPP Units 1 and 2. Numerous states and industry groups challenged USEPA's determination that the rule is appropriate and necessary, and USEPA finalized a finding in May 2020 that the rule benefits did not outweigh the costs, but left the 2012 limits in place. Original legal challenges are being held in abeyance and new petitions for review of the May 2020 finding have been filed.

Austin Energy and its operating partner at FPP have already made the necessary investment to comply with MATS and will continue to comply until further direction is provided from USEPA.

Cross-State Air Pollution Rule and Clean Air Interstate Rule

Austin Energy's large facilities have been complying with the Cross-State Air Pollution Rule ("CSAPR") since 2015. On September 7, 2016, USEPA finalized an update to the CSAPR rule. The final rule lowered the State's Phase II ozone season budgets by approximately an additional 10%. Austin Energy emission of nitrogen oxide ("NOx") exceeded allocations in 2018 and 2019, resulting in the need to purchase excess allowances on the market. Future year allowance needs are unknown and the need for allowance purchases will be reduced or eliminated with the planned retirement of Decker units 1&2 in 2020 and 2021 respectively.

Regional Haze Rule

The federal Regional Haze Program is intended to restore and protect visibility in federal Class I areas, which are mostly national parks. Fossil-fuel burning power plants are a primary source of the pollution that reduces visibility and are subject to regional haze program requirements via either a state or federal implementation plan (SIP or FIP). Coal plants in Texas including FPP are subject to a federal program that caps SO2 emissions in the state. That Texas FIP has been the subject of numerous challenges, regulatory reviews and revisions; in June 2020, USEPA finalized minor revisions and reaffirmed the need for the Texas SO2 trading program. FPP is subject to the SO2 requirements and must hold allowances to cover its emissions, however at this time the need for, and cost of, additional allowances for compliance are not deemed significant.

Environmental Regulation Related to Water Discharges

Cooling water intake structures

Section 316(b) of the Clean Water Act establishes requirements to minimize the impact of cooling water intake structures on aquatic organisms. The USEPA promulgated revised standards in 2014 that require cooling water intake structures to be designed to limit organism impingement and entrainment. All major power plants with once-through cooling will be required to complete studies over the next four years assessing impacts to aquatic organisms and appropriate mitigation measures, and plants with potential impacts could be required to upgrade intake structures to meet the new criteria. The rule applies to the City's Decker Creek Power Station and FPP. However, both facilities were built on reservoirs specifically made for cooling, which the rule effectively exempts from some of the major requirements. Overall risk associated with this rule is believed to be low at this time.

Effluent Limit Guideline (ELG) regulations

On November 3, 2015, the USEPA finalized technology-based wastewater effluent limitation guidelines and standards for steam electric power generating units, primarily focused on discharges associated with coal generating facilities. The standards provide for a phased-in approach and the use of technologies already installed at many power plants. In November 2019, USEPA proposed revisions to the rule for certain wastewater streams. Because FPP implements dry ash handling and onsite, no-discharge treatment of scrubber effluent, neither the original nor the proposed revisions of the ELG regulation have significant compliance requirements for Austin Energy.

Environmental Regulation Related to Hazardous Wastes and Remediation

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

Nuclear Regulation

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

The South Texas Nuclear Power Plant, in which the City owns a partial interest ("STP") is protected by provisions of the Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities even though the statutory protections for many non-commercial reactors are different. The Price-Anderson

Act is set to expire on December 31, 2025. As of September 30, 2019, the limit of liability under the Price-Anderson Act for licensees of nuclear power plants is $13.8 billion per unit per incident, and the maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is $137.609 million per unit, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at $20.496 million per year per reactor for each nuclear incident. The City and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests in STP. For purposes of the assessments, STP has two licensed reactors. The participants (including the City) have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC, in accordance with the financial protection requirements of the Price-Anderson Act.

A Master Worker Nuclear Liability policy, with a maximum limit of $450 million (as of September 30, 2019) for the nuclear industry as a whole, provides protection from nuclear-related claims of workers employed in the nuclear industry after January 1, 1988 who do not use the workers' compensation system as sole remedy and bring suit against another party.

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

The owners of STP currently maintain $2.75 billion of nuclear property insurance, which is above the legally required amount of $1.06 billion for such nuclear losses ($2.75 billion is the maximum amount available for purchase from Nuclear Electric Insurance Limited ("NEIL")). Nuclear property insurance consists of $1.5 billion in primary nuclear property damage insurance and $1.25 billion of excess nuclear property damage insurance, both subject to a retrospective assessment being paid by all members of NEIL. In the event that property losses as a result of an accident at any nuclear plant insured by NEIL warrants additional funds needed by NEIL, a retrospective assessment could occur. The maximum aggregate assessment under current policies for accidental outage insurance, primary and excess nuclear property damage insurance is $52.7 million during any one policy year with insurance premiums being prorated per member share. This number changes annually and is calculated as 10 times the current premium for each policy. A small portion of the primary nuclear property damage insurance is provided by European Mutual Association for Nuclear Insurance ("EMANI") which is also subject to retrospective assessment of up to $1.878 million, which is six times the current calendar year premium.

The NRC regulations set forth minimum amounts required to demonstrate reasonable financial assurance of funds for decommissioning of nuclear reactors. Beginning in 1990, each holder of an operating license is required to submit to the NRC a bi-annual report indicating how reasonable assurance would be provided. The City provides the required report on its share of STP to the NRC which is based on the minimum amount for decommissioning, excluding waste disposal, as required by the NRC regulations of $105 million per unit (January 1986 dollars). This minimum is required to be adjusted annually in accordance with the adjustment factor formula set forth in the regulations. The 2018 report provided by the City based reasonable assurance on the minimum amount (January 1986 dollars) as adjusted by the adjustment factor formula set forth in the regulations. The City 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 City has been collecting for its share of anticipated decommissioning activities, which may begin as early as 2047, through its rates since Fiscal Year 1989. The market value of assets held in the decommissioning trust as of June 30, 2020 was $234,605,445. For Fiscal Year 2020, Austin Energy estimates that it will continue to collect approximately $5 million for decommissioning expense. In 2018 dollars, the minimum amount for decommissioning the City's share of STP is $397 million. See "INVESTMENTS – Legal Investments" in this document.

Events Affecting the Nuclear Industry

On March 11, 2011, a region of Japan sustained significant loss of life and destruction because of a major earthquake and resulting tsunami. Included in the damage areas were the Fukushima nuclear units, which lost power to components of the backup and safety control systems and began emitting radiation into the surrounding environment. Following the incident, the NRC began looking into the safety aspects of nuclear plant operations in the United States with the objective of assuring that events such as those at the Fukushima plant do not occur in this country. On August 31, 2012, the NRC issued Interim Staff Guidance ("ISG") to U.S. nuclear power plants to ensure proper implementation of three orders the agency issued in March 2012, in response to lessons learned from the Fukushima Daiichi nuclear accident. The ISGs represent acceptable approaches to meeting the orders' requirements before their December 31, 2016 compliance deadline.

The ISGs are not mandatory, but U.S. nuclear power plants would have to seek NRC approval in order to follow a different compliance approach. As detailed below, all required actions by STP related to these orders have been completed and accepted by the NRC.

The first NRC order requires all U.S. plants to better protect portable safety equipment put in place after the 9/11 terrorist attacks and to obtain sufficient equipment to support all reactors and spent fuel pools at a given site simultaneously. The ISG for this order endorses the industry's updated guidance for dealing with a scenario that knocks out all of a plant's alternating current electric sources. The updated approach includes the use of backup power supplies for devices that would burn off accident-generated hydrogen before it could accumulate to explosive levels. The staff concludes the updated approach will successfully implement the first NRC order. The ISG is available in the Agencywide Document Access and Management System ("ADAMS") under accession number ML12229A174; the associated industry document is available under accession number ML12242A378. STP has completed engineering design and installation of equipment and modifications to address these requirements, and has had the final closeout inspection by the NRC. The NRC has accepted STP's completion letter and no further action is required for this order.

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

The third NRC order requires all plants to install enhanced equipment for monitoring water levels in each plant's spent fuel pool. The ISG for this order largely endorses an industry document that the staff concludes will successfully implement the order. The ISG defines in more detail the water levels the new equipment must accurately report, as well as standards for equipment mounting, powering and testing, personnel training and other criteria. The final ISG notes several areas, including instrument qualifications and instrument protection from falling debris, where the industry revised its initial approach. An exception in the staff's endorsement sets specific seismic criteria to ensure the instruments will survive an earthquake. This ISG is available in ADAMS under accession number ML12221A399; the associated industry document is available under accession number ML12240A304. STP has completed engineering design and installation of equipment and modifications to address these requirements and has had the final closeout inspection by the NRC. The NRC has accepted STP's completion letter and no further action is required for this order.

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THE WATER AND WASTEWATER SYSTEM

Management

Name	Years at City*	Additional Years of Experience	Total
Director			
Greg Meszaros	13	22	35
Assistant Directors			
David Anders, *Financial Services*	32	8	40
Rick Coronado, P.E., *Operations*	25	-	25
Kevin Critendon, P.E., *Environmental Planning and Development Service*	9	27	36
Sherri Hampton, *Employee Leadership Development*	10	16	26
Randi Jenkins, *Customer Experience*	14	4	18
Shay Roalson, P.E., *Engineering Services*	0.4	27	27.4

*As of August 31, 2020.

WATER SYSTEM

Service Area

The City supplies treated water to residential, industrial and commercial customers within the corporate limits of the City and to a portion of Travis and Williamson Counties. The presently defined service area totals approximately 538 square miles. The City also has contracted to supply treated water on a wholesale basis to four municipal utility districts (individually, a "MUD"; collectively "MUDs"); two water control and improvement districts (individually, a "WCID"; collectively "WCIDs"); several water supply corporations and private utilities; the cities of Manor, Rollingwood, Sunset Valley, West Lake Hills; and the Village of San Leanna. In addition, the City has had a water reclamation initiative for more than thirty years to develop facilities and processes to make treated wastewater effluent available for non-potable uses including irrigation and cooling processes. The City established operating and capital funds for a Reclaimed Water Utility in addition to the Water and Wastewater System operating and capital funds during fiscal year 2013. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Reuse Facilities" in this document. The City has previously acquired the systems and assets of eleven WCIDs. The City has paid off and extinguished the bonded indebtedness of these WCIDs.

The Texas Commission on Environmental Quality ("TCEQ") is empowered to grant utilities a certificate of convenience and necessity to provide water and wastewater service to retail customers. Since Austin Water is not defined by state statute as a "utility," and instead is considered a "municipality," it is not required to obtain such a certificate. References to the TCEQ in this document are intended to include agencies whose duties and responsibilities have been assumed by the TCEQ.

Water Supply

In 1888, City leaders campaigned successfully for the first Austin dam across the Colorado River, which was completed early in 1893 and was reported to be the largest dam in the world when originally constructed. In 1934, a $4,500,000 loan and grant was obtained from the Public Works Administration to complete the Buchanan Dam. The LCRA finished the Buchanan Dam—which is 150 feet high and 11,000 feet long—in 1938; the lake it forms (Lake Buchanan) is thirty-two miles long and two miles wide, covering 22,137 surface acres at the full conservation pool elevation of 1,020.5 feet mean sea level ("MSL").

Since that time, a stairway of lakes was created by building five additional dams, giving the area 150 miles of lakes. Tom Miller Dam is within the City limits, and forms Lake Austin, which covers 1,590 surface acres; Mansfield Dam, the fifth largest masonry dam in the world, impounds Lake Travis, encompassing up to approximately 19,300 acres of surface area at the full conservation pool elevation of 681 feet MSL; Starcke Dam creates Lake Marble Falls, which spreads over 900 acres; Lake Lyndon B. Johnson, held by Alvin Wirtz Dam, has an area of 6,300 acres; and Roy Inks Dam forms Inks Lake, with a surface of 900 acres. The City owns Tom Miller Dam and has leased it to LCRA through December 31, 2050. The other Highland Lakes system dams are owned by LCRA.

The combined storage capacity of the six lakes is around 3,300,000 acre-feet of water, or more than a trillion gallons. Approximately 800,000 acre-feet of this capacity is reserved for flood control. Of the six dams on the Colorado River, two form major impounding reservoirs for the control of flood water; however, Mansfield Dam is the only designated flood control structure. The combined storage capacity of Lakes Travis and Buchanan, the two major water supply storage reservoirs upstream of the City and managed by LCRA, is approximately 2 million acre-feet.

The City also constructed Longhorn Dam on the Colorado River, just downstream of Lady Bird Lake and Decker Dam on Decker Creek, a tributary of the Colorado River that joins the river downstream of Longhorn Dam. Lady Bird Lake, which has a permitted capacity of approximately 3,500 acre-feet, is created by Longhorn Dam. Decker Dam creates Lake Walter E. Long, which has a permitted capacity of approximately 34,000 acre-feet.

United States Geological Survey ("USGS") records at Austin gauging station No. 08158000 show the following flows for the water year (October 1 through September 30)*:

1987 – 3,399,000 Acre-Feet	1998 – 1,313,831 Acre-Feet	2009 – 584,800 Acre-Feet
1988 – 834,000 Acre-Feet	1999 – 803,240 Acre-Feet	2010 – 798,500 Acre-Feet
1989 – 667,900 Acre-Feet	2000 – 627,370 Acre-Feet	2011 – 670,000 Acre-Feet
1990 – 692,300 Acre-Feet	2001 – 1,371,435 Acre-Feet	2012 – 212,800 Acre-Feet
1991 – 829,700 Acre-Feet	2002 – 1,674,985 Acre-Feet	2013 – 210,600 Acre-Feet
1992 – 5,419,000 Acre-Feet	2003 – 1,017,294 Acre-Feet	2014 – 219,200 Acre-Feet
1993 – 978,000 Acre-Feet	2004 – 928,065 Acre-Feet	2015 – 201,700 Acre-Feet
1994 – 708,200 Acre-Feet	2005 – 1,077,031 Acre-Feet	2016 – 1,478,341 Acre-Feet
1995 – 896,700 Acre-Feet	2006 – 553,200 Acre-Feet	2017 – 739,900 Acre-Feet
1996 – 758,300 Acre-Feet	2007 – 2,156,000 Acre-Feet	2018 – 277,600 Acre-Feet
1997 – 3,013,512 Acre-Feet	2008 – 623,200 Acre-Feet	2019 – 2,518,000 Acre-Feet

* Data from 1987 to 2019 is referenced from USGS Water-Year Summary Statistics.

From 1987-2019, the average flow was 1,159,200 acre-feet per year. As a result of drought conditions, the flows in water years 2012 through 2015 were lower, in accordance with TCEQ approval, due to LCRA cutting off most Highland Lakes interruptible stored water releases for agricultural irrigation operations. Water year 2018 also experienced dry conditions and LCRA implemented a partial curtailment for downstream agricultural releases towards the latter part of the year). The gauging station referenced above is located on the Colorado River downstream of Longhorn Dam and downstream of the City's intakes.

Water Rights

The City holds independent rights to impound, divert and use the waters of the Colorado River and its tributaries, and additional rights to such water pursuant to agreements with LCRA.

The City's independent water rights have been adjudicated before the TCEQ in accordance with the Water Rights Adjudication Act, Texas Water Code, Section 11.301, et seq. The City's rights, as determined by the TCEQ, are set forth in the Final Determination of all claims of Water Rights in the Lower Colorado River Segment of the Colorado River Basin issued by the TCEQ on July 29, 1985. Both the City and LCRA appealed the Final Determination, seeking additional rights and contesting the rights awarded to each other, in a proceeding styled *In Re: The Exceptions of the Lower Colorado River Authority and the City of Austin to the Adjudication of Water Rights in the Lower Colorado River Segment of the Colorado River Basin*, Cause No. 115,414-A-1 in the District Court of Bell County, Texas, 264th Judicial District ("Cause No. 115,414-A-l"). The City and LCRA entered into a Comprehensive Water Settlement Agreement (the "Settlement Agreement") in settlement of Cause No. 115,414-A-1 on December 10, 1987. The Settlement Agreement generally improves the independent water rights of both the City and LCRA. Such rights for the City include: the rights to maintain Tom Miller Dam and Lake Austin, Longhorn Dam and Lady Bird Lake, and Decker Dam and Lake Walter E. Long; the right to divert and use 272,403 run of the river acre-feet of water per year from Lake Austin and Lady Bird Lake for municipal purposes; the right to divert and circulate an unlimited amount of water per year from Lady Bird Lake for industrial purposes so long as consumptive use does not exceed 24,000 acre-feet per year; the right to divert and circulate water from Lake Walter

E. Long for industrial (cooling) purposes so long as consumptive use does not exceed 16,156 acre-feet per year; and the right to divert and use water through Tom Miller Dam for the generation of hydroelectric power. LCRA's independent water rights, as determined by the TCEQ, include the rights to maintain Lakes Travis and Buchanan and to divert and use water therefrom. Pursuant to the Settlement Agreement and the final judgment in Cause No. 115,414-A-1, certain other pending water-related disputes between the City and LCRA were settled. LCRA was granted an option to acquire up to a 50% undivided interest in the City's then proposed Berl L. Handcox, Sr. Water Treatment Plant known as "Handcox WTP" (formerly Water Treatment Plant No. 4 or WTP No. 4) discussed under "Water Treatment Plants" in this document). The District Court issued a final judgment consistent with the Settlement Agreement. Certificates of Adjudication have been issued by the TCEQ.

Pursuant to previous agreements between the City and LCRA, LCRA has agreed to supply the City additional water from storage in Lakes Travis and Buchanan, and other sources. The City also has leased Tom Miller Dam, and the City's right to divert and use water for the generation of hydroelectric power through Tom Miller Dam, to LCRA. The Settlement Agreement provided for the City to receive water from Lake Travis for Handcox WTP, and for additional water for municipal and other purposes of use downstream of Lake Travis.

The City and LCRA executed the First Amendment to the Settlement Agreement (the "First Amendment") on October 7, 1999. This First Amendment extends the existing Settlement Agreement through the year 2050, and gives the City an assured water supply throughout its term by providing additional water from the Highland Lakes system, a chain of lakes formed on the Colorado River that includes Lake Travis, Lake Austin and Lady Bird Lake, and other sources. Additionally, the First Amendment includes an option for the City to renew the Settlement Agreement through the year 2100. The City paid a discounted amount of $100.0 million to LCRA as part of the First Amendment contract provisions. The $100.0 million payment to LCRA included compensation for the following terms: (a) pre-paid reservation fee for an additional 75,000 firm acre-feet of water supply, which increased the City's total water supply from 250,000 firm acre-feet to 325,000 firm acre-feet per year for the additional 50-year period, with an option to renew for another additional 50-year period; and (b) pre-paid water use charges that would be paid by the City for water use above 150,000 firm acre-feet up to 201,000 firm acre-feet.

Under the terms of the First Amendment, the Water and Wastewater System will begin annual payments to LCRA for raw water diverted in excess of 150,000 acre-feet once the Water and Wastewater System's average annual diversions for two consecutive years exceed 201,000 acre-feet, which is unlikely to occur prior to 2040. The First Amendment also has numerous other provisions that benefit the City. Also, a legal issue regarding the building of Handcox WTP (formerly WTP No. 4) was settled. LCRA's option to acquire up to 50% of the Handcox WTP lapsed on January 1, 2000. All sections of the 1987 Settlement Agreement related to Handcox WTP were deleted as part of the First Amendment. The First Amendment provides for mutual release of the City and LCRA from any claims or causes of action relating to the delayed construction of Handcox WTP.

Water Treatment Plants

Austin Water has three water treatment plants (Davis, Ullrich, and Handcox WTP), which have a combined rated capacity of 335 million gallons per day ("mgd"). These water treatment plants have a combined clear well storage capacity of 45 million gallons on site.

Austin Water's water distribution system includes approximately 3,950 miles of water mains of varying diameters, 31 major storage facilities with a storage capacity of approximately 170 million gallons, 29,560 City maintained fire hydrants, and 21 major pump stations.

The City receives its water supply from the Colorado River through the three water treatment plants. The Davis Water Treatment Plant and the Ullrich Water Treatment Plant both draw water from Lake Austin. Handcox WTP draws water from Lake Travis.

The Davis Water Treatment Plant, located at Mount Bonnell Road and West 35th Street, has a rated capacity of 118 mgd. The plant is of conventional design, with rapid mix basins, flocculation basins, sedimentation basins, gravity filters, clearwell storage, raw water, system chlorine disinfection, and finished water pumping stations. The plant was constructed in 1954 and expanded in 1963, 1975 and 1986. The Ullrich Water Treatment Plant, located on a site south of Red Bud Trail and Forest View Drive, has a rated capacity of 167 mgd. The existing plant facilities consist of an intake and raw water pumping station, raw water transmission main, seven upflow-solids contact clarifiers, eighteen filters, chlorine disinfection, clearwell reservoirs, high service and medium service pumping stations, and sludge handling facilities. A 67 mgd upgrade to the Ullrich Plant was completed in 2006. This expansion increased the rated capacity of the plant from 100 mgd to 167 mgd.

Handcox WTP began delivering potable water in November 2014. Located in northwest Austin, Handcox WTP draws its water from Lake Travis. The construction of Handcox WTP added an initial capacity of 50 mgd with expansion capability up to 300 mgd with future phases to meet projected needs. Funding for the construction of Handcox WTP came from a combination of cash transferred from the operating fund and Commercial Paper Obligations.

Water Use Management Plans, Austin's Integrated Water Resource Plan, and LCRA Water Management Plans

Austin Water has both a water conservation plan and a drought contingency plan, as required in Texas for large municipal water suppliers. The City's Water Conservation Plan details incentive programs, educational efforts and regulations designed to reduce both peak and average day water use. The City's Drought Contingency Plan ("DCP") outlines the City's response to emergency demand or supply conditions. In addition to year-round prohibitions against water waste and a mandatory watering schedule that allows for outdoor irrigation with automatic sprinkler systems of no more than once per week, the plan calls for more restrictive stages if combined storage levels in the Highland Lakes fall below certain levels, or if daily pumpage exceeds limits established by Austin Water's Director. Watering times and days are further limited, and restrictions are placed on discretionary water uses such as ornamental fountains and vehicle washing. Water use restrictions are codified in the City Code, Chapter 6-4. Through these strategies, the Water and Wastewater Utility is striving to continue strengthening conservation efforts while also protecting the City's urban landscape and tree canopy.

For the majority of time from September 2011 through May 2016 the City was in Stage 2 watering restrictions, which resulted in lower than forecasted Gross Revenues in fiscal years 2012 through 2014. Among other measures, Stage 2 watering restrictions limit lawn watering to no more than one day per week. In accordance with the DCP, Stage 2 implementation was triggered in response to the combined storage of water supply in Lakes Travis and Buchanan dropping to 900,000 acre-feet in late summer 2011. Water use restrictions achieved their intended effect, as water use has declined significantly during their imposition; however, water use declined more than forecasted by the Water and Wastewater Utility for fiscal years 2012 through 2014. Significant rainfall in 2015 increased the combined storage of Lakes Travis and Buchanan to 2.04 million acre feet as of May 2016. After extensive outreach and community input, the City implemented a modified conservation stage on May 18, 2016. Under the new conservation stage restrictions, customers are permitted to water their landscapes twice-per-week with hose end sprinklers and once-per-week with automatic irrigation systems. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates" in this document.

Inclining block rates, implemented April 1, 1994, are designed to promote water conservation by single family residential customers. Seasonal rates implemented in 2000 for commercial and multifamily customers are also designed to promote water conservation. Also see "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Reuse Facilities" in this document.

Additionally, in November 2018, the City Council adopted the Water Forward Plan (the "Water Forward Plan"), the City's 100-year integrated water resource plan, intended to ensure a diversified, sustainable, and resilient water future. The Water Forward Plan's strategies include increased water conservation, use alternative water sources (for example, use of rainwater harvesting, greywater reuse, and air conditioner condensate reuse, among other strategies), increased reclaimed water reuse, aquifer storage and recovery and others.

The City has senior water rights and also firm water supply agreements with the LCRA that provide the City with firm water supplies of up to 325,000 acre-feet per year. LCRA's operations and management of the water stored in Lakes Travis and Buchanan, the region's major water supply reservoirs, is guided by the LCRA Water Management Plan ("WMP"), a document approved by the TCEQ. In November 2015, TCEQ approved an updated WMP that will govern LCRA's operation and management of the lakes during the 2016 crop irrigation season, which began in March 2016. LCRA supplies water to firm customers like the City, industries, power plants and other cities. Also, when interruptible water is available, in accordance with LCRA's WMP, LCRA also supplies interruptible water to downstream agricultural irrigation operations in the lower three counties in the lower Colorado River Basin. The updated LCRA WMP better protects the water supply for firm customers, including the City, and allows LCRA to more quickly adapt its operations as drought conditions change. Revisions include incorporating procedures for curtailing interruptible water such that combined storage in Lakes Travis and Buchanan is maintained above 600,000 acre-feet through a repeat of historic drought conditions through 2013. The revised plan also incorporates a three-tier regime that considers inflows, current storage, and modeled future storage conditions in determining water availability given to interruptible agricultural customers. Additionally, availability of interruptible stored water will be determined separately for each of the two crop seasons, rather than having the determination made once for both crop seasons, as was the case in the previous WMP. The revised WMP also places volumetric limits on the amount of interruptible stored water to be made available for use. City representatives worked diligently through the critical LCRA WMP revision process to proactively ensure reservoir management of Lakes Travis and Buchanan is consistent with the City's firm water interests and with LCRA's lake permit duties and firm customer agreements. In early 2019, LCRA submitted to TCEQ for review and approval a 2018 update to the LCRA WMP. TCEQ approved the "2020 LCRA WMP" in early 2020.

Water Storage and Pumping Facilities

In addition to the water treatment plants, the City owns and operates the following storage facilities and major water pump stations as part of the Water and Wastewater System.

		Total Storage Capacity (Millions of Gallons)	Firm Pumping Capacity (Gallons per Minute)
North System			
	Anderson Mill (1)	3	7,600
	Anderson Mill NWC	1.5	7,600
	Avery Ranch (1)	3	n/a
	Capital of Texas (1)	0.5	n/a
	East Austin	12	37,800
	Forest Ridge	3	8,000
	Four Points (1) (Elevated)	1	n/a
	Four Points (Ground)	7	7,800
	Guildford Cove	0.275	1,000
	Howard Lane 1	10	50,000
	Howard Lane 2	10	See above
	Jollyville	11	49,800
	Lookout Lane	0.3	800
	Martin Hill (1)	34	n/a
	North Austin	10	39,800
	Pond Springs (1)	3	n/a
	Spicewood Springs	10	58,000
	Suntree (1) (Elevated)	0.5	n/a
	Tanglebriar (1)	0.2	n/a
South System			
	Allen Road	n/a	Lost Creek – 2,000 Barclay – 3,000
	Barclay Road	0.5	3,000
	Center Street	8	31,400
	Davis Lane 1	10	39,500
	Davis Lane 2	10	See above
	LaCrosse (1)	3	n/a
	Leuthan Lane	3	SWB – 6,950 SWC - 2,700
	Lost Creek 1	0.500	890
	Lost Creek 2	0.750	See above
	Mt. Larson	0.1	100
	Never Bend Cove	0.06	1,599
	Pilot Knob	10	15,800
	Slaughter Lane	6	SWB - 15,000 SWC - 5,400
	Thomas Springs (1) (Elevated)	1.25	n/a
	Westlake Drive	0.01	500

(1) Storage only, no pumps.
Source: Austin Water.

Historical Water Pumpage

The following table summarizes historical demand and maximum day water pumpage from fiscal years 2010 through 2019.

Fiscal Year	Total Pumpage (Millions of Gallons)	Percent Change	Maximum Day Pumpage (Millions of Gallons)
2010	43,827	(17.8)	190
2011	52,824	20.5	231
2012	47,094	(10.8)	203
2013	45,902	(2.5)	183
2014	43,239	(5.8)	184
2015	43,481	0.6	207
2016	44,661	2.7	198
2017	47,371	6.1	204
2018	48,518	2.4	203
2019	47,294	(2.5)	209

Source: Austin Water.

Projected Water Pumpage

The following table, based on actual operating experience, summarizes the annual treated water pumpage and maximum day pumpage projected by Austin Water. The figures in the following table include projected savings from the water conservation plan implementation; maximum day pumpage estimates include a 10% dry condition variation factor. Figures are subject to change pending adjustments by Austin Water.

Fiscal Year	Total Pumpage (Millions of Gallons)	Maximum Day Pumpage (Millions of Gallons)
2020	51,647	216
2021	50,241	210
2022	50,619	211
2023	51,035	213
2024	51,453	215
2025	51,876	217

Source: Austin Water.

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Information Concerning Water Sales

	Fiscal Year Ended September 30									
	2015		2016		2017		2018		2019	
	Average # of Customers	Thousand Gallons	Average # of Customers	Thousand Gallons	Average # of Customers	Thousand Gallons	Average # of Customers	Thousand Gallons	Average # of Customers	Thousand Gallons
Thousand Gallons Pumped		43,480,893		44,687,336		47,312,289		48,520,957		47,294,234
Less: Sales to Other Water Utilities (1)		2,281,694		2,487,912		2,665,026		2,621,961		2,337,219
Thousand Gallons to System		41,199,199		42,199,424		44,647,263		45,898,996		44,957,015
Water Sales:										
Retail (2)	220,946	34,810,518	224,956	36,657,742	228,332	37,902,093	232,324	38,143,134	236,249	37,010,281
City Departments	560	598,114	610	598,089	619	601,601	621	678,923	609	666,871
Total Sales to Ultimate Consumer	221,506	35,408,632	225,566	37,255,831	228,951	38,503,694	232,945	38,822,057	236,858	37,677,152
Used by Water Utility		52,483		58,291		54,528		41,248		62,370
Other Unmetered Usage		1,278,338		1,313,808		1,390,981		1,412,287		1,390,450
Loss and Unaccounted For		4,459,746		3,571,494		4,698,060		5,139,404		5,827,043
Thousand Gallons to System		41,199,199		42,199,424		44,647,263		45,414,996		44,957,015
Maximum Daily Consumption		206,966		197,568		203,834		195,902		207,824
Average Daily Consumption		103,261		108,887		112,791		113,545		109,628

(1) Includes sales to all wholesale customers.
(2) Includes residential, multifamily, commercial, and industrial customers.
Source: Austin Water.

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Large Water Customers

Water and Wastewater Utility
Large Water Customers (1)
Five Year Comparative Data (2015-2019)

Fiscal Year Ended September 30
(Gallons and Dollars in Thousands)

	2015		2016		2017		2018		2019	
	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue
Samsung Austin Semiconductor	1,558,196	$10,010	1,975,811	$12,601	2,184,016	$14,627	2,317,298	$13,913	2,263,875	$11,016
Travis County WCID #10	708,235	3,374	774,588	2,569	822,205	2,125	839,323	2,775	732,154	4,391
University of Texas (2)	746,252	5,517	805,549	6,046	804,756	6,296	777,696	5,158	728,455	2,003
NXP USA INC (Formerly Freescale, Inc.) (3)	708,784	4,164	676,043	4,235	529,506	4,164	610,488	3,770	647,122	3,152
Wells Branch MUD	420,508	1,937	464,228	1,452	480,115	1,231	483,764	1,520	414,951	1,082
North Austin MUD #1	391,524	1,796	394,365	1,306	425,839	1,170	416,336	1,347	373,305	1,027
Austin Independent School District (4)	313,672	2,461	318,036	2,615	340,342	2,795	343,591	2,119	313,089	1,627
Cypress Semiconductor (Formerly Spansion)	299,686	1,868	304,672	1,996	319,139	2,123	329,873	2,483	299,131	2,227
Northtown MUD	267,479	1,193	287,294	891	290,888	695	296,842	916	270,556	701
Mid America Apartments LP (5)	-		-	-	141,145	939	185,075	1,037	204,572	1,083
Total:	5,414,336	32,319	6,000,586	33,711	6,337,951	36,165	6,600,286	35,038	6,247,210	28,308
Texas Facilities Commission (6)	207,324	1,495	224,909	$1,642	229,063	$1,695	193,194	$1,343	176,940	$1,205

(1) Reflects the ten largest water customers from the most recent fiscal year; previous fiscal years' totals are based on the current list of ten largest customers.
(2) Includes all accounts.
(3) Includes east Austin and west Austin plant sites.
(4) Includes all locations.
(5) 2019 was the first year that Mid America Apartments LP was a top 10 customer; 2017 is the first year data was collected.
(6) The Texas Facilities Commission was not a top 10 water customer in 2019; totals for the Texas Facilities Commission include all locations and data as a top 10 water user from 2015-2018.
Source: Austin Water.

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WASTEWATER SYSTEM

Service Area

Austin Water provides wastewater service to customers within the corporate limits of the City and portions of Travis and Williamson Counties outside of the City. The City has entered into wholesale service contracts with four MUDs, one WCID, and the cities of Manor, Rollingwood, Sunset Valley, and West Lake Hills.

Facilities

Austin Water has two main wastewater treatment plants with a total permitted capacity of 150 mgd, one biosolids treatment and beneficial reuse facility, over 2,938 miles of sanitary wastewater mains and lines, and 143 city-owned, in-service lift stations. The two treatment plants are the Walnut Creek Wastewater Treatment Plant, which began operations in 1977, is currently operating in the 75 mgd phase with permitted capacity up to 100 mgd after expansion. The South Austin Regional Wastewater Treatment Plant, which started operating in 1986, is currently operating in the 75 mgd phase. The Hornsby Bend Biosolids Treatment Plant operates as a sludge treatment and beneficial reuse facility and was placed in operation in 1956. The Hornsby Bend Biosolids Management Plant permit was renewed by TCEQ on April 5, 2019 with an expiration date on April 5, 2024. The Walnut Creek Wastewater Treatment Plant permit was renewed on March 12, 2020 with an expiration date of March 12, 2025. The South Austin Regional Wastewater Treatment Plant permit was renewed on December 19, 2019 with an expiration date of December 19, 2024.

The Walnut Creek Wastewater Treatment Plant is permitted to discharge an average flow of 75 mgd. A 15 mgd upgrade to this plant (which resulted in the plant's current capacity of 75 mgd) was completed in 2004.

The South Austin Regional Wastewater Treatment Plant began operation in April 1986. The plant is now permitted to discharge at a rate of 75 mgd after a 25 mgd upgrade was completed in August 2006.

The Hornsby Bend Biosolids Treatment Plant serves as the City's central biosolids treatment and beneficial reuse facility. Waste biosolids from the Walnut Creek and the South Austin Regional plants are pumped to Hornsby Bend for treatment and beneficial reuse. Biosolids received at Hornsby Bend are thickened, anaerobically digested, mechanically dewatered using belt presses for beneficial reuse through on-site and off-site agricultural land application, and composted for marketing and distribution. Excess water from thickeners, anaerobic digesters and belt presses is treated in a side-stream treatment plant and polished by treatment in large on-site ponds. A greenhouse enclosed aquaculture pond is used to treat the pond water before it is used for irrigation on utility-owned land at the site. Major improvements recently completed at Hornsby Bend include upgrades to sludge thickening, anaerobic digestion, dewatering, and composting facilities. Methane generated during the anaerobic digestion is used to heat the digesters and generate enough electricity to power Hornsby Bend. Excess electricity goes to the power grid. A Center for Environmental Research was established in 1989 at Hornsby Bend with the cooperation of the City, The University of Texas at Austin and Texas A&M University. The City provides laboratory, offices and research facilities at Hornsby Bend for the two universities to conduct environmental research.

In December 2009, the City purchased an operating interest in a regional wastewater collection and treatment system (the Brushy Creek Project) from LCRA for approximately $12 million. The City pays its portion of capital expansions and operations and maintenance costs on an annual basis and reserves sufficient wastewater capacity to adequately serve all of the area inside the City's jurisdiction within the Brushy Creek watershed. The cities of Austin, Round Rock, Leander and Cedar Park all own joint interests in the wastewater system. The City of Round Rock operates and maintains the system for the cities.

Stormwater is collected in an entirely separate gravity-fed storm wastewater system and is segregated from the sanitary wastewater system. The storm wastewater system is operated and maintained by the City's Watershed Protection Department.

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Lift Stations

In addition to the wastewater treatment plants, Austin Water owns and operates numerous lift stations. The following table shows the capacity of the five largest lift stations.

Name	Firm Capacity (Gallons per Minute)
Boggy Creek East	22,500
SAR Transfer	10,000
Lake Creek	6,460
Tracor	5,580
Four Points #2	3,740

Source: Austin Water.

Historical Wastewater Flows

The following table summarizes the historical influent wastewater flows to the City's wastewater treatment facilities from fiscal years 2010 through 2019.

Fiscal Year	Total Wastewater Flow (Millions of Gallons)	Percent Change
2010	37,254	15.8
2011	32,946	(11.6)
2012	37,756	14.6
2013	34,813	(7.8)
2014	37,298	7.1
2015	40,711	9.2
2016	41,676	2.4
2017	37,804	(9.3)
2018	35,996	(4.8)
2019	42,176	17.2

Source: Austin Water.

Projected Wastewater Flows

The following table, based on actual operating experience, summarizes the annual influent wastewater flows projected to be received at Austin Water's wastewater treatment plants. Figures are subject to change pending adjustments by Austin Water.

Fiscal Year	Total Wastewater Flow (Millions of Gallons)
2020	43,115
2021	43,730
2022	44,478
2023	45,237
2024	46,081
2025	47,059

Source: Austin Water.

COMBINED WATER AND WASTEWATER SYSTEM INFORMATION

Future Capital Improvements for Water and Wastewater System

Austin Water's proposed FY 2021-2025 capital spending plan requires approximately $971 million of funding for system improvements. The future water and wastewater system improvements included in the five-year capital spending plan include treatment facilities, reservoir, pump station and lift station improvements, and major transmission distribution and collection improvements. Austin Water anticipates financing such improvements with: (1) the issuance of $394 million additional Parity Water/Wastewater Obligations (including refunding of commercial paper issued to provide interim financing for such improvements); (2) the application of 298 million of anticipated transfers from current Water and Wastewater System revenues and amounts on hand; and (3) an estimated $276 million in low-interest loan assistance from the Texas Water Development Board (the "TWDB").

TWDB Swift Funding…The City submitted its State Water Implementation Fund for Texas ("SWIFT") applications to the TWDB in fiscal year 2016 for the purposes of obtaining low-interest rate loans for the following projects: (1) development and implementation of a Advanced Metering Infrastructure ("AMI") also known as the smart meter system for Austin Water and (2) multiple capital improvement projects associated with reclaimed water systems. Funding to the City under the SWIFT program was approved by the TWDB in 2016, and loan closings to-date are $58.7 million for projects associated with reclaimed water systems and $9.2 million for AMI, as Parity Water/Wastewater Obligations issued by the City. Anticipated future loan closings through TWDB include multi-year commitments for AMI over the next four years which will total an additional $70.995 million in loan proceeds. **The City's anticipated fall 2020 issuance of $16.9 million of Series 2020D Bonds (additional Parity Water/Wastewater Obligations), which is scheduled to close on or about November 17, 2020, will be financed through the TWDB's SWIFT program.**

TWDB SRF Funding…The City submitted its Clean Water State Revolving Fund ("CWSRF") and Drinking Water State Revolving Fund ("DWSRF") applications to the TWDB in fiscal year 2019. In February 2020, the City was awarded funding from the TWDB, in the form of low-interest CWSRF and DWSRF loans, for a combined total of $120.83 million, of which $67.83 million is for water and $53 million is for wastewater infrastructure projects. The SRF loan financings will be structured as parity water/wastewater obligations of the City privately placed with the TWDB. The City closed on its first such SRF loans in February 2020 in an aggregate par of $15.0 million (the Series 2020A Bonds and the Series 2020B Bonds). **The City anticipates issuing additional parity water/wastewater system obligations in winter 2021 in the combined par amount of $19.8 million; such future issuances would be financed through the TWDB's SRF program.**

Services Financed by Utility Districts

On August 19, 1981, the City Council enacted an ordinance establishing the basic requirements for the City's consent to the creation of a district (e.g., a MUD, WCID or fresh water supply district) created under State law for the purpose of supplying water and/or wastewater service to land within the extraterritorial jurisdiction or the city limits of the City. That ordinance has been modified, over time, by the City's enactment of its Land Development Code, which contains provisions relating to the City's consent to the creation of districts. On February 2, 1984, the City Council adopted a resolution that established City policy with regard to the creation of MUDs.

Districts use ad valorem taxes, fees and charges, and water and/or wastewater revenues as a financing mechanism for development of land.

Under the current process, the City consents to the formation of a district by approval of a consent ordinance, a consent agreement, strategic partnership agreement, and if necessary, a utility construction agreement. These agreements among the City, the petitioners seeking formation of the district and the district itself establish a detailed set of requirements and policy statements governing the construction within, operation of and issuance of bonds by that district.

Under the strategic partnership with the district, the district may be annexed separately and dissolved by the City. Upon annexation and dissolution of a district, the City would assume the district's outstanding debts and other obligations, which pursuant to State law would become payable from ad valorem taxes levied and collected within the City, water and/or wastewater utility revenues and, in some cases, a surcharge fee assessed by the City to utility users within the boundaries of the annexed district. Upon annexation, the City is empowered to issue any authorized but unissued bonds of the district and to use the proceeds for improvements within the annexed district. Alternatively, some types of districts may be annexed, but not dissolved. In those instances, the City would be required only to provide services that the district does not provide and the City would not assume the district's outstanding debt.

The City has annexed multiple MUDs since December 1997. At the time of annexation, these MUDs are converted to retail customers and the City assumes their outstanding utility system debt, if any.

In February 2011, the City Council approved a resolution that superseded the existing resolution with regard to the policy and general criteria under which the City Council will consider requests to create MUDs. The policy states that the City Council shall consider the following criteria: adherence to the comprehensive plan; extension of public infrastructure with MUD or developer financing; affordable housing; environmental improvement; public transportation facilities; open space; green building; development standards; amenities; school and public safety sites; City provision of water and wastewater services; and financial viability.

The City's MUD policy provides for consideration of extraordinary public benefits, superior development, and enhancement of other City interests when negotiating a consent agreement. Ten new MUDs were subsequently created; during the 2011 and 2013 legislative sessions, conditioned upon the City entering into a consent agreement with each existing MUD at that time. Each MUD's enabling legislation also allows continuation of the district as a "limited district" (to operate and maintain certain assets such as parks or enforce deed restrictions) after full-purpose annexation by the City if the district and the City enter into a strategic partnership agreement. If the City did not consent to the creation of the district or enter into such agreements as are required by the terms of the City's consent ordinance, the MUDs would have been dissolved.

Following staff and board and commission review, in March 2012, the City Council conducted public hearings and approved ordinances consenting to the creation of the nine MUDs. Subsequently, the City Council conducted public hearings regarding a strategic partnership agreement with each of the MUDs and executed Strategic Partnership Agreements with each of the nine MUDs.

In 2015 and 2017, the City annexed two additional MUDs and assumed their outstanding utility system debt.

Water Reuse Facilities

The City has implemented a water reclamation initiative to develop facilities and processes to make purified wastewater effluent available for irrigation, manufacturing, toilet flushing, and cooling uses. The water reuse facilities operated as part of the Water and Wastewater System include three pump stations, two pressure zones with a boosted area, four water storage facilities with 7.5 MG in storage, and 72.8 miles of mains. An additional 10.2 miles of mains are in design or under construction. The water reuse facilities presently serve a total of 152 metered customers.

Customer demand is highly dependent on weather conditions. In calendar year 2019, customers used 1.60 billion gallons of reclaimed water. Efforts to promote the use of reclaimed water focus on existing large-volume commercial and industrial potable water users that can convert a portion of their use of treated potable water to reclaimed water. The water reuse facilities extend from the eastern edge of the City, where the reclaimed water originates at the wastewater treatment plants, to the center of the City, where most of the reclaimed water customers are located.

Water and Wastewater Rates

As a result of persistent drought conditions affecting the service area of the Water and Wastewater Utility, significant water use restrictions were imposed on the customers served by the Water and Wastewater Utility beginning in September 2011. These water use restrictions achieved their intended effect, as water use has declined significantly since their imposition; however, water use declined more than forecasted by the Water and Wastewater Utility for fiscal years 2012 through 2014, which resulted in lower than forecasted Gross Revenues during that period. See "WATER SYSTEM – Water Use Management Plan and LCRA Water Management Plans" in this document.

In fiscal year 2014, the Water and Wastewater Utility implemented a fixed revenue goal of 20%, new volumetric rates and block intervals. A revenue stability reserve fund (the "Water Revenue Stability Reserve Fund") was established to help cover costs during extreme weather or economic events. The Water Revenue Stability Reserve Fund is an account within the Water Fund that is funded by a volumetric surcharge applied both to retail and wholesale monthly bills, which became effective in February 2013. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water

Service Rates" in this document. The Water Revenue Stability Reserve Fund exists separate and distinct from the Water and Wastewater Utility Reserve Fund established by the Water and Wastewater Utility Master Ordinance. The target funding level for the Water Revenue Stability Reserve Fund is 120 days of the budgeted water operating requirements of the Water and Wastewater Utility, which includes operations and maintenance, and other operating transfers, but excludes debt service and other transfers. In the event that any portion of the Water Revenue Stability Reserve Fund is used, the balance will be replenished to the target level within 5 years. Upon creation of the Water Revenue Stability Reserve Fund, the goal to reach the target funding level of 120 days of budgeted water operating requirements was no later than 5 years. If the fund is drawn down prior to reaching the 120 day target during the first 5-year development period, the reserve fund surcharge shall not be lower than it was during the year in which the draw down occurred until such time as the fund reaches its 120 days of operating costs. Moneys in the Water Revenue Stability Reserve Fund are Gross Revenues of the Water and Wastewater Utility under the Master Ordinance. The Water Revenue Stability Reserve Fund cannot be used for purposes other than for water operating purposes of the Water and Wastewater Utility, is primarily intended to pay operating expenses or debt service on Parity Water/Wastewater Obligations related to water purposes, and may only be used to offset current year shortfalls in gross revenues of water operations that exceed 10% of budgeted levels. The City Council must approve any use of funds in the Water Revenue Stability Reserve Fund, no more than 50% of the balance would be used in any one year, and, if used, the Water Revenue Stability Reserve Fund balance will be replenished to the 120-day level within a five-year period.

As of June 30, 2020, the balance of the Water Revenue Stability Reserve Fund was $49.9 million and fully funded. The balance of the Water Revenue Stability Reserve Fund is forecasted to be $51.0 million by September 30, 2020. No assurance can be given that these forecasted balances will remain at the 120-day goal; however, the volumetric surcharge for the Water Revenue Stability Reserve Fund has been reduced to a level to maintain the 120 days of Operating Expenses funding goal. As of the date of this document, the Water and Wastewater Utility has not drawn any moneys from the Water Revenue Stability Reserve Fund. Notwithstanding the foregoing policy restrictions of the City currently in effect with respect to the use of moneys within the Water Revenue Stability Reserve Fund, the provisions of the separate Water and Wastewater Master Ordinance regarding the use of moneys on deposit in the Water Fund (including the Water Revenue Stability Reserve Fund therein) govern and control.

As the financial position of the Water and Wastewater Utility continues to improve, the Water and Wastewater Utility implemented a 4.8% combined rate reduction for the fiscal year ending September 30, 2018. Additionally, in its efforts to maintain level debt service costs, the Water and Wastewater Utility has defeased portions of outstanding Parity Water/Wastewater Obligations; the defeasances, which were funded with Capital Recovery Fee collections and operating funds, have allowed the Water and Wastewater Utility to realize approximately $156.1 million in net present value savings in the last three fiscal years. As a result of continued debt management efforts, the Water and Wastewater Utility implemented a zero-percent rate increase for FY 2018-2019 for the first time in several years.

While projected gross revenues of the Water and Wastewater Utility have declined since the imposition of the water use restrictions in September 2011, there has not been an unanticipated increase in debt service on Parity Water/Wastewater Obligations or in operating expenses of the Water and Wastewater System since fiscal year 2012, when the water use restrictions were imposed. The Water and Wastewater Utility prepares a five-year financial forecast each year as part of the City's forecast and budget development process, which includes a City Council-approved policy to forecast gross revenues and operating expenses that will provide for at least 1.5 times debt service coverage for the Parity Water/Wastewater Obligations by Net Revenues of the Water and Wastewater System. The proposed fiscal year 2021 budget prepared by the Water and Wastewater Utility in May 2020 projects debt service coverage levels in fiscal year 2020 of 1.71 times debt service coverage, increasing to 1.74 times debt service coverage by fiscal year 2021; the forecasted coverage levels assume that rate increases will be implemented at various times during the forecast period. No assurance can be given that these debt service coverage levels will be achieved.

On April 9, 2020 and in response to the impact of the Pandemic, the City Council approved a 10% rate reduction of tiers 1, 2 and 3 for water volume rates and tiers 1 and 2 for wastewater volume rates, for both of the CAP customer rates and residential Non-CAP customer rates. These temporary rates will be effective through October 31, 2020. The current Non-CAP rates that were effective November 1, 2019, will resume effective November 1, 2020. The CAP customer 10% rate reduction will remain in effect throughout FY 2021 (See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Retail Service Rates" in this document).

Any increase in the rates, charges or fees for water and wastewater services furnished by the Water and Wastewater System must be approved by the City Council. As a result of the Water and Wastewater Utility's annual budgeting process for the 2021 fiscal year, a zero-percent rate increase was approved for a majority of the retail customer rates except for non-CAP rates, which will return to pre-COVID 19 rates. Any rate increase approved by City Council as part of the fiscal year 2021 approved budget the rates would not take effect prior to November 1, 2020. The City is committed to complying with the agreements and covenants of the City in the Prior Subordinate Lien Ordinance and the Master Ordinance with respect to establishing, maintaining and collecting rates, charges and fees for water and wastewater services furnished by the Water and Wastewater System. See "DESCRIPTION OF THE BONDS – Bondholders' Remedies," "SECURITY FOR THE BONDS – Rate Covenant Required by Prior Subordinate Lien Obligations" and "– Rate Covenant Required by Master Ordinance" in this document. See also, Section 4 of "APPENDIX C – SUMMARY OF CERTAIN MASTER ORDINANCE PROVISIONS" and "Rates and Charges" in "APPENDIX D – SELECTED MODIFIED PROVISIONS FROM ORDINANCES RELATING TO PRIOR SUBORDINATE LIEN OBLIGATIONS" in this document.

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The following schedules present the monthly retail and wholesale customer water and wastewater rates.

Water Service Rates (Effective as of April 10, 2020)

Monthly Customer Charges

Customer Account Charge	Meter Size	Retail Equivalent Meter Charge per Month (1)	Multifamily Charge per Month (2)	Commercial Charge per Month (2)
Retail Customer Account Charge($/Month)	5/8	$7.25	$12.50	$8.75
	3/4	10.60	21.00	15.00
	1	13.60	33.00	23.00
	1½	15.50	42.00	29.00
	2	25.40	83.00	58.00
	3	75.10	292.00	204.00
	4	124.80	500.00	350.00
	6	253.80	1,042.00	729.00
	8	482.20	2,000.00	1,400.00
	10	760.20	3,167.00	2,217.00
	12	998.40	4,167.00	2,917.00

Volumetric Surcharge

	Retail per 1,000 Gals. (3)	Wholesale per 1,000 Gals. (3)
Water Revenue Stability Reserve Fund Surcharge	$0.05	$0.10

	Wholesale per 1,000 Gals. (5)
Community Benefit Charge	$0.15

Residential Monthly Tiered Minimum Charge	Min. Charge per Month (4)
0 – 2,000 Gallons	$ 1.25
2,001 – 6,000 Gallons	3.55
6,001 – 11,000 Gallons	9.25
11,001 – 20,000 Gallons	29.75
20,001 – Over Gallons	29.75

Large Volume Fixed Minimum Charge	Min. Charge per Month (2)
NXP - Ed Bluestein (formerly Freescale)	$29,250.00
NXP - W. William Cannon (formerly Freescale)	21,400.00
Samsung	121,100.00
Skorpios (formerly Novati)	4,250.00
Cypress (formerly Spansion)	22,800.00
University of Texas	16,350.00

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(1) Charge is applied to all customer classes.
(2) Fee is charged in addition to the Retail Equivalent Meter Charge.
(3) Surcharge is assessed to all water customers per 1,000 gallons of water billed for the billing period to fund the Water Revenue Stability Reserve Fund. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates" in this document.
(4) Fee charge per 1,000 gallons of water and wastewater billed for the billing period to fund the CAP. Fee only applies to retail customers.
(5) Fee is charged in addition to the Retail Equivalent Meter Charge and is applied based on the total billed consumption for the billing period as it falls within the rate block, not as a volumetric charge per 1,000 gallons.

Source: Austin Water.

Volume Unit Charge (1)

	Charge per 1,000 Gals.
Single-Family Residential (Non-CAP) (2)	
0 – 2,000 Gallons	$ 2.60
2,001 – 6,000 Gallons	4.33
6,001 – 11,000 Gallons	7.51
11,001 – 20,000 Gallons	12.70
20,001 – Over Gallons	14.21
Single-Family Residential (CAP) (2)	
0 – 2,000 Gallons	1.23
2,001 – 6,000 Gallons	3.65
6,001 – 11,000 Gallons	4.53
11,001 – 20,000 Gallons	11.51
20,001 – Over Gallons	14.21
Multifamily (3)	
Off Peak	4.53
Peak	5.00
Commercial (3)	
Off Peak	5.27
Peak	5.66
Large Volume (3)	
NXP – Ed Bluestein (formerly Freescale)	
Off Peak	4.67
Peak	5.16
NXP – W. William Cannon (formerly Freescale)	
Off Peak	4.73
Peak	5.23
Samsung	
Off Peak	4.69
Peak	5.18
Skorpios (formerly Novati)	
Off Peak	4.96
Peak	5.48
Cypress (formerly Spansion)	
Off Peak	5.00
Peak	5.52
University of Texas	
Off Peak	5.27
Peak	5.66

(1) Wholesale unit charges vary between $2.59 and $5.09 per 1,000 gallons.
(2) The City has approved an inclining block rate structure to promote water conservation for Single Family Residential customers. These rates will be administered on the basis of 100 gallon increments. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates" in this document.
(3) Off Peak: November 1 – June 30 bills. Peak: July 1 – October 31 bills.
Source: Austin Water.

Wastewater Service Rates (Effective as of April 10, 2020)

Customer Account Charge

	Retail Customers	Wholesale Customers
Customer Account Charge ($/month)	$10.30	$10.30

Community Benefit Charge

Charge per 1,000 Gallons (3)
$0.15

Volume Unit Charge (1)

	Unit Cost per 1,000 Gallons (2)
Retail	
Single-Family	
0 - 2,000 Gallons	$ 4.37
2,001 - Over Gallons	8.95
Single-Family Customer Assistance Program (3)	
0 - 2,000 Gallons	$ 3.11
2,001 - Over Gallons	7.90
Multifamily	$ 8.93
Commercial	$ 8.95
Large Volume:	
NXP – Ed Bluestein (formerly Freescale)	$ 7.74
NXP – W. William Cannon (formerly Freescale)	8.52
Samsung	8.66
Novati (formerly Sematech)	7.75
Spansion	7.90

(1) Wholesale unit charges vary between $3.80 and $5.71 per 1,000 gallons.
(2) Applied to average water consumption during December, January and February billing periods, or actual water consumption, whichever is lower.
(3) Fee is charged per 1,000 gallons of wastewater billed for all retail customers.
Source: Austin Water.

The combined water and wastewater minimum charge and volumetric service rates effective as of November 1, 2019 were unchanged from the prior year.

Wholesale and Outside City Rate Challenges

The City Council has original jurisdiction over Water and Wastewater rates. State law, however, does allow water districts and any customers outside city boundaries to appeal the City's water and wastewater rates to the PUCT.

On April 12, 2013, four of the Water and Wastewater Utility's wholesale water customers submitted a water rate petition challenging the City's wholesale water rates to the TCEQ. In their petition, the four wholesale customers (North Austin MUD, Northtown MUD, Travis County WCID #10 (Westlake), and Wells Branch MUD) alleged that the City's wholesale rates were not just or reasonable. The petition alleged the new rates disproportionately increased the monthly fixed charges; collected for costs unrelated to water service; discouraged conservation; and unfairly burdened commercial and large volume customers. The petition also asked the TCEQ to set interim rates while the appeal was pending.

The TCEQ reviewed the petition and recommended referral to the State Office of Administrative Hearings. The hearing concluded in February 2015 and the City received a final ruling from the PUCT in November 2015, which found in favor of the petitioners. The City filed a Motion for Rehearing with the PUCT, which was denied in February 2016. Subsequently, the City filed an appeal in Travis County District Court in March 2016. A hearing in the Travis County District Court was held in May 2017. In the final letter decision, the District Court Judge affirmed the PUCT final order.

The four wholesale water customers represented $6.2 million, or 2.2%, of the approximate $287.4 million annual water revenue for fiscal year 2020. The final ruling in favor of the petitioners does not have a significant revenue impact to the Water and Wastewater Utility.

On April 15, 2019, Austin Water filed an application to the PUCT for authority to change water and wastewater rates for the four wholesale water petitioners. The City withdrew this application on December 2, 2019. The case was dismissed on January 10, 2020.

Water and Wastewater Capital Recovery Fees

On September 3, 1982, the City Council adopted an ordinance under which all new non-industrial and non-commercial customers of the Water and Wastewater System must pay a Capital Recovery Fee at the time that the customer's new tap is purchased. The fee has been revised a number of times since that date and is currently applied to all connections added to the Water and Wastewater System unless expressly waived by the City Council. In 1989, the City Council appointed an Impact Fee Advisory Committee and reauthorized the Capital Recovery Fee in compliance with procedures and methodology established by State law. The total Water and Wastewater Capital Recovery Fee was implemented August 5, 1999 and was revised effective October 1, 2018. The revised fees are shown below, and under the terms of the Water and Wastewater System Master Ordinance, such fees do not constitute gross revenues of the Water and Wastewater System. There are a number of express exemptions from payment of these fees. The City's policy is to use Capital Recovery Fee receipts to either service debt, defease debt or finance growth-related capital improvement projects, thus reducing the amount required to be debt financed and saving the Water and Wastewater System the related financing costs. The fees listed below are based on one service unit (5/8" meter).

Fees for lots that were platted between October 1, 2007 and December 31, 2013.

	Water	Wastewater	Total
Drinking Water Protection Zone in the City's extraterritorial jurisdiction	$2,500	$1,400	$3,900
Drinking Water Protection Zone in the City limits	2,200	1,200	3,400
Desired Development Zone in the City's extraterritorial jurisdiction	1,800	1,000	2,800
Desired Development Zone in the City limits	1,000	600	1,600
Urban watersheds	800	500	1,300
Central urban redevelopment combining district area and the area bounded by Lady Bird Lake, Lamar Boulevard, 15th Street, and IH-35	700	400	1,100
Outside of City's extraterritorial jurisdiction	2,500	1,400	3,900

Fees for lots that were platted on or after January 1, 2014 and before October 1, 2018.

	Water	Wastewater	Total
All Areas	$5,400	$2,200	$7,600

Fees for lots that were platted on or after October 1, 2018.

	Water	Wastewater	Total
All Areas	$4,700	$2,500	$7,200

Analysis of Water Bills

	Fiscal Year Ended September 30				
	2015	2016	2017	2018	2019
Average Monthly Bill Per Customer - Water					
Residential (1)	$43.16	$46.60	$50.41	$49.83	$43.67
Multifamily (1)	820.44	946.79	882.93	766.84	704.57
Commercial (1)	343.17	369.49	400.44	359.50	320.16
Large Volume	260,155.12	306,025.68	335,060.66	317,821.74	297,756.97
City Departments	683.60	653.55	660.28	653.60	612.03
Average Monthly Bill – Above Customers	$94.84	$104.61	$109.90	$101.95	$90.88
Sales to Other Water Utilities (2)	$42,146.05	$44,412.60	$47,174.74	$47,910.10	$42,926.88
Average Monthly Bill – All Customers	$98.26	$107.95	$113.39	$105.44	$93.96
Average Monthly Use in 1,000 Gallons – Water					
Residential (1)	5.77	5.78	5.86	5.84	5.24
Multifamily (1)	128.84	135.75	124.12	127.55	123.67
Commercial (1)	45.45	47.27	50.64	49.77	46.64
Large Volume	42,053.37	48,701.32	51,286.38	51,997.13	52,294.19
City Departments	89.16	82.47	81.16	91.59	89.69
Average Monthly Use – Above Customers	13.33	13.86	14.01	13.96	13.03
Sales to Other Water Utilities (2)	10,588.02	12,092.58	13,046.12	12,930.25	11,264.47
Average Monthly Use – All Customers	14.19	14.77	14.98	14.90	13.84
Average Revenue Per 1,000 Gallons – Water					
Residential (1)	$7.48	$8.07	$8.60	$8.54	$8.33
Multifamily (1)	6.37	6.97	7.11	6.01	5.70
Commercial (1)	7.55	7.82	7.91	7.22	6.86
Large Volume	6.19	6.28	6.53	6.11	5.69
City Departments	7.67	7.92	8.14	7.14	6.82
Average Revenue – Above Customers	$7.11	$7.55	$7.84	$7.30	$6.97
Sales to Other Water Utilities (2)	$3.98	$3.67	$3.62	$3.71	$3.81
Average Revenue – All Customers	$6.92	$7.31	$7.57	$7.08	$6.79

(1) Inside and Outside City-limit customers combined.
(2) Includes all Wholesale customers.
Source: Austin Water.

Analysis of Wastewater Bills

	Fiscal Year Ended September 30				
	2015	2016	2017	2018	2019
Average Monthly Bill Per Customer – Wastewater					
Residential (1)	$36.35	$38.63	$40.02	$38.41	$35.34
Multifamily (1)	1,172.57	1,237.57	1,209.90	1,175.46	1,135.09
Commercial (1)	395.74	411.21	457.33	431.66	413.43
Large Volume	224,832.98	273,628.93	299.070.91	330,416.09	299,193.33
City Departments	450.32	361.80	522.17	446.47	383.47
Average Monthly Bill – Above Customers	$89.62	$96.03	$100.28	$96.14	$89.63
Sales to Other Utilities (2)	$55,611.39	$47,413.06	$49,785.58	$52,040.32	$54,713.65
Average Monthly Bill – All Customers	$92.27	$98.48	$102.81	$98.74	$92.32
Average Monthly Use in 1,000 Gallons – Wastewater					
Residential (1)	$3.88	$3.87	$3.84	$3.79	$3.53
Multifamily (1)	132.58	133.96	126.89	126.62	125.95
Commercial (1)	43.79	43.52	47.06	45.77	45.04
Large Volume	29,135.26	33,944.97	35,456.50	40,110.14	37,394.54
City Departments	47.91	36.50	51.26	47.40	41.70
Average Monthly Use – Above Customers	$9.97	$10.17	$10.25	$10.12	$9.65
Sales to Other Utilities (2)	$ 10,020.74	$9,749.92	$10,391.34	$10,174.46	$9,934.19
Average Monthly Use – All Customers	$10.45	$10.68	$10.78	$10.62	$10.14
Average Revenue Per 1,000 Gallons – Wastewater					
Residential (1)	$9.36	$9.97	$10.43	$10.14	$10.01
Multifamily (1)	8.84	9.24	9.53	9.28	9.01
Commercial (1)	9.04	9.45	9.72	9.43	9.18
Large Volume	7.72	8.06	8.43	8.24	8.00
City Departments	9.40	9.91	10.19	9.42	9.20
Average Revenue – Above Customers	$8.99	$9.44	$9.79	$9.50	$9.29
Sales to Other Utilities (2)	$5.55	$4.86	$4.79	$5.11	$5.51
Average Revenue – All Customers	$8.83	$9.22	$9.54	$9.29	$9.10

(1) Inside and Outside City-limit customers combined.
(2) Includes all Wholesale customers.
Source: Austin Water.

COMPARATIVE ANALYSIS OF ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM OPERATIONS OCTOBER 1, 2015 TO SEPTEMBER 30, 2019

(in thousands rounded)

	Fiscal Year Ended September 30				
INCOME	2019	2018	2017	2016	2015
Revenue	$2,031,435	$1,998,556	$1,974,948	$1,941,815	$ 1,876,350
Operating Expense	(1,366,470)	(1,334,151)	(1,252,196)	(1,207,225)	(1,186,590)
Balance Available for Debt Service	664,965	664,405	722,752	734,590	689,760
Depreciation and Amortization Expense	(327,840)	(290,323)	(284,451)	(272,769)	(264,896)
Earnings Before Interest Expense	337,125	374,082	438,301	461,821	424,864
Interest Incurred on Debt	(148,596)	(148,659)	(163,851)	(168,956)	(160,881)
Other	(11,113)	(13,061)	(12,505)	(748)	(4,802)
INCOME (LOSS) BEFORE TRANSFERS (1) (2) (3) (4)	$177,416	$212,362	$261,945	$ 292,117	$ 259,181
PERCENTAGES					
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expense	(67.27%)	(66.76%)	(63.40%)	(62.17%)	(63.24%)
Balance Available for Debt Service	32.73%	33.24%	36.60%	37.83%	36.76%
Depreciation and Amortization Expense	(16.14%)	(14.53%)	(14.40%)	(14.05%)	(14.12%)
Earnings Before Interest Expense	16.60%	18.72%	22.19%	23.78%	22.64%
Interest Incurred on Debt	(7.31%)	(7.44%)	(8.30%)	(8.70%)	(8.57%)
Other	(0.55%)	(0.65%)	(0.63%)	(0.04%)	(0.26%)
INCOME (LOSS) BEFORE TRANSFERS	8.73%	10.63%	13.26%	15.04%	13.81%

(1) Income before transfers to the General Fund and Other Funds for the 12 months ended September 30, 2019, are as follows (in thousands rounded):

Transfer to General Fund	$157,586
Transfers to Other Funds	$12,815

(2) Excludes Combined Utility Funds' deferred costs recovered in future years of ($46,716) for the 12 months ended September 30, 2019 (in thousands rounded).

(3) Excludes capital contributions of $122,243 for the 12 months ended September 30, 2019 (in thousands rounded).

(4) Excludes other post-employment benefits ("OPEB") and net pension liability accruals. These amounts for the 12 months ended September 30, 2019 were $30,950 and $44,823, respectively (in thousands rounded).

Source: City Controller's Office.

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OPERATING STATEMENT
ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM
(in thousands, rounded)

	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
REVENUE					
ELECTRIC UTILITY					
Domestic and Rural Residential	$499,861	$489,985	$456,576	$321,985	$332,685
Commercial General	745,974	711,457	719,532	861,208	853,546
Sales to Other Utilities	47,092	50,482	44,331	42,119	27,798
Transmission	81,734	78,616	78,049	75,926	74,332
Rent from Electric Property	7,736	3,620	3,204	3,750	2,269
Customers' Forfeited Discounts and Penalties	5,540	5,966	5,424	6,352	6,854
Miscellaneous	$59,362	$60,397	$55,016	$58,887	$53,953
Total Electric Utility	$1,447,299	$1,400,523	$1,362,132	$1,370,227	$1,351,437
WATER UTILITY					
Water Services	275,095	290,868	312,491	290,646	$267,164
Miscellaneous Revenue	8,444	6,528	5,458	2,607	2,168
Revenue Stability Fee	1,901	4,850	5,098	7,223	6,905
Reserve Fund Surcharge	-	-	-	-	-
Reclaimed Revenue	2,013	1,936	1,515	1,384	944
Total Water Utility	$287,453	$304,182	$324,562	$301,860	$277,181
WASTEWATER UTILITY					
Wastewater Services	258,349	265,798	271,715	257,161	$237,553
Miscellaneous Revenue	5,769	5,086	2,803	2,813	2,257
Reclaimed Revenue	-	-	-	-	-
Total Wastewater Utility	$ 264,118	$ 270,884	$274,518	$259,974	$239,810
Interest	$32,565	$22,967	$13,736	$9,754	$7,922
TOTAL REVENUE	$2,031,435	$1,998,556	$1,974,948	$1,941,815	$1,876,350

Source: City Controller's Office.

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OPERATING STATEMENT
ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM – (Continued)
(in thousands rounded)

EXPENSE	2019	2018	2017	2016	2015	
ELECTRIC UTILITY						
Production	$208,231	$179,981	$173,860	$215,562	$ 225,269	(3)
Joint Facility Production	189,141	218,373	162,343	162,166	169,435	(3)
System Control	21,490	26,454	19,423	19,371	16,989	
Transmission and Distribution	198,816	193,291	188,583	176,675	166,016	
Jobbing and Contract Work	2,222	1,625	1,207	1,207	645	
Customer Accounting and Collection	25,457	9,515	16,203	15,946	15,501	
Customer Services	24,948	27,435	28,928	25,521	4,391	
Administrative and General	435,161	427,253	428,057	373,320	380,038	
Total Electric Utility	$1,105,466	$1,083,927	$1,018,604	$989,768	$978,284	
WATER UTILITY						
Operations (1)	$71,373	$68,108	$-	$-	$-	
Treatment (1)	-	-	37,456	37,835	$35,593	
Pipeline Operations (1)	-	-	26,547	23,795	23,169	
Engineering Services	5,572	4,512	3,876	3,296	3,472	
Water Resources Management	3,901	3,586	3,923	3,733	3,699	
Environmental Affairs & Conservation	7,496	7,780	7,264	7,880	7,486	
Support Services - Utility	21,899	14,168	12,571	11,444	11,022	
One Stop Shop	0	164	294	225	264	
Reclaimed Water Services	1,312	534	526	(2,989)	(1,609)	
Other Operating Expenses	27,580	31,814	31,290	31,577	30,155	
Total Water Utility	$139,133	$130,666	$123,747	$116,796	$$113,251	
WASTEWATER UTILITY						
Operations (1)	$ 65,585	$ 62,412	$-	$-	$-	
Treatment (1)	-	-	40,911	38,544	$36,132	
Pipeline Operations	-	-	18,825	17,048	16,972	
Engineering Services	6,936	7,200	6,317	5,263	4,966	
Water Resources Management	4,673	4,427	4,526	4,150	3,911	
Environmental Affairs & Conservation	3,013	3,088	2,819	2,925	2,911	
Support Services - Utility	21,791	13,767	12,821	11,454	10,769	
One Stop Shop	-	-	441	361	346	
Other Operating Expenses	19,873	28,664	23,185	20,916	19,048	
Total Wastewater Utility	$ 121,871	$ 119,558	$ 109,845	$ 100,661	$ 95,055	
TOTAL EXPENSE (2)	$ 1,366,470	$1,334,151	$1,252,196	$1,207,225	$1,186,590	
NET REVENUE AVAILABLE FOR DEBT SERVICE	$664,965	$ 664,405	$ 722,752	$ 734,590	$ 689,760	
Electric Customers	496,258	485,204	472,701	469,534	457,750	
Water Customers	239,291	235,174	231,014	227,432	223,162	
Wastewater Customers	225,940	221,862	217,794	214,373	212,260	

(1) 'Treatment' and 'Pipeline Operations' line items were combined and reclassified as 'Operations' beginning in fiscal year 2018.
(2) Interest expense, depreciation, amortization, other non-operating items, net pension liability and OPEB accrual are not included in total expense.
(3) Reclassification of expenses from 'Production' to 'Joint Facility Production.'
Source: City Controller's Office.

DISCUSSION OF OPERATING STATEMENT

Austin Energy Revenues

Variations in total Austin Energy revenues for the fiscal years ("FY") ended September 30, 2015 through September 30, 2019 were attributable to changes in cost of fuel for power generation and weather variations. Total fuel costs are passed through to the consumer.

Water and Wastewater System Revenues

Variations in Water and Wastewater System revenues for the period FY15 through FY19 were largely attributable to weather and system rate changes, including imposition of Stage 2 watering restrictions beginning in September 2011. See "WATER SYSTEM – Water Use Management Plan and LCRA Water Management Plans" and "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates" in this document.

Austin Energy Expenses

Changes in Austin Energy expenses for the period FY15 through FY19 were largely attributable to changes in the cost of fuel for power generation and general inflationary increases in other expense categories.

Water and Wastewater System Expenses

Changes in Water and Wastewater System expenses for the period FY15 through FY19 were primarily attributable to inflationary increases in the cost of power and chemicals, along with system growth.

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The Electric Utility System and Water and Wastewater System (000's)

	2019	2018	2017	2016	2015
Plant Cost					
Utility Systems					
Electric	$6,179,413	$5,574,059	$5,428,545	$5,288,802	$5,141,259
Water	2,983,187	2,903,016	2,817,554	2,736,990	2,663,637
Wastewater	2,698,343	2,616,571	2,529,448	2,416,799	2,352,947
Total Cost	$11,860,943	$11,093,646	$10,775,547	$10,442,591	$10,157,843
Allowance for Depreciation:					
Electric	3,175,348	2,978,260	2,827,731	2,678,849	$2,537,491
Water	926,457	869,971	811,230	752,394	701,383
Wastewater	1,123,127	1,060,395	996,455	935,782	876,532
Total Depreciation	$5,224,932	$4,908,626	$4,635,416	$4,367,025	$4,115,406
Cost after Depreciation	$6,636,011	$6,185,020	$6,140,131	$6,075,566	$6,042,437
Equity in Utility Systems					
Utility Systems	$11,860,943	$11,093,646	$10,775,547	$10,442,591	$10,157,843
Plus: Inventories, Materials and Supplies (1)	66,269	55,025	53,528	55,187	51,884
Net Construction Assets and Unamortized Bond Issue Cost	148,739	109,641	104,331	114,533	164,690
	$12,075,951	$11,258,312	$10,993,406	$10,612,311	$10,374,417
Less:					
Allowance for Depreciation	$5,224,932	$4,908,626	$4,635,416	$4,367,025	$4,115,406
Utility Systems, Net	$6,851,019	$6,349,686	$6,297,990	$6,245,285	$6,259,012
Revenue Bonds and Other Debt Outstanding (2)	$4,487,193	$3,979,273	$4,011,156	$4,014,446	$4,076,665
Net Debt	$4,487,193	$3,979,273	$4,011,156	$4,014,446	$4,076,665
Equity in Utility Systems	$2,363,826	$2,370,413	$2,286,834	$2,230,840	$2,182,346
Percentage of Equity in Utility Systems	34.50%	37.33%	36.31%	35.72%	34.87%

(1) Does not include fuel, oil or coal inventories of approximately $15.5 million at September 30, 2019. Consists primarily of spare parts inventory at Fayette Plant and South Texas Project.

(2) Includes Revenue Bonds and Tax and Revenue Bonds of $3,716,796 (net of discounts and inclusive of premiums); Capital Lease Obligations of $934; Commercial Paper of $254,767; General Obligation Bonds of $2,977; and Contractual Obligation Bonds of $3,799.

Source: City Controller's Office

LITIGATION

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

On May 3, 2017, Data Foundry, Inc., filed a lawsuit against the City (Cause No. D-1-GN-17-000937 in the 419th Judicial District Court of Travis County, Texas), alleging that the ERCOT nodal market design disqualifies the City's electric generation assets from being considered as used and useful for the purpose of establishing rates for electric service to the City's retail customers, and otherwise challenging the reasonableness of the City's rate of return and debt service coverage levels. The lawsuit seeks declaratory relief that the City's current retail electric rates are unlawful due to the inclusion of costs and return related to generation assets, and seeks a permanent injunction against the City's establishing electric rates that include costs and return related to generation assets and operations. The case was dismissed by the trial court on November 27, 2017 on the basis that the plaintiff lacked standing to bring a lawsuit challenging the City's rates. Data Foundry appealed the trial court's decision to the 14th Court of Appeals in Houston (Cause No. 14-18-00071-CV). On April 23, 2019, the appellate court partially upheld the trial court's dismissal of the case, holding that the City's inclusion of generation costs in retail rates was proper and dismissing other claims, but remanded the remainder of the case on the grounds that municipal utility ratepayers have general standing to bring suit alleging the excessiveness of utility rates on certain grounds. Both parties are currently seeking review of the appellate decision by the Texas Supreme Court in Cause No. 19-0475.

THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its Home Rule Charter. The City Council is comprised of an eleven-member council, with the Mayor elected at-large, and the remaining members elected from ten single-member districts. Councilmembers, including the Mayor, serve a four-year term, with the terms staggered so that every two years five of the councilmembers and the Mayor stand for election, and five councilmembers stand for election two years later. See "APPENDIX A – GENERAL INFORMATION REGARDING THE CITY – General Information" in this document.

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

City Manager – Spencer Cronk

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

Deputy City Manager – Nuria Rivera-Vandermyde

Nuria Rivera-Vandermyde was appointed Deputy City Manager in October 2019 and oversees the Government that Works for All outcome. See "APPENDIX A – GENERAL INFORMATION REGARDING THE CITY – General Information" in this document. She is an attorney by profession and brings over 20 years of executive experience in both the public and private sectors to her role. Prior to joining the City, she served as City Coordinator for the City of Minneapolis, after serving previously as the Deputy City Coordinator and the Director of Regulatory Services for the City of Minneapolis. In her role in the City Coordinator's Office – the department charged with providing leadership and direction in the management of city government – Ms. Rivera-Vandermyde assisted the Mayor and City Council in defining city policy and establishing priorities, mobilized departments to implement the Mayor and Council's priorities, and worked to strengthen the management and administrative systems of the city. She helped ensure major citywide projects were aligned across the enterprise and had direct oversight responsibilities for the following departments: 311, 911, Convention Center, Communications, Emergency Management, Finance and Property Services, Human Resources, Information Technology, Intergovernmental Relations, and Neighborhood and Community Relations. Key highlights of her accomplishments during her tenure at the city include leading the city's Minimum Wage and Safe & Sick Leave ordinances, creation of the city's first division of Race and Equity, passage of the city's first Strategic and Racial Equity Action Plan, development of the city's first supplier diversity spend dashboard, overhaul of the city's performance management and innovation programs, development of the city's comprehensive tiered licensing system, code rewrite for the city's animal care ordinance, establishment of the city's first Transgender Equity Council, and the successful transition of the city's first major homeless encampment to a service-rich Navigation Center for over 175 residents. Ms. Rivera-Vandermyde has served on a number of community boards and organizations including HousingLink, a nonprofit organization dedicated to connecting low-to-moderate income families to affordable housing choices, and was named one of Bloomberg Philanthropies "Data-driven Women to Watch" in 2018. A native of Puerto Rico, Ms. Rivera-Vandermyde earned her B.A at Amherst College and her J.D. from New York University School of Law. Prior to joining the City of Minneapolis, Ms. Rivera-Vandermyde's experience also included international consulting specializing in judicial and regulatory compliance, oversight of the correctional system in Puerto Rico as Deputy Commissioner, CEO of a non-profit healthcare corporation charged with providing healthcare services to over 14,000 inmates, and private practice experience as a corporate litigator in Boston, MA.

Interim Chief Financial Officer – Mark Dombroski

Mr. Mark Dombroski was appointed to serve as the City's Interim Chief Financial Officer on July 1, 2020, following the planned retirement of Elaine Hart, the City's former Chief Financial Officer. Mr. Dombroski currently serves as the Deputy General Manager and Chief Financial and Risk Officer with Austin Energy where he is responsible for financial management, risk management, and corporate services. Prior to that role, Mr. Dombroski served as the interim General Manager to Austin Energy and supervised the City's power utility that is responsible for providing electricity to more than 450,000 customers. Additionally, he served as the utility's Senior Vice President of Finance and Corporate Services. Before relocating to Austin, Mr. Dombroski was the Director of Finance for Seattle City Light, the 10th largest public utility in the United States. Preceding his career in public administration, Mr. Dombroski served as an Officer in the United States Marine Corps, in addition to earning his undergraduate degree from the University of Texas at Dallas, and his Master of Public Administration degree from Seattle University.

Deputy Chief Financial Officer – Greg Canally

Mr. Greg Canally currently serves as Deputy Chief Financial Officer overseeing the Treasury Office, Purchasing Office and Capital Contract Office, and works 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 through 2008, he was the City's Budget Officer. He is a past member of the 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.

Deputy Chief Financial Officer – Ed Van Eenoo

Mr. Ed Van Eenoo currently serves as Deputy Chief Financial Officer overseeing the Budget Office and the Office of Performance Management within the Financial Services Department. Mr. Van Eenoo was appointed to the position of Deputy Chief Financial Officer in 2013 after serving four years as the Budget Officer for the City. Prior to joining the City, he spent nine years with the City of Chula Vista including time as a Fiscal and Management Analyst, Assistant Director of Budget and Analysis, and four years as the Director of Budget and Analysis. Mr. Van Eenoo received a Bachelor of Science degree in Economics from The University of Eastern Michigan and a Master of Science degree in Applied Economics from Virginia Tech University.

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, maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including electricity (Austin Energy), water and wastewater (Austin Water), airport (Austin-Bergstrom International Airport) and two public event facilities.

Employees

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

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

Annexation Program

Chapter 43 of the Texas Local Government Code regulates annexation of property by Texas municipalities. Under current state law, landowner and/or voter approval is required as part of the process for the annexation of territory into a city. The process varies depending on the characteristics of the area being considered for annexation, generally involving a petition from each landowner, a petition signed by registered voters and owners of land in the area, or an election at which qualified voters approve the proposed annexation. Additionally, the process involves staff review, development of a written service agreement (or regulatory plan for a limited purpose annexation), notification, publication of a newspaper notice, public hearings, and ordinance approval.

Upon approval, the City provides a wide range of services to the annexed area – police and fire protection, emergency medical services, solid waste collection, and maintenance of public facilities such as water and wastewater, roads, streets, and parks. Failure to provide municipal services in accordance with the service plan may provide grounds for a petition and court action to compel compliance with the service plan or to disannex the area, and may also result in a refund of taxes and fees collected for services not provided, however, the City has never been forced to disannex due to such failure.

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

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

The City Charter and the State's annexation laws provide the City with the ability to undertake two types of annexation. "Full purpose" annexation discussed above, annexes territory into the City for all purposes, including the assessment and collection of ad valorem taxes on taxable property. The second type of annexation is known as "limited purpose" annexation by which territory may be annexed for the limited purposes of "Planning and Zoning" and "Health and Safety." Territory so annexed is subject to ordinances relating to these purposes: chiefly, the City's zoning ordinance, building code, and related ordinances regulating land development. Taxes may not be imposed on property annexed for a limited purpose because municipal services are not provided and residents of the area are restricted to voting only in City elections for City Council and Charter amendments.

The following table sets forth (in acres) the annual results of the City's annexations since 2010.

Calendar Year	Full Purpose Acres (1)	Limited Purpose Acres
2010	1,129	2,495
2011	726	0
2012	3,387	3,818
2013	3,484	594
2014	897	136
2015	1,911	3
2016	311	0
2017	1,283	0
2018	136	0
2019	185	166
2020	65	0

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

Recent Annexation

In 2020, the City conducted full purpose annexations of greenfield land at the request of property owners. The 65 acres annexed were proposed for development as residential and light industrial uses.

In 2019, the City annexed for limited purposes several recently acquired and vacant outparcels located in the Pilot Knob MUD development project. Additionally, at the landowner's request, the City annexed for full purposes a 126-acre undeveloped parcel which the landowner plans to develop into a corporate campus.

In 2018, the City annexed and dissolved the Cascades MUD No. 1 at the request of the property owner. At the time of annexation the area was undeveloped and the MUD had not issued any debt. The property owner determined that the proposed Cascades at Onion Creek subdivision could be developed as originally planned without the need for a MUD and the City agreed to annex and dissolve the MUD. The taxable assessed value ("TAV") at the time of annexation was $584,827.

The largest of the 2017 annexations was the River Place MUD area which converted approximately 1,040 acres from the City's limited purpose jurisdiction to full purpose. This area included an estimated population of approximately 3,125 persons. In addition, the City annexed several commercial properties in south Austin. The total TAV for these areas at the time of annexation was $697.2 million.

The City's 2016 annexation program included the full purpose annexation of five areas containing approximately 311 acres. With the exception of a small amount of office/warehouse/commercial uses, these areas were largely undeveloped at the time of annexation. Approved development plans include an additional 651 single-family homes and 97 multi-family units. The TAV for these areas at the time of annexation was approximately $19.3 million.

In 2015 the City annexed eleven areas for full purposes and one area for limited purposes. These areas included an estimated total population of approximately 3,912 persons, mainly within the Lost Creek subdivision. Approved development plans for the remaining areas include an additional 1,944 single-family homes. The TAV for these areas at the time of annexation was approximately $25.4 million.

Future Annexation

Annexations continue to be considered at the request of property owners. No large-scale annexations are currently scheduled in the near future.

Pension Plans

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

As of October 1, 2019, 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 contributions to the pension plans are designed to fund current service costs and to amortize the unfunded actuarial accrued liability. As of December 31, 2019, the amortization period of the unfunded actuarial accrued liability was 40 years for the COAERS, infinite for the Police Retirement System, and 21.9 years for the Fire Fighters Retirement Fund.

The City's net pension liability was measured as of December 31, 2019 for each of the City's three pension plans. Information on the liabilities and funding measurements of each plan is discussed below.

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

As of December 31, 2019, the COAERS reported a total net pension liability of $1.56 billion, of which $325.2 million is allocable to Austin Energy, $162.8 is allocable to Austin Water, and $62.9 is allocable to Aviation. The COAERS' fiduciary net position as a percentage of the total pension liability was 65.2%. The actuarial accrued liability for the COAERS as of December 31, 2019 was $4.49 billion and the funded ratio was 63.5%. 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 $3.99 billion and the funded ratio was 67.6%. Based on an experience study conducted in 2019, COAERS adopted changes to certain plan assumptions that, among other contributing factors, resulted in a decrease in the funded ratio and an increase in the amortization period from 32 years in 2018 to 40 years in 2019. The most significant plan assumption change was a reduction in the investment return assumption to 7.00% from 7.50%.

The COAERS funding policy is to maintain contribution rates sufficient to cover the normal cost of the plan and to amortize any unfunded actuarial accrued liabilities over a period not to exceed 25 years. Currently, the total contribution rate is sufficient to amortize the System's unfunded liabilities in approximately 40 years, an increase from the 32-year amortization period in the previous year. Since 2005, the City has taken certain actions intended to improve the long-term financial health of the COAERS, including increased City contributions, the establishment of a second, lesser benefit tier for new employees hired on or after January 1, 2012 and a reduction in the pension multiplier. The City intends to explore additional plan changes as discussed in more detail below.

Police Retirement System…The members of the Police Retirement System include all cadets, upon enrollment in the Austin Police Academy, commissioned law enforcement officers employed by the City's Police Department, and full-time employees of the Police Retirement System. The Police Retirement System provides retirement, death, and disability benefits to plan members and their beneficiaries. Benefits are vested after 10 years. Retirement benefits are paid in the form of a monthly life annuity and are based on the years of service times the highest 36 months of salary in the last 10 contributing years of service. A multiplier of 3.2% is applied to the years of service. Eligibility occurs with 23 years of creditable service, at age 55 with 20 years of service, or at age 62.

As of December 31, 2019, the Police Retirement System reported a net pension liability of $1.32 billion for the 2019 plan year, which is an increase from the $1.19 billion net pension liability reported for the prior 2018 plan year. The fiduciary net position as a percentage of the total pension liability increased to 39.44% for the 2019 plan year from 37.72% in the prior year. There were no changes to the actuarial assumptions and methodology during the most recent plan year. For plan year 2019, the Police Retirement System adopted changes to certain plan assumptions in May 2019, based on an experience study conducted in 2019, including a reduction to the investment return assumption (from 7.75% to 7.25%), a reduction of payroll growth assumption and adoption of a new mortality table. The assumption changes, among other contributing factors, resulted in a decrease in the funded ratio and an increase in the amortization period from 35 years in 2017 to infinite in 2018. Additionally, the use of a lower, blended discount rate – as required by GASB guidelines – contributed to the increase in the net pension liability. A full description of the assumptions for the Police Retirement System is available in the actuarial reports available on its website.

The actuarial accrued liability for the Police Retirement System as of December 31, 2019 was $1.46 billion and the funded ratio was 58.4%. The actuarial accrued liability for the Police Retirement System as of December 31, 2018 was $1.39 billion and the funded ratio was 58.1%.

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

The Fire Fighters Retirement Fund, as of December 31, 2019, reported a net pension liability of $126.1 million, with a plan fiduciary net position as a percentage of the total pension liability of 89.1%. The actuarial accrued liability for the Fire Fighters Retirement Fund was $1.15 billion and the funded ratio was 86.8%. As of December 31, 2018, the Fire Fighters Retirement Fund reported a net pension liability of $184.1 million and plan fiduciary net position as a percentage of the total pension liability of 83.2%. The actuarial accrued liability for the Fire Fighters Retirement Fund as of December 31, 2018 was $1.08 billion and the funded ratio was 88.0%.

The Fire Fighters Retirement Fund adopted changes to certain actuarial assumptions used in the 2019 actuarial valuation based on an experience study that was conducted in early 2020. The assumption changes adopted had minimal impact on the amortization period and funded ratio. The most significant actuarial assumption changes included a decreased investment return assumption (from 7.70% to 7.50%) and decreased payroll growth (from 3.50% to 2.00%). In addition, effective January 1, 2020, a cost-of-living adjustment increase of 1.70% 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.

Future City Pension System Reforms…In response to the reported actuarial funding data for COAERS and the Police Retirement System, which indicates that both pension systems are currently significantly underfunded, the City has begun working with both pension systems to resolve the funding shortfalls. The State's Pension Review Board ("PRB") has already identified the Police Retirement System as a system at risk due to the infinite amortization period reflected in the plan's 2018 report. If the Police Retirement System has three consecutive annual reports that reflect an amortization period of over 40 years, then the PRB will take action by requiring the system to develop and implement a funding soundness restoration plan.

The City earmarked $11.3 million of funds in the FY 2020-21 budget that are intended to provide an initial first phase of increased City contributions to its pension plans. Such funding is contingent upon the City's ability to develop and implement future pension plan reforms, which may include changes to plan benefits, contributions and governance. Any such pension plan reforms will be undertaken in collaboration with City Council, the COAERS, and the PRS. Certain reforms and plan changes will require approval by the Texas Legislature.

Other Post-Employment Benefits ("OPEB")

In addition to the contributions made to the three pension systems, the City provides certain other post-employment benefits ("OPEB") to its retirees. The City's OPEB plan is a defined-benefit single-employer plan. Allocation of City funds to pay OPEB other than pensions is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis. The City is under no obligation to pay any portion of the cost of OPEB for retirees or their dependents. Payments with respect to retirees of Austin Energy, Austin Water and Aviation are paid from Gross Revenues and constitute Operating Expenses of the respective systems.

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

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

The City subsidizes between 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 City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City funds its OPEB liabilities on a pay-as-you-go basis. The estimated pay-as-you-go cost of providing medical and life benefits was $44.1 million in fiscal year 2019 and $43.14 million in fiscal year 2018.

The City commissions a biennial actuarial valuation of its OPEB liability. As of the most recent December 31, 2019 actuarial valuation date, the City's total OPEB liability increased to $3.5 billion from $2.4 billion as of the prior valuation date of December 31, 2017. The increase in the total OPEB liability was attributable to several assumption changes including primarily a reduction in the assumed discount rate (to 2.74% from 4.10%, based on the Bond Buyer US Weekly Yields General Obligation Bond Index as of the measurement date), an increase in the average mortality rate for police system retirees, increased service costs and changes to certain demographics assumptions (trend rates, enrollment for retirees and spouses).

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 $2.17 million for claims and damages at the end of fiscal year 2019. Employee injuries are covered by the City's Workers' Compensation Fund and health claims are covered by the City's Employee Benefits Fund. The accrued liabilities for certain claims and expenses for enterprise funds of the City are funded separately, from funds of the respective enterprise systems.

INVESTMENTS

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

Legal Investments

Under State law, the City is authorized to invest in:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Homes Loan Banks;
(2) direct obligations of the State 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 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 City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this State that the City 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 City'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 City appoints as the City's custodian of the banking deposits issued for the City'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 United States Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3);
(9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State 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; or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints

the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit;

(10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clauses (1) and (12) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State;

(11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency;

(12) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank;

(13) no-load money market mutual funds registered with and regulated by the SEC that comply with the SEC Rule 2a-7;

(14) no-load mutual funds registered with the SEC 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

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 (8) 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 (8) above, clauses (12) through (14) 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; 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 June 30, 2020, was $234,605,334.

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). The City's investment policy currently limits the commercial paper that may be purchased to a term of 270 days or less.

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) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution;
(3) 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;
(4) 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 investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements;
(5) perform an annual audit of the management controls on investments and adherence to the City's investment policy;
(6) provide specific investment training for the Chief Financial Officer of the City, Treasurer and Investment Officers;
(7) restrict reverse repurchase agreements to not more than ninety (90) days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement;
(8) restrict the investment in no-load mutual funds in the aggregate to no more than fifteen percent (15%) of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service;
(9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and
(10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

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

Current Investments

As of June 30, 2020, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	18%
U. S. Agencies	18%
Money Market Funds	5%
Local Government Investment Pools	59%

The dollar weighted average maturity for the combined City investment portfolios is 140 days. The City prices the portfolios weekly utilizing a market pricing service.

TAX MATTERS – SERIES 2020A BONDS

Tax Exemption

The delivery of the Series 2020A Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Series 2020A Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners of the Series 2020A Bonds. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. See "APPENDIX E – Form of Bond Counsel's Opinions" attached to this document.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Series 2020A Bonds pertaining to the use, expenditure, and investment of the proceeds of the Series 2020A Bonds and will assume continuing compliance by the City with the provisions of the Nineteenth Supplement after the issuance of the Series 2020A Bonds. The Nineteenth Supplement contains covenants by the City with respect to, among other matters, the use of the proceeds of the Series 2020A Bonds and the facilities financed or refinanced with the Series 2020A Bonds by persons other than state or local governmental units, the manner in which the proceeds of the Series 2020A Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Series 2020A Bonds to be includable in the gross income of the owners of the Series 2020A Bonds from the date of the issuance of the Series 2020A Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service ("IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Series 2020A Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Series 2020A Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2020A Bonds, the City may have different or conflicting interests from the owners of the Series 2020A Bonds. Public awareness of any future audit of the Series 2020A Bonds could adversely affect the value and liquidity of the Series 2020A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Series 2020A Bonds. Prospective purchasers of the Series 2020A Bonds should be aware that the ownership of tax-exempt obligations such as the Series 2020A Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Series 2020A Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2020A Bonds. Prospective purchasers of the Series 2020A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium Bonds on the Series 2020A Bonds

The initial public offering price of certain Series 2020A Bonds (the "Discount Bonds") may be less than the amount payable on such Series 2020A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Series 2020A Bonds described above under "TAX MATTERS – SERIES 2020A BONDS – Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner before maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Series 2020A Bonds (the "Premium Bonds") may be greater than the amount payable on such Series 2020A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

TAX MATTERS – TAXABLE SERIES 2020B BONDS

The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the Taxable Series 2020B Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Taxable Series 2020B Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the Taxable Series 2020B Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Taxable Series 2020B Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and acquire such Taxable Series 2020B Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

As used herein, "U.S. Holder" means a beneficial owner of a Taxable Series 2020B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Taxable Series 2020B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Series 2020B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Series 2020B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Series 2020B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE SERIES 2020B BONDS.

U.S. Holders

Payments of Stated Interest on the Taxable Series 2020B Bonds

The stated interest paid on the Taxable Series 2020B Bonds will be included in the gross income, as defined in section 61 of the Code, of U.S. Holders and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the U.S. Holders.

Original Issue Discount

If a substantial amount of the Taxable Series 2020B Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Taxable Series 2020B Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Taxable Series 2020B Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Taxable Series 2020B Bonds will be amortized over the life of the Taxable Series 2020B Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, U.S. Holders, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to U.S. Holders that exceeds actual cash distributions to the U.S. Holders in a taxable year.

The amount of the original issue discount that accrues on the Taxable Series 2020B Bonds each taxable year will be reported annually to the IRS and to the U.S. Holders. The portion of the original issue discount included in each beneficial owner's gross income while the U.S. Holder holds the Taxable Series 2020B Bonds will increase the adjusted tax basis of the Taxable Series 2020B Bonds in the hands of such U.S. Holder.

Premium

If a U.S. Holder purchases a Taxable Series 2020B Bond for an amount that is greater than its stated redemption price at maturity, such U.S. Holder will be considered to have purchased the Taxable Series 2020B Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Taxable Series 2020B Bond and may offset interest otherwise required to be included in respect of the Taxable Series 2020B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Taxable Series 2020B Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Taxable Series 2020B Bond. However, if the Taxable Series 2020B Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Taxable Series 2020B Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax

Pursuant to section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). U.S. Holders of the Taxable Series 2020B Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Taxable Series 2020B Bonds as well as gain on the sale of a Taxable Series 2020B Bond.

Disposition of Taxable Series 2020B Bonds and Market Discount

A U.S. Holder will generally recognize gain or loss on the redemption, sale or exchange of a Taxable Series 2020B Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the U.S. Holder's adjusted tax basis in the Taxable Series 2020B Bonds. Generally, the U.S. Holder's adjusted tax basis in the Taxable Series 2020B Bonds will be the U.S. Holder's initial cost, increased by the original issue discount previously included in the U.S. Holder's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the U.S. Holder's holding period for the Taxable Series 2020B Bonds.

Under current law, a purchaser of a Taxable Series 2020B Bond who did not purchase the Taxable Series 2020B Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Taxable Series 2020B Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the Taxable Series 2020B Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Taxable Series 2020B Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Taxable Series 2020B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Taxable Series 2020B Bonds could have a material effect on the market value of the Taxable Series 2020B Bonds.

Legal Defeasance

If the City elects to defease the Taxable Series 2020B Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding Taxable Series 2020B Bonds (a "legal defeasance"), under current tax law, a U.S. Holder may be deemed to have sold or exchanged its Taxable Series 2020B Bonds. In the event of such a legal defeasance, a U.S. Holder generally would recognize gain or loss in the manner described above. Ownership of the Taxable Series 2020B Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each U.S. Holder should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the Taxable Series 2020B Bonds.

Backup Withholding

Under section 3406 of the Code, a U.S. Holder may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Taxable Series 2020B Bonds. This withholding applies if such U.S. Holder: (i) fails to furnish to payor such U.S. Holder's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such U.S. Holder is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain U.S. Holders. U.S. Holders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Reporting of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners with respect to the Taxable Series 2020B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each U.S. Holder for U.S. federal income tax purposes.

Non-U.S. Holders

Effectively Connected Income

If, under the Code, interest on the Taxable Series 2020B Bonds is effectively connected with the conduct of a trade or business within the United States by a Non-U.S. Holder, such interest will be subject to U.S. federal income tax in a similar manner as if the Taxable Series 2020B Bonds were held by a U.S. Holder, as described above, and in the case of Non-U.S. Holders that are corporations, interest on the Taxable Series 2020B Bonds also may be included in the computation of earnings and profits that are subject to a U.S. branch profits tax at a rate of up to 30%, unless an applicable tax treaty provides otherwise. Such Non-U.S. Holder will not be subject to withholding taxes, however, if it provides a properly executed Form W-8ECI to the Corporation or its paying agent, if any.

Withholding on Payments to Non-U.S. Holders

Under sections 1441 and 1442 of the Code, Non-U.S. Holders are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the Non-U.S. Holders is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the Non-U.S. Holder provides a statement to the payor certifying, under penalties of perjury, that such Non-U.S. Holder is not a United States person and providing the name and address of such Non-U.S. Holder; (ii) such interest is treated as not effectively connected with the Non-U.S. Holder's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Taxable Series 2020B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such Non-U.S. Holder is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such Non-U.S. Holder is not a bank receiving interest on the Taxable Series 2020B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Taxable Series 2020B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under sections 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to Non-U.S. Holders or intermediaries who have furnished Form W-8BEN, Form W-8EXP or Form W-8IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Disposition of the Taxable Series 2020B Bonds

Generally gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the City or a deemed retirement due to defeasance of the Taxable Series 2020B Bond) or other disposition of a Taxable Series 2020B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the City) or other disposition and certain other conditions are met.

Foreign Account Tax Compliance Act – U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain United States persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Taxable Series 2020B Bonds and sales proceeds of Taxable Series 2020B Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

CONTINUING DISCLOSURE OF INFORMATION

In the Nineteenth Supplement, the Twentieth Supplement and the applicable Pricing Certificate, the City has made the following agreement for the benefit of the Holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of this document within the following tables:

1) "WATER SYSTEM – Historical Water Pumpage,"
2) "WATER SYSTEM – Projected Water Pumpage,"
3) "WATER SYSTEM – Information Concerning Water Sales,"
4) "WATER SYSTEM – Large Water Customers,"
5) "WASTEWATER SYSTEM – Historical Wastewater Flows,"
6) "WASTEWATER SYSTEM – Projected Wastewater Flows,"
7) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION– Water Service Rates,"
8) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Wastewater Service Rates,"
9) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Analysis of Water Bills,"
10) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Analysis of Wastewater Bills,"
11) "ELECTRIC UTILITY SYSTEM – Generation Facilities,"
12) "AUSTIN ENERGY'S CUSTOMER STATISTICS – Five Year Electric Customer Statistics,"
13) "AUSTIN ENERGY'S CUSTOMER STATISTICS – Generation and Use Data,"
14) "DISCUSSION OF OPERATING STATEMENT – The Electric Utility System and Water and Wastewater System,"
15) "ELECTRIC UTILITY SYSTEM – Customer Base–Average Monthly Number of Customers,"
16) "ELECTRIC UTILITY SYSTEM – Fuel Supply,"
17) "AUSTIN ENERGY'S CUSTOMER RATES – Typical Monthly Residential Electric Bills of Large Texas Cities,"
18) Austin Energy's approved rate schedules incorporated into this document by reference as described in "AUSTIN ENERGY'S CUSTOMER STATISTICS – Electric Rates,"
19) "AUSTIN ENERGY'S CUSTOMER STATISTICS – GreenChoice® Energy Rider,"
20) "COMPARATIVE ANALYSIS OF ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM OPERATIONS,"
21) "OPERATING STATEMENT ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM,"

22) The table of annual results of the City's annexations in "THE CITY – Annexation Program," and
23) "INVESTMENTS – Current Investments," and
24) Audited financial statements of the City, if not provided as part of such financial information and operating data, when and if available.

The City will (1) update and provide this financial information and operating data within six months after the end of each fiscal year, beginning with the fiscal year ending in 2020 and (2) if not provided as part of the financial information and operating data, provide audited financial statements, when and if available. If audited financial statements are not available within 12 months after any such fiscal year end, the City will provide notice that the audited financial statements are not available and will file unaudited financial statements within such 12 month period and audited financial statements for such fiscal year when and if the audit report on such statements becomes available. The City will provide the updated information to the MSRB through EMMA.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's website or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the City will provide unaudited financial information by the required time and audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year is October 1 to September 30. Accordingly, it must provide updated financial statements and operating data by March 31 of each year unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of 10 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 or obligated person; (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 Nineteenth Supplement, the Twentieth Supplement and the related Pricing Certificate, as applicable. None of the Bonds, the Nineteenth Supplement, the Twentieth Supplement or the Pricing Certificate make any provision for debt service reserves or liquidity enhancement.

As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in clause 15 and clause 16, the term "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 (i) or (ii); 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. The term "Business Day" means a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions are authorized by law or executive order to close in the City or the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located.

Availability of Information

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

Limitations and Amendments

The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement. No default by the City in observing or performing its obligations under its continuing disclosure undertaking for the Bonds shall constitute a breach of or default under the Nineteenth Supplement, the Twentieth Supplement or the applicable Pricing Certificate for purposes of any other provision of the Nineteenth Supplement, the Twentieth Supplement or the applicable Pricing Certificate.

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

OTHER RELEVANT INFORMATION

Ratings

The Bonds received ratings of "Aa3" (stable outlook) from Moody's, "AA" (stable outlook) from S&P, and "AA" (stable outlook) from Fitch. An explanation of the significance of such ratings may be obtained from the organization 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 any or all of such rating companies, if in the judgment of one or more companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Bonds.

Registration and Qualification of Bonds

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 therein; 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

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER RELEVANT INFORMATION – Ratings" in this document. 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 capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Opinions

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 special obligations of the City in accordance with their terms payable solely from and, together with the outstanding Parity Electric Utility Obligations and Prior Subordinate Lien Obligations equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Electric Utility System in the manner provided in the Nineteenth Supplement and the Twentieth Supplement and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Series 2020A Bonds will be excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS - SERIES 2020A BONDS". The form of Bond Counsel's opinions is attached as APPENDIX E. Certain legal matters will be passed upon for the City by McCall, Parkhurst & Horton L.L.P., Disclosure Counsel for the City, and the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility for this Official Statement or undertaken independently to verify any of the information contained in it, except that, in their capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions, "PLAN OF FINANCING", "SECURITY FOR THE BONDS," "DESCRIPTION OF THE BONDS" (except for the information under the subheading "Bondholders' Remedies"), "TAX MATTERS – SERIES 2020A BONDS", "TAX MATTERS – TAXABLE SERIES 2020B BONDS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subheading "Compliance with Prior Undertakings"), "OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds," "OTHER RELEVANT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER RELEVANT INFORMATION – Legal Opinions," and in "APPENDIX C" and "APPENDIX D" to verify that the information relating to the Bonds, the Master Ordinance, the Nineteenth Supplement and the Twentieth Supplement contained under such captions and in APPENDICES C and D in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds. The opinion of Bond Counsel will accompany the global certificate deposited with DTC in connection with the use of the Book-Entry-Only System.

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

Financial Advisor

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.

Underwriting

The Underwriters have agreed, subject to certain customary conditions to delivery, to purchase the Series 2020A Bonds from the City at an aggregate purchase price of $292,077,465.20 (the $227,495,000.00 par amount of the Series 2020A Bonds, less an underwriting discount of $800,691.35, plus original issue premium of $65,383,156.55). The Underwriters will be obligated to purchase all of the Series 2020A Bonds if any Series 2020A Bonds are purchased. The Series 2020A Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain customary conditions to delivery, to purchase the Taxable Series 2020B Bonds from the City at an aggregate purchase price of $49,688,354.26 (the $49,870,000.00 par amount of the Taxable Series 2020B Bonds, less an underwriting discount of $181,645.74). The Underwriters will be obligated to purchase all of the Taxable Series 2020B Bonds if any Taxable Series 2020B Bonds are purchased. The Taxable Series 2020B Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

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

Forward - Looking Statements

The statements contained in this document and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date of this document, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included in this document are necessarily based on various assumptions and estimates and are inherently subject to various 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, suppliers, 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 many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Verification of Arithmetical and Mathematical Calculations

Robert Thomas CPA, LLC (the "Verification Agent"), a firm of independent certified public accountants, upon delivery of the Series 2020A Bonds, will deliver to the City its report indicating that it has examined the mathematical accuracy of computations prepared by PFM relating to the sufficiency of the payments on the Escrowed Securities and cash to be deposited in the Escrow Fund.

The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that it has no obligation to update its report because of events occurring, or data or information coming to their attention, subsequent to the date of their report. The report of the Verification Agent will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion of interest on the Series 2020A Bonds for federal income tax purposes and with respect to the defeasance of the Refunded Bonds.

Independent Auditors

The financial data listed as fiscal year 2020 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 2020 financial information, nor the forward-looking financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the 2020 financial information. The 2020 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 as of September 30, 2019 and for the year then ended included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX B.

Miscellaneous Information

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

These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects. The applicable Pricing Certificate authorized by the Nineteenth Supplement and the Twentieth Supplement, respectively, approved the form and content of this Official Statement and any addenda, supplement or amendment thereto, and authorize its further use in the offering of the Bonds by the Underwriters.

/s/ Steve Adler
Mayor
City of Austin, Texas

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

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS (1)

Electric Utility System Revenue Refunding Bonds, Series 2010A

Maturity	Interest Rate	Par Amount Refunded	Call Date	Call Price	CUSIP[(2)]
11/15/2021	4.000%	$ 720,000	12/17/2020	100% of par	052414LM9
11/15/2022	5.000%	6,610,000	12/17/2020	100% of par	052414LN7
11/15/2023	5.000%	6,935,000	12/17/2020	100% of par	052414LP2
11/15/2024	5.000%	7,370,000	12/17/2020	100% of par	052414LQ0
11/15/2025	4.000%	2,210,000	12/17/2020	100% of par	052414LR8
11/15/2025	5.000%	5,585,000	12/17/2020	100% of par	052414LS6
11/15/2026	5.000%	8,200,000	12/17/2020	100% of par	052414LT4
11/15/2027	5.000%	8,735,000	12/17/2020	100% of par	052414LU1
11/15/2028	5.000%	9,160,000	12/17/2020	100% of par	052414LV9
11/15/2029	5.000%	9,700,000	12/17/2020	100% of par	052414LW7
11/15/2030	4.375%	1,750,000	12/17/2020	100% of par	052414LX5
11/15/2030	5.000%	8,480,000	12/17/2020	100% of par	052414LY3
11/15/2040 [(3)]	5.000%	14,635,000	12/17/2020	100% of par	052414LZ0
		$90,090,000			

(1) The refunding of any of the Refunded Bonds is contingent upon the delivery of the Series 2020A Bonds.

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

(3) Represents a term maturity.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

The following information is presented for informational purposes only.

GENERAL INFORMATION

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor who is elected at-large and ten Councilmembers who are elected by geographic district. The elected officials serve four-year staggered terms subject to a maximum of two consecutive terms. The City Manager, appointed by the City Council, is responsible to the City Council for the management of all City employees, except City Council appointees, and for the administration of all City affairs.

The City, which is the capital of Texas, is the fourth most populous city in the state (behind Houston, San Antonio, and Dallas) and the eleventh largest in the nation with a September 2019 population of 980,886 according to the City's estimates. Over the past ten years, Austin's population increased by 26% or 202,326 residents. The City's demographer predicts that Austin will surpass the one million mark by mid-year 2020. Recent data released by the U.S. Census Bureau identified the Austin-Round Rock MSA as the fastest growing in the country. Geographically, Austin consists of approximately 327 square miles. The current estimated median household income for Austin residents is $65,950 according to Nielsen Site Reports and Austin's per capita personal income is estimated to be $63,400, a 7.9% increase over 2018.

The City offers several broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with 50% of adults 25 years or older holding a bachelor's or advanced degree, compared to 29% for Texas and 32% for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area, which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), the seventh largest public university in the nation, is known as a world-class center of education and research and was ranked 14th among public universities in the 2019 U.S. News and World Report Best Colleges survey of undergraduate programs.

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

Major Initiatives

The City has a long-term vision of Austin being the most livable community in the country. The City has a highly dedicated and exceptional workforce to support City Council's policies and initiatives. City staff are committed to creating a work environment that fosters creative thinking and innovation throughout the organization, thereby better positioning the workforce to more effectively respond to new challenges as well as new opportunities. City employees take enormous pride in their work.

Imagine Austin – Imagine Austin, a comprehensive plan for the City's future approved by City Council in June 2012, sets a context to guide decision-makers for the next 30 years. The plan adheres to six core principles established in collaboration with Austin citizens:

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

Strategic Plan – In the spring of 2018, the City Council adopted a strategic plan, Strategic Direction 2023, to provide a shared vision for the City for the next three to five years. Strategic Direction 2023 is inspired by Imagine Austin, which laid out a 30-year vision for the City. Six priority strategic outcomes were identified to help develop and guide City policies, initiatives, and budget development. The six outcomes are:

- Mobility;
- Economic Opportunity and Affordability;
- Safety;
- Health and Environment;
- Culture and Lifelong Learning; and
- Government that Works for All.

As a result of the Strategic Direction 2023 effort, the annual budget underwent significant modification to present departmental expenditure plans and measures affecting these six outcomes.

Mobility – In November 2016, Austinites approved a $720 million general obligation bond proposition to fund transportation and mobility improvements. Approximately two-thirds of the funding will be devoted to corridor improvement projects with the remainder earmarked for regional and local improvements including bicycle and pedestrian facilities and safety. In August 2019, the Guadalupe and Lavaca corridor transit improvements were completed, the first 2016 Mobility Bond Corridor Construction project to complete construction. The capital spending plan for 2020 includes $312.3 million for mobility, the bulk of which is related to Aviation property improvements including a new parking structure, consolidated maintenance facility and information technology facility. Other capital mobility projects include continued corridor improvements, sidewalk repairs and increasing miles of new and improved bike lanes. Operational highlights for the fiscal year 2020 budget include enhanced staffing for design, engineering and project management to maximize existing transportation infrastructure for efficiency and effectiveness, continuation of Vision Zero and additional right-of-way staff to help reduce backlogs to ensure safety on roadways and sidewalks alike.

Economic Opportunity and Affordability – Affordability remains a prime consideration as the City makes decisions that impact citizens who live in and operate businesses in the city. For 2020, there were no base rate increases for four of the City's six rate-assessing enterprise departments. The overall anticipated annual dollar change for the two rate increases is less than $25 per year, and one of the rate increases only affects residential customers using the large 64-gallon trash cart. Ending homelessness continues to be the highest priority of the City Council. For fiscal year 2020, the budget includes $64.4 million to address this crisis, an increase of $18.7 million over the prior year. Funding is provided for a full range of services including housing displacement prevention, crisis mitigation while experiencing homelessness, re-empowerment by providing safe and sustainable housing solutions, and related support. In addition, $42 million in capital spending on affordable housing is planned for 2020, with major project expenditures related to mixed-income, multi-family rental units and construction of new units for permanent supportive housing. In the arena of economic opportunity, the Economic Development Department budgeted $2.6 million for redevelopment initiatives on City-owned properties that will result in additional taxable property value as well as affordable rental units. The department also collaborates with several area partners on the Master Community Workforce Plan with a goal of training 10,000 residents in workforce development programs in order to move them out of poverty and into family-sustaining careers.

Safety – In addition to the traditional public safety departments, other major departments in the safety outcome include Austin Energy, Austin Water and Watershed Protection. The fiscal year 2020 budget includes funding for 30 new police officers as called for in the department's staffing plan. In addition, 32 fire fighter and 12 new paramedic positions are included to staff the new Moore's Crossing Fire/EMS station. The Austin area has been ranked as the fifth highest for risk of wildfire in the western U.S. In response, the Austin Fire Department's Wildfire Division expects to conduct 44 "Firewise" community presentations every year and treat over 200 acres annually for wildfire prevention. Almost half of the planned capital spending for the Safety outcome is generated by Austin Water for water and wastewater upgrades and Watershed Protection for drainage, erosion and flood control, and water quality protection. In support of this strategic outcome, over $33 million is included for flood risk reduction buyouts in the Onion Creek area. For fiscal year 2020, the Austin Fire Department's planned capital spending is $46 million which is focused on the planning and construction of two fire and EMS stations, one in Travis Country (southwest of downtown) and another in the Del Valle/Moore's Crossing area (southeast of downtown).

Health and Environment – The Parks and Recreation Department's fiscal year 2020 operating budget accounts for the largest portion of the Health and Environment outcome at $85.6 million, with $30 million of spending planned for capital improvement projects. Funding for fiscal year 2020 includes completion of the Alliance Children's Garden in Town Lake Metro Park and Waterloo Park in the Waller Creek District, which includes a performing arts amphitheater. Completion of the park will move the city closer to its goal of maintaining 24 acres of parkland for every 1,000 citizens. Part of the City's goal toward being environmentally resilient and responsible is achieving carbon neutrality. The Office of Sustainability is one of many city departments that works to consistently help reduce the City's carbon footprint. Also notable, Austin Energy's Climate Protection Plan goal of reaching 800 megawatts (MW) of peak demand savings and demand response by 2020 are expected to be achieved as a result of a mix of energy efficiency products and services. On the health side of this strategic priority, there are a number of initiatives spanning departments and disciplines. A total of $1.2 million and seven positions were added to the Emergency Medical Services department for the fiscal year 2020 budget to increase support for first responder mental health service calls. An initial investment of $2.5 million in the Dove Springs Neighborhood Health Services Center in fiscal year 2020 will fund preliminary and design phases of this long-awaited neighborhood facility that will provide preventative health services and other offerings to residents of the area.

Culture and Lifelong Learning - A majority of the fiscal year 2020 budget for this strategic outcome lies with the Austin Public Library for continued support of the Central Library as well as library branches across the City. In the Economic Development Department $750 thousand is available to assist nonprofit arts and music groups with maintaining work and performance space as these entities face displacement or lease increases in the current real estate market. In addition, in August Council voted to dedicate $3 million of Hotel Occupancy Tax revenue to live music initiatives. With respect to capital spending, the 2018 voter-approved public improvement bonds included funding for improvements to the Emma S. Barrientos Mexican American Cultural Center, which will begin preliminary planning in fiscal year 2020. Funding is also included to begin renovation of the Faulk Central Library to meet minimal archival storage standards for the Austin History Center, which will begin using the space upon completion.

Government that Works for All – New operating initiatives for this strategic outcome include funding a study to develop fiscal sustainability plans for the Retirement Systems for Police Officers and civilian employees, and the creation of an Office of Cybersecurity within Communications and Technology Management to position the city to meet growing cybersecurity risk. On the CIP side of this strategic outcome, $253.6 million has been allocated in Austin Energy's budget to include infrastructure maintenance and upgrades, a new headquarters at the Mueller development, a new downtown substation, and another district cooling plant. As City operations expand to serve a growing population, the city faces similar constraints in identifying office space for its staff. The new Planning and Development Center to be completed in fiscal year 2020 will consolidate several City departments into a one-stop shop for development-related functions.

In November 2018, Austin voters approved $925 million in public improvement bonds which support five of the six strategic outcomes as follows:

- Economic Opportunity and Affordability - $250 million for affordable housing;
- Mobility - $160 million for transportation infrastructure;
- Safety - $38 million for public safety projects;
- Health and Environment - $184 million for flood mitigation, open space, and water quality protection, $149 million for parks and recreation improvements, and $16 million for health and human services facilities; and
- Culture and Lifelong Learning - $128 million for libraries, museums, and cultural art facilities.

On August 13, 2020, the City Council passed an ordinance calling a bond election to be held November 3, 2020, submitting to the voters of the City a proposition seeking approval to issue up to $460,000,000 in ad valorem tax-supported bonds and notes for mobility transportation projects throughout the City.

FINANCIAL INFORMATION

Internal Controls

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

Financial Policies

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

Long-term Financial Planning

Austin leaders are continually looking towards and planning for the future. A key City financial policy requires annual preparation of a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a tool to develop the following year's operating budget. In addition, the City annually prepares a five-year Capital Improvement Project (CIP) Plan that outlines all capital projects in progress, those that will be implemented in the five-year horizon, and related funding sources. A second plan covering a 10-year planning horizon, the Long-Range CIP Strategic Plan, is also updated biennially. This plan provides a data-driven approach to planning for how the City's future capital improvements support the way Austin functions and grows. Such an approach assists in aligning the City's CIP investments with the Imagine Austin Comprehensive Plan and the City Council's new strategic priorities as the City strives to strike a balance between ongoing capital needs necessary to maintain services for a rapidly growing community and strategic investments that support community priorities. City departments prepare a number of other long- and mid- range service plans that provide input into decisions made in the planning and budgeting process. These plans range from clean energy and climate protection to strategic mobility planning. Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community.

Budgetary Control

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

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. As demonstrated by the statements and schedules included in the 2019 CAFR, the City continues to meet its responsibility for sound financial management.

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ADDITIONAL INFORMATION

Ten Largest Employers (As of September 30, 2019)

Employer	Product or Service	Employees
State Government	Government	38,589
The University of Texas at Austin	Education	27,426
City of Austin	Government	14,471
HEB Grocery	Grocery/Retail	13,901
Federal Government	Government	13,400
Dell Computer Corporation	Computers	13,000
Austin Independent School District	Education	11,098
St. David's Healthcare Partnership	Healthcare	10,665
Ascension Seton	Healthcare	10,513
Samsung Austin Semiconductor	Manufacturer	8,935

Source: 2019 Comprehensive Annual Financial Report

Demographic and Economic Statistics - Last Ten Years

Year	City of Austin Population (1)	Area of Incorporation (Square Miles) (1)	Population MSA (2)	Income (MSA) (thousands of dollars) (2)	Median Household Income MSA (3)	Per Capita Personal Income MSA (3)	Unemployment Rate (MSA) (4)
2010	778,560	306	1,727,743	$70,355,303	$48,460	$40,726	7.0%
2011	805,662	308	1,780,605	77,881,693	46,689	43,739	6.6%
2012	821,012	319	1,834,926	85,635,903	46,818	46,670	5.7%
2013	841,649	321	1,883,901	88,950,627	46,436	47,216	5.1%
2014	878,002	321	1,943,409	97,181,958	49,227	50,006	4.2%
2015	899,919	323	2,002,591	103,244,100	52,519	51,555	3.4%
2016	925,491	326	2,062,211	107,664,294	56,163	52,208	3.2%
2017	937,065	325	2,115,230	117,458,116	56,849	55,530	2.9%
2018	963,797	326	2,168,316	127,439,164	63,191	58,773	2.9%
2019	980,886	327	2,187,161(6)	138,650,094(5)	65,950(6)	63,400 (5)	2.6%
2010-2019 Change	25.99%	6.74%	26.61%	97.07%	36.09%	55.67%	

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

(1) Source: City Demographer, City of Austin, Neighborhood Planning and Zoning Department based on full purpose area as of September 30.
(2) Source: Bureau of Economic Analysis for all years except 2019 which will not be available until later in 2020.
(3) Source: Claritas, a Nielson Company.
(4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30, 2019.
(5) Data not available for 2019. Figures are estimated.
(6) Source: Nielsen SiteReports.

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City Sales Tax Collections (In Millions) (1)

Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-15	$15.260	1-1-16	$16.138	1-1-17	$17.697	1-1-18	$18.369	1-1-19	$18.697	1-1-20	$20.198
2-1-15	21.092	2-1-16	21.884	2-1-17	21.866	2-1-18	22.174	2-1-19	23.474	2-1-20	26.824
3-1-15	14.677	3-1-16	15.667	3-1-17	16.597	3-1-18	17.895	3-1-19	19.197	3-1-20	20.704
4-1-15	14.345	4-1-16	15.528	4-1-17	17.370	4-1-18	16.939	4-1-19	18.499	4-1-20	19.065
5-1-15	19.404	5-1-16	19.258	5-1-17	18.790	5-1-18	21.249	5-1-19	21.771	5-1-20	20.801
6-1-15	15.958	6-1-16	17.070	6-1-17	16.838	6-1-18	18.371	6-1-19	20.966	6-1-20	16.875
7-1-15	16.180	7-1-16	16.836	7-1-17	18.059	7-1-18	19.552	7-1-19	20.275	7-1-20	18.096
8-1-15	19.483	8-1-16	21.467	8-1-17	19.930	8-1-18	20.338	8-1-19	21.556		
9-1-15	16.429	9-1-16	16.352	9-1-17	17.401	9-1-18	19.701	9-1-19	21.797		
10-1-15	16.514	10-1-16	17.106	10-1-17	17.828	10-1-18	19.502	10-1-19	20.080		
11-1-15	18.952	11-1-16	19.059	11-1-17	19.382	11-1-18	20.661	11-1-19	22.017		
12-1-15	16.269	12-1-16	17.033	12-1-17	17.567	12-1-18	20.482	12-1-19	21.463		
	$204.56		$213.40		$219.33		$235.23		$249.79		$142.56

(1) Sales taxes are not pledged to the payment of the Obligations.
Source: City of Austin, Budget Office

Utility Connections

	Utility Connections		
Year	Electric (1)	Water (1)	Gas (1)
2010	413,870	210,885	204,823
2011	417,865	212,752	213,365
2012	422,375	214,928	217,170
2013	430,582	217,070	216,688
2014	439,403	217,036	223,500
2015	450,479	223,164	228,700
2016	461,345	227,432	223,158
2017	472,701	231,014	226,749
2018	485,204	235,174	221,314
2019	496,258	239,291	238,753

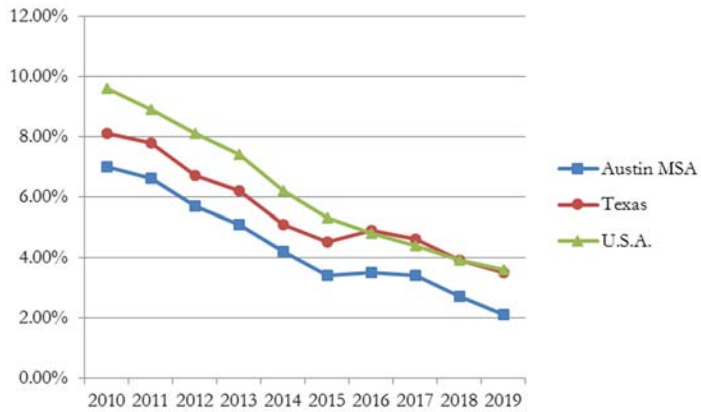
(1) Based on the City's fiscal year, which runs October 1 through September 30.
Source: Various, including the City of Austin, Texas Gas Services, Atmos Energy and Centerpoint Energy.

Employment by Industry in the Austin Metropolitan Area (1)

	2015	% of total	2016	% of total	2017	% of total	2018	% of total	2019	
Mining, Logging, and Construction	55,300	5.74%	58,800	5.87%	62,100	6.00%	64,500	6.00%	69,000	6.18%
Manufacturing	55,600	5.77%	55,800	5.57%	57,400	5.55%	60,700	5.64%	62,500	5.60%
Trade, Transportation, and Utilities	163,100	16.93%	170,100	16.99%	174,800	16.89%	179,700	16.71%	184,800	16.56%
Information	27,700	2.88%	29,000	2.90%	30,800	2.98%	34,700	3.23%	38,400	3.44%
Financial Activities	54,100	5.62%	57,000	5.69%	60,200	5.82%	63,100	5.87%	66,200	5.93%
Professional and Business Services	162,600	16.88%	171,000	17.08%	177,600	17.16%	187,700	17.45%	198,700	17.80%
Education and Health Services	111,600	11.58%	115,600	11.55%	120,600	11.65%	125,300	11.65%	128,900	11.55%
Leisure and Hospitality	115,500	11.99%	122,000	12.19%	125,700	12.15%	130,700	12.15%	135,600	12.15%
Other Services	42,700	4.43%	43,800	4.37%	45,000	4.35%	46,300	4.30%	47,500	4.26%
Government	175,200	18.19%	178,100	17.79%	180,700	17.46%	183,000	17.01%	184,600	16.54%
Total nonfarm employment	963,400	100%	1,001,200	100%	1,034,900	100%	1,075,700	100%	1,116,200	

(1) Austin-Round Rock MSA includes the counties of Travis, Bastrop, Caldwell, Hays and Williamson. Information is updated periodically; data contained in this document is the latest provided. Based on calendar year.
Source: U.S. Bureau of Labor Statistics. Non-seasonally adjusted.

Average Annual Unemployment Rate



Year	Austin MSA	Texas	U.S.A.
2011	6.6%	7.8%	8.9%
2012	5.7%	6.7%	8.1%
2013	5.2%	6.3%	7.4%
2014	4.2%	5.1%	6.2%
2015	3.4%	4.4%	5.3%
2016	3.1%	4.6%	4.9%
2017	3.1%	4.3%	4.4%
2018	2.9%	3.8%	3.9%
2019	2.7%	3.5%	3.7%
2020(1)	7.5%	8.9%	11.1%

Source: U. S. Bureau of Labor Statistics, accessed July 29, 2020. Unemployment rates are non-seasonally adjusted. Information is updated periodically; the BLS revised certain prior year unemployment data for the Austin MSA on April 17, 2020 and for the State of Texas on March 4, 2020.
(1) Reflects the June 2020 monthly unemployment rate.

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Housing Units

Rental rates in the City averaged $1.50 per square foot, with an occupancy rate of 91.5% as of June 30, 2020, per Capitol Market Research.

Residential Sales Data

Year	Number of Sales	Total Volume ($)	Average Price ($)
2011	21,034	5,281,953,406	251,100
2012	25,198	6,706,091,541	266,100
2013	29,970	8,601,985,078	287,000
2014	30,150	9,269,541,100	307,400
2015	31,560	10,462,239,995	331,500
2016	32,955	11,450,827,153	347,500
2017	33,947	12,447,529,430	366,675
2018	34,673	13,214,215,997	381,110
2019	17,988	7,065,024,558	392,763
2020 (1)	13,074	5,229,243,070	398,168

Source: Real Estate Center at Texas A&M University.
(1) As of June 2020.

City-Wide Austin Office Occupancy Rate

Year	Occupancy Rate
2011	82.7%
2012	86.8%
2013	89.2%
2014	90.9%
2015	90.9%
2016	91.8%
2017	89.5%
2018	89.4%
2019	89.4%
2020(1)	90.0%

(1) As of April 2020.
Source: Cushman & Wakefield.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS

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CITY OF AUSTIN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2019

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Deloitte.

Deloitte & Touche LLP
500 West Second Street
Suite 1600
Austin, TX 78701-4671
USA

Tel: +1 512 691 2330
Fax: +1 512 708 1035
www.deloitte.com

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, 2019, 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 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, 2019, 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.

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

March 6, 2020

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, 2019.

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. 83, No. 85 through No. 86, and No. 88 through No. 89.

FINANCIAL HIGHLIGHTS

Government-wide financial statements
The City's assets and deferred outflows exceeded its liabilities and deferred inflows in fiscal year 2019, resulting in $3.8 billion of net position. Net position associated with governmental activities is a deficit of approximately $276.9 million, while the net position associated with business-type activities is approximately $4.0 billion, or 107.4% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is $4.2 billion, or 112.3% of total net position.

The City's unrestricted net position is a deficit of $1.7 billion. Unrestricted net position for governmental activities is a deficit of $2.3 billion, while unrestricted net position for business-type activities is approximately $646.0 million, or 16.0% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of $2.1 billion and other postemployment benefits payable of $1.4 billion.

During fiscal year 2019, total net position for the City of Austin increased $45.3 million or 1.2%. Of this amount, governmental activities decreased $23.3 million, or 9.2% from the previous year and business-type activities increased $68.5 million, or 1.7%.

Total revenues for the City increased $279.4 million; revenues for governmental activities increased $69.4 million; revenues for business-type activities increased $210.0 million. Total expenses for the City increased $336.7 million; expenses for governmental activities increased $84.0 million; expenses for business-type activities increased $252.7 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 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

a -- Government-wide 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), Austin-Bergstrom International Airport (ABIA) Development Corporation, and Nacogdoches Power, LLC (NP). The operations of AHFC, URA, AIDC, MLGC, and ABIA are included within the governmental activities of the government-wide financial statements. The operations of NP are reported in the business-type activities of the government-wide financial statements. 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), Austin Travis County Sobriety Center Local Government Corporation (SCLGC), and Waller Creek Local Government Corporation (WCLGC). 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, ABLE, and SCLGC. 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 2019.

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^{TM}, Austin Water, 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

b -- Fund 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 following the Required Supplementary Information 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	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 thirteen 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	
	2019	2018	2019	2018	2019	2018
Current assets	$ 821,260	738,058	1,824,305	1,775,185	2,645,565	2,513,243
Capital assets	3,095,777	3,028,885	8,820,371	8,157,304	11,916,148	11,186,189
Other noncurrent assets	161,930	172,731	2,695,494	2,263,075	2,857,424	2,435,806
Total assets	4,078,967	3,939,674	13,340,170	12,195,564	17,419,137	16,135,238
Deferred outflows of resources	1,145,454	419,677	721,356	361,090	1,866,810	780,767
Current liabilities	433,069	419,484	557,460	512,245	990,529	931,729
Noncurrent liabilities	4,883,819	4,106,759	7,952,238	6,737,881	12,836,057	10,844,640
Total liabilities	5,316,888	4,526,243	8,509,698	7,250,126	13,826,586	11,776,369
Deferred inflows of resources	184,387	86,679	1,523,806	1,347,043	1,708,193	1,433,722
Net position:						
Net investment in capital assets	1,844,751	1,735,481	2,366,162	2,375,219	4,210,913	4,110,700
Restricted	215,091	146,496	1,015,860	795,049	1,230,951	941,545
Unrestricted (deficit)	(2,336,696)	(2,135,548)	646,000	789,217	(1,690,696)	(1,346,331)
Total net position	$ (276,854)	(253,571)	4,028,022	3,959,485	3,751,168	3,705,914

In the current fiscal year, total assets increased $1.3 billion and deferred outflows of the City increased by $1.1 billion. Total liabilities increased $2.1 billion and deferred inflows increased by $274.5 million. Governmental-type total assets increased by $139.3 million and business-type increased by $1.1 billion, while governmental-type liabilities increased by $790.6 million and business-type increased by $1.3 billion.

The most significant increase in governmental total assets resulted from an increase in capital assets of $66.9 million as the City continues to build out projects from the 2012, 2016, and 2018 bond programs. Factors in the increase of governmental-type liabilities include an increase in the net pension liability of $992.7 million due primarily to net investment losses in all three pension funds as well as the use of a lower single blended discount rate for the police retirement system offset by decreases in bonds payable of $45.6 million and in other postemployment benefits payable of $150.1 million.

The most significant factor in the increase of business-type total assets is related to growth in capital assets of $663.1 million or 57.9% of the increase in business-type total assets, of which approximately $394.4 million is related to the purchase of the Nacogdoches biomass powerplant and $94.6 million is for the construction of a new Airport parking garage. The primary factors in the increase in business-type total liabilities of $1.3 billion include an increase in bonds payable of $913.2 million and an increase in net pension liability of $253.5 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 $3.8 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 $4.2 billion, or 112.3% 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, $1.2 billion 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 $1.7 billion of unrestricted net position. Unrestricted net position decreased $344.7 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 $2.3 billion and $1.7 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	
	2019	2018	2019	2018	2019	2018
Program revenues:						
Charges for services	$ 131,879	173,400	2,667,766	2,543,788	2,799,645	2,717,188
Operating grants and contributions	66,439	42,489	785	876	67,224	43,365
Capital grants and contributions	78,826	107,865	164,700	122,396	243,526	230,261
General revenues:						
Property tax	671,614	616,745	--	--	671,614	616,745
Sales tax	248,813	232,319	--	--	248,813	232,319
Franchise fees and gross receipts tax	175,182	159,754	--	--	175,182	159,754
Interest and other	53,330	34,333	71,569	27,730	124,899	62,063
Special item - land sale	10,201	--	--	--	10,201	--
Total revenues	1,436,284	1,366,905	2,904,820	2,694,790	4,341,104	4,061,695
Program expenses:						
General government	201,747	200,125	--	--	201,747	200,125
Public safety	810,140	704,566	--	--	810,140	704,566
Transportation, planning, and sustainability	83,967	72,240	--	--	83,967	72,240
Public health	123,304	117,578	--	--	123,304	117,578
Public recreation and culture	175,567	173,333	--	--	175,567	173,333
Urban growth management	133,763	176,453	--	--	133,763	176,453
Interest on debt	64,986	65,147	--	--	64,986	65,147
Electric	--	--	1,397,591	1,268,610	1,397,591	1,268,610
Water	--	--	314,899	312,276	314,899	312,276
Wastewater	--	--	263,362	286,736	263,362	286,736
Airport	--	--	202,366	184,084	202,366	184,084
Convention	--	--	84,673	80,990	84,673	80,990
Environmental and health services	--	--	121,987	111,184	121,987	111,184
Public recreation	--	--	9,195	9,009	9,195	9,009
Urban growth management	--	--	308,303	196,817	308,303	196,817
Total expenses	1,593,474	1,509,442	2,702,376	2,449,706	4,295,850	3,959,148
Excess (deficiency) before transfers	(157,190)	(142,537)	202,444	245,084	45,254	102,547
Transfers	133,907	73,664	(133,907)	(73,664)	--	--
Increase (decrease) in net position	(23,283)	(68,873)	68,537	171,420	45,254	102,547
Beginning net position, as previously reported	(253,209)	455,353	3,959,485	3,976,814	3,706,276	4,432,167
Restatement adjustment	(362)	(639,689)	--	(188,749)	(362)	(828,438)
Beginning net position, as restated (see Note 18)	(253,571)	(184,336)	3,959,485	3,788,065	3,705,914	3,603,729
Ending net position	$ (276,854)	(253,209)	4,028,022	3,959,485	3,751,168	3,706,276

Total net position of the City increased by $45.3 million in the current fiscal year. Governmental net position decreased by $23.3 million. The decrease is attributable to expenses exceeding revenues by $157.2 million before transfers from other funds of $133.9 million. Business-type net position increased by $68.5 million due to revenues exceeding expenses by $202.4 million before transfers to other funds of $133.9 million.

In addition, the City restated beginning net position for governmental activities as a result of the implementation of GASB Statement No. 83, "*Certain Asset Retirement Obligations.*" For more information, see Note 18.

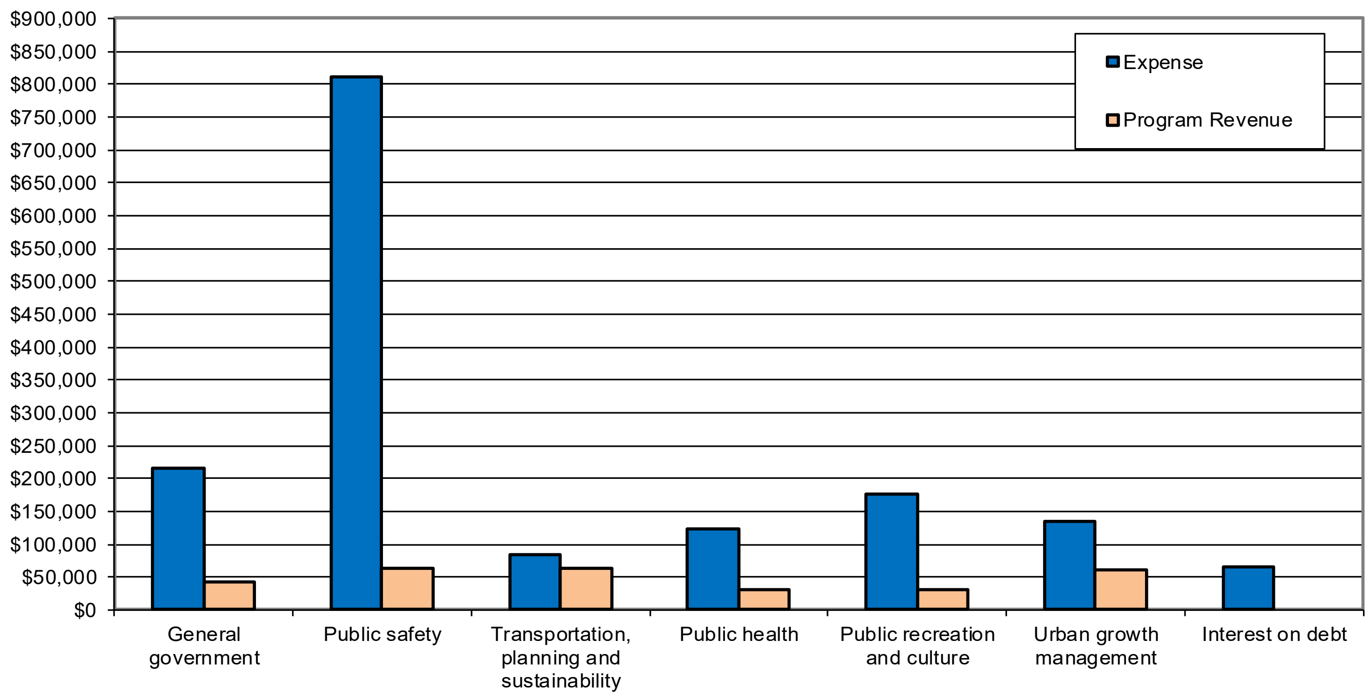
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

c -- Program revenues and expenses -- governmental activities
Governmental activities decreased the City's net position by $23.3 million in fiscal year 2019, a 9.2% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2018 to 2019 are as follows:

- Public safety expenses increased by $105.6 million due to pension expense. A new experience study resulted in updated assumptions causing the discount rate to go from a discount rate of 7.7% to a blended discount rate of 4.7%.
- Transportation, planning and sustainability program revenues decreased $19.8 million due to a decrease in developer infrastructure contributions from 2018.
- Urban growth management expenses decreased $42.7 million and revenue decreased $13.5 million from the prior year as the result of Development Services moving from a General Fund department to an enterprise fund.

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)

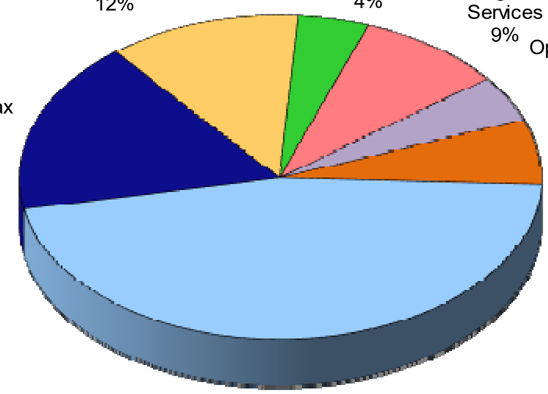


FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

c -- Program revenues and expenses -- governmental activities, 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 franchise fees and gross receipt taxes.

Government-wide Revenues by Source -- Governmental Activities



The City's property tax revenue increased by $54.9 million from the previous year due to an increase in assessed property values of $13.8 billion, while the property tax rate per $100 of valuation decreased from 0.4448 to 0.4403. Sales tax collections and franchise fees for the year were $16.5 million and $15.4 million more than the prior year, respectively, as result of continued improvement in the Austin economy.

d -- Program revenues and expenses -- business-type activities

Business-type activities increased the City's net position by approximately $68.5 million, accounting for a 1.7% increase in the City's total net position. Key factors include:

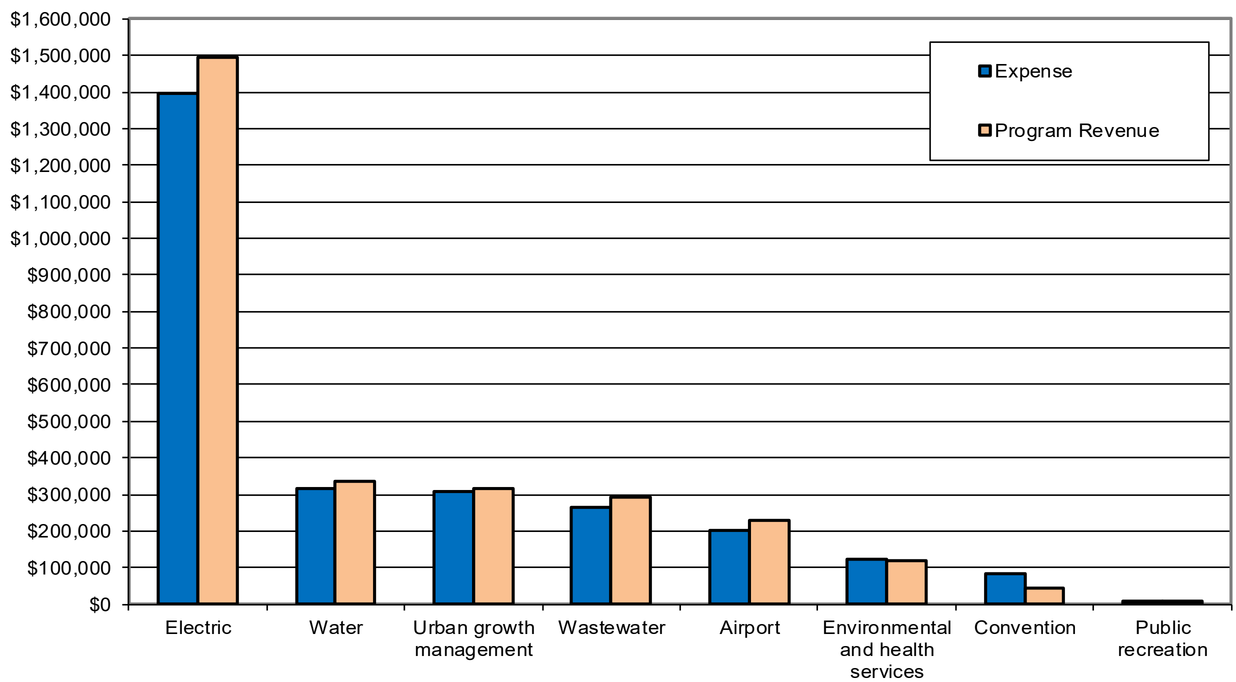
- Austin Energy net position increased $9.9 million. Operating revenues increased primarily due to transmission revenue and interest income offset by an increase in power production expenses.
- Austin Water net position increased approximately $7.9 million. Revenues decreased 3.2% largely due to the full year impact of rate reductions, that took effect in May 2018. In addition, in October 2018, heavy rainfall caused significant flooding; Austin Water experienced challenges maintaining water production capacity and issued a boil water notice during this flooding event. Expenses decreased by 3.5% due to a decline in expenses resulting from accounting for regulated operations and a reduction in debt service payments.
- Airport net position increased approximately $39.0 million. Revenue increased 10.6% due to an increase in passenger traffic as a result of the opening of nine additional gates in the spring of 2019. Expenses increased 9.9%, primarily due to increased operating expenses allocated to the airline cost centers, which is in line with the fiscal year 2019 budgeted increase for cost per enplaned passenger.
- Convention Center net position increased approximately $52.4 million. Revenues increased 29.2% due to an increase in the number of large events that occurred in fiscal year 2019. As a result of the increase in events, revenue from food concessions increased by 47%. Expenses increased 4.5%, due to an increase in catering expenses and the addition of 4 new positions.
- Environmental and health services is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position decreased approximately $3.4 million. Revenues increase 2.2% due mainly to an increase in the Clean Community Fee and base fee for residential and commercial accounts. Expenses increased by 9.7% due mainly to an increase in operations and support services costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued
d -- Program revenues and expenses -- business-type activities, continued

- Urban growth management activities are comprised of the following nonmajor enterprise funds: Development Services, Drainage and Transportation. Net position for the urban growth management activities decreased by approximately $36.4 million.
  - o Development Services, previously reported in the General Fund, is reported as an enterprise fund for the first time in fiscal year 2019.
  - o Drainage expenses increased 6.0% due to the addition of 28 new positions as well as an increase in support services and maintenance costs.
  - o Transportation revenues increased 11.9%, primarily as a result of a 11.0% increase in the Transportation User Fee plus an increase in the total number of customers paying the fee. Expenditures increased 14.9% overall with the primary driver being the addition of 37 staff and associated costs including office leases.

As shown in the following chart, Austin Energy (electric), with expenses of $1.4 billion is the City's largest business-type activity, followed by water with $314.9 million, urban growth management with $308.3 million, wastewater with $263.4 million, airport with $202.4 million, environmental and health services with $122.0 million, convention with $84.7 million, and public recreation with $9.2 million. For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention, environmental and health services, and public recreation.

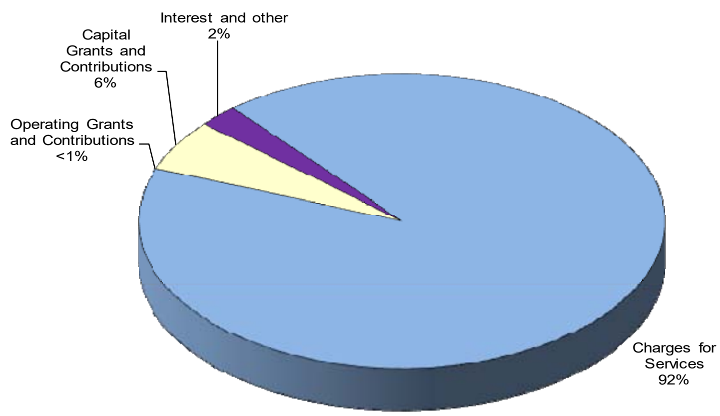
Government-wide Expenses and Program Revenues -- Business-type Activities
(Excludes General Revenues and Transfers)
(in thousands)



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued
d -- Program revenues and expenses -- business-type activities, continued

For all business-type activities, charges for services provide the largest percentage of revenues, followed by capital grants and contributions, interest and other revenues, and operating grants and contributions.

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 $613.2 million, an increase of $33.7 million from the previous year. Approximately $2.8 million is nonspendable, $243.7 million is restricted, $41.9 million is committed, $184.2 million is assigned, and $140.5 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 $1.8 million, assigned fund balance of $53.4 million, and unassigned fund balance of $180.4 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 17.8% of total General Fund expenditures of $1.0 billion, and total fund balance represents 23.2% 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 $105.5 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 $22.7 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased $32.0 million due to an increase in assessed property values.
- Sales tax revenues increased by $16.5 million and interest and other increased by $2.1 million.
- Licenses, permits and inspections decreased $37.5 million due to Development Services moving from a General Fund department to an enterprise fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

a -- Governmental funds, continued

General Fund expenditures increased $7.1 million, due primarily to increases in the following areas: public safety ($26.1 million), public recreation and culture ($9.8 million), general government ($8.9 million), and public health ($2.4 million) along with a decrease in urban growth management ($40.0 million) due to Development Services moving from a General Fund department to an enterprise fund. The increases in expenditures are primarily due to a 2.5% general wage increase for non-sworn employees, the addition of 107 FTE's, and increases in commodities 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 $45.9 million before consolidation of the internal service funds activities.

Factors that contributed to the increase 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 2019, an amendment to the revenue budget related to licenses, permits, and inspection fees of $35,500 was established for the new Planning and Zoning Technology fund. Additionally, Parks and Recreation Department amended their budget in both revenue and expenditures for $175,000 due to an increase in interment services at City cemeteries. The expenditure budget for homeless services was amended and reallocated from Austin Public Health ($694,733) to Municipal Court ($313,643) for one full time case manager, Emergency Medical Services ($193,602) for one full time case sworn clinical specialist, and Austin Police Department ($187,488). The expenditure budget for Pay for Success Fund in general city responsibilities was increased by $1.2 million for a project delivering permanent supportive housing.

During the year, actual budget basis revenues were $22.9 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 $12.7 million more than budgeted due to continued improvement in the economy. Interest was $4.1 million higher than budgeted due to a better than expected market and improvement in the economy. These increases were offset by $1.5 million in lower than expected traffic fines.

Actual budget-basis expenditures were $17.5 million less than budgeted. The Fire Department was over budget $905 thousand. All other departments were under budget. Municipal Court was under budget $2.6 million due to a planned facility move that was postponed to fiscal year 2020. Police was under budget by $5.4 million due primarily to higher than expected overtime reimbursements for special events. Neighborhood Housing and Community Development was under budget $1.9 million due to lower than budgeted contractual expenses as a result of projects not completed in fiscal year 2019. The total budget-basis fund balance at year-end was $213.8 million.

OTHER INFORMATION, continued

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2019, total $11.9 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 $730.0 million, with an increase of 2.2% for governmental activities and an increase of 8.1% 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Building and improvements	$ 658	657	2,140	1,978	2,798	2,635
Plant and equipment	79	75	2,424	2,377	2,503	2,452
Vehicles	56	54	82	74	138	128
Electric plant	--	--	2,507	2,124	2,507	2,124
Non-electric plant	--	--	167	147	167	147
Nuclear fuel	--	--	49	48	49	48
Water rights	--	--	80	81	80	81
Infrastructure	1,735	1,739	--	--	1,735	1,739
Land and improvements	401	383	744	694	1,145	1,077
Construction in progress	138	92	600	607	738	699
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	29	29	4	4	33	33
Total net capital assets	$ 3,096	3,029	8,820	8,157	11,916	11,186

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

- Governmental capital assets increased $66.9 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, and cycling facility improvements, and street reconstructions across the City. During the fiscal year, construction was completed on the joint use Onion Creek Fire & EMS Station.

- Business-type activities purchased, constructed or received capital asset contributions of $663.1 million. Asset additions included completion of a six-level parking garage at the Airport, and acquisition of the Nacogdoches biomass power plant by Austin Energy. 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 $7.3 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds and other tax supported debt, net	$ 1,411	1,457	90	102	1,501	1,559
Commercial paper notes, net	--	--	129	254	129	254
Revenue bonds, net	--	--	5,627	4,702	5,627	4,702
Capital lease obligations	10	10	1	1	11	11
Total	$ 1,421	1,467	5,847	5,059	7,268	6,526

During fiscal year 2019, the City's total outstanding debt increased by $742.1 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 decreased by $45.6 million. The resulting net decrease is a combination of the issuance of $100.9 million in new debt to be used primarily for facility improvements, streets and mobility, watershed home buyouts, parks and recreation, capital equipment, and affordable housing, offset by debt payments during the year.

- Outstanding debt for business-type functions increased by $787.6 million. The City issued $464.5 million of Electric Utility System separate lien revenue bonds to acquire the Nacogdoches biomass facility, $274.6 million of Electric Utility System separate lien revenue refunding bonds to refund commercial paper, $3.0 million in Water and Wastewater System revenue bonds, $151.7 million in Airport System revenue refunding bonds to refund variable rate debt, and $265.1 million in Airport System revenue bonds. These issuances were offset by debt payments during the year and the cash defeasance of $43.1 million in Water and Wastewater separate lien revenue bonds.

During the year, the City's Austin Energy separate lien received a favorable rating upgrade from Fitch Ratings, Inc. from AA- to AA. 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, 2019 and 2018 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch Ratings, Inc.	
	2019	2018	2019	2018	2019	2018
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 - 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

OTHER INFORMATION, continued

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 continued to grow and is the fastest growing metro in the US for its size. Over the past 10 years, Austin's population has increased approximately by 26% or 202,326 residents, with projections of the City surpassing the one 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-Round Rock MSA was ranked second when comparing activity in the top 51 metro areas per the US Bureau of Labor Statistics. The Austin area gained 38,000 new jobs from December 2018 through December 2019. As of September 2019, the unemployment rate for the Austin-Round Rock MSA was a low 2.6%, while the state unemployment rate fell to 3.4%; the national unemployment rate was 3.5%.

Despite diversification of economic drivers over the past few years, the City continues to consolidate its position as a tech hub with the announcement of Apple's plans to add a second facility on a 133-acre tract with an estimated cost of $1 billion. The tech giant initially expects to employ about 5,000 employees when the new facility opens and will eventually grow to 15,000 employees. This should attract new talent to the Austin metro area and enable overall growth of the Austin area economy. All sectors of the real estate market continue to perform well. In 2019 through October, the Austin metro residential market experienced a 5.6% increase in sales compared with the same period in 2018, with housing in the downtown area continuing to grow in popularity. In 2019, sales tax revenue increased 7.1% over the previous year, compared to a 6.2% increase in 2018 and 2.9% increase in 2017, an indicator that the local economy continues to exhibit steady growth. In 2020, 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.

On March 6, 2020, in response to the increasing concerns regarding the Novel Coronavirus or COVID-19 across the nation, City of Austin and Travis County officials declared a "local state of disaster" in advance of the City's spring festival season following recommendations from local health authorities. Local officials announced the declaration to proactively increase preventative measures and put in place mitigation plans for events in the region. This declaration prohibits events with 2,500 or more people unless organizers can assure Austin Public Health that the organizers have mitigations plans to help prevent the spread of infectious diseases in place. Although no positive test results have been identified in the Austin area, the City and its staff are focused on mitigation strategies to protect our community. It is too early to identify the full impact of this virus on the Austin economy or the city's financial position.

The City's fiscal year 2020 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 with the City's Quality of Life Commissions. The overriding goal of the 2020 budget process was to limit budget increases and increase efforts at improving operational efficiencies in anticipation of the newly adopted cap on local property tax revenue growth. 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 Austin Energy separate lien debt in 2019. 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 2019 for fiscal year 2020. The property tax rate for fiscal year 2020 is 44.31 cents per $100 valuation, up from 44.03 cents per $100 valuation in 2019. The tax rate consists of 33.37 cents for the General Fund and 10.94 cents for debt service. Each 1 cent of the 2019 (fiscal year 2020) property tax rate is equivalent to $16,684,523 of tax levy, as compared to $15,214,751 in the previous year. Austin Energy's fiscal year 2020 base rates remain unchanged from the prior fiscal year. In fiscal year 2018, Austin Water completed an 18-month cost-of-service process, which included significant stakeholder participation in the review of Austin Water's cost-of-service methodologies. As a result, City Council approved a 4.8% system-wide retail customer rate reduction mid-year in fiscal year 2018. Austin Water has maintained these rates throughout fiscal year 2019 and will continue to do so through the end of fiscal year 2020.

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

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(In thousands)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	$ 55	65	120	7,326
Pooled investments and cash	633,784	998,386	1,632,170	--
Pooled investments and cash - restricted	--	124,703	124,703	--
Total pooled investments and cash	633,784	1,123,089	1,756,873	--
Investments - restricted	31,224	184,671	215,895	--
Cash held by trustee	--	2,441	2,441	--
Cash held by trustee - restricted	9,564	1,745	11,309	--
Working capital advances	--	2,398	2,398	--
Property taxes receivable, net of allowance $6,326	12,410	--	12,410	--
Accounts receivable, net of allowance $355,595	106,958	248,334	355,292	2,709
Interest receivable	2,248	3,911	6,159	--
Receivables from other governments	19,020	59	19,079	--
Receivables from other governments - restricted	--	16,060	16,060	--
Notes receivable, net of allowance $25,563	38,501	--	38,501	--
Internal balances	(85,390)	85,390	--	--
Inventories, at cost	2,402	86,742	89,144	192
Real property held for resale	5,479	--	5,479	--
Regulatory assets, net of accumulated amortization	--	24,742	24,742	--
Prepaid expenses	6,049	18,444	24,493	902
Other receivables - restricted	--	4,959	4,959	--
Other assets	38,956	21,255	60,211	--
Total current assets	821,260	1,824,305	2,645,565	11,129
Noncurrent assets:				
Cash - restricted	--	4,875	4,875	3
Pooled investments and cash - restricted	157,339	852,940	1,010,279	--
Investments - restricted	--	411,762	411,762	67,029
Investments held by trustee - restricted	2,420	238,260	240,680	--
Cash held by trustee - restricted	921	--	921	19,804
Interest receivable - restricted	--	2,284	2,284	--
Depreciable capital assets, net	2,528,338	7,448,725	9,977,063	186,699
Nondepreciable capital assets	567,439	1,371,646	1,939,085	10,333
Derivative instruments - energy risk management	--	206	206	--
Regulatory assets, net of accumulated amortization	--	1,119,901	1,119,901	--
Other receivables - restricted	--	7,836	7,836	--
Other long-term assets	1,250	17,890	19,140	336
Other long-term assets - restricted	--	39,540	39,540	--
Total noncurrent assets	3,257,707	11,515,865	14,773,572	284,204
Total assets	4,078,967	13,340,170	17,419,137	295,333
DEFERRED OUTFLOWS OF RESOURCES	$ 1,145,454	721,356	1,866,810	14,605

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

(Continued)

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

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	$ 54,050	107,034	161,084	6,290
Accounts and retainage payable from restricted assets	15,715	52,461	68,176	--
Accrued payroll	34,321	22,476	56,797	259
Accrued compensated absences	63,171	29,466	92,637	--
Claims payable	23,300	281	23,581	--
Due to other governments	--	5,890	5,890	--
Accrued interest payable from restricted assets	8	83,001	83,009	5,359
Interest payable on other debt	5,484	662	6,146	--
Bonds payable	64,573	12,498	77,071	8,740
Bonds payable from restricted assets	31,731	166,505	198,236	--
Other postemployment benefits liability	34,503	23,574	58,077	--
Capital lease obligations payable	4,158	60	4,218	--
Customer and escrow deposits payable from restricted assets	89,857	44,583	134,440	--
Accrued landfill closure and postclosure costs	--	2,363	2,363	--
Decommissioning liability payable from restricted assets	--	1,460	1,460	--
Other liabilities	12,198	4,230	16,428	5,414
Other liabilities payable from restricted assets	--	916	916	--
Total current liabilities	433,069	557,460	990,529	26,062
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	73,226	706	73,932	--
Claims payable	23,940	261	24,201	--
Commercial paper notes payable, net of discount	--	129,300	129,300	--
Bonds payable, net of discount and inclusive of premium	1,315,075	5,537,879	6,852,954	255,544
Net pension liability	2,060,161	838,511	2,898,672	--
Other postemployment benefits liability	1,388,629	948,741	2,337,370	--
Capital lease obligations payable	5,722	818	6,540	--
Accrued landfill closure and postclosure costs	--	9,899	9,899	--
Asset retirement obligations	518	414,390	414,908	--
Derivative instruments - energy risk management	--	3,511	3,511	--
Derivative instruments - interest rate swaps	--	25,671	25,671	--
Other liabilities	16,548	40,242	56,790	--
Other liabilities payable from restricted assets	--	2,309	2,309	--
Total noncurrent liabilities	4,883,819	7,952,238	12,836,057	255,544
Total liabilities	5,316,888	8,509,698	13,826,586	281,606
DEFERRED INFLOWS OF RESOURCES	184,387	1,523,806	1,708,193	1,051
NET POSITION				
Net investment in capital assets	1,844,751	2,366,162	4,210,913	(6,638)
Restricted for:				
Bond reserve	--	55,217	55,217	--
Capital projects	70,844	373,002	443,846	--
Debt service	26,247	104,630	130,877	34,927
Housing activities	44,418	--	44,418	--
Operating reserve	--	71,929	71,929	--
Passenger facility charges	--	116,656	116,656	--
Perpetual care:				
Expendable	1	--	1	--
Nonexpendable	1,070	--	1,070	--
Renewal and replacement	--	80,365	80,365	--
Strategic reserve	--	214,061	214,061	--
Tourism	26,681	--	26,681	--
Other purposes	45,830	--	45,830	--
Unrestricted (deficit)	(2,336,696)	646,000	(1,690,696)	(1,008)
Total net position	$ (276,854)	4,028,022	3,751,168	27,281

(†) 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, 2019
(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	$ 201,747	26,806	319	1,389	(173,233)	--	(173,233)	--
Public safety	810,140	57,620	6,615	--	(745,905)	--	(745,905)	--
Transportation, planning, and sustainability	83,967	1,490	48	61,722	(20,707)	--	(20,707)	--
Public health	123,304	8,239	21,806	--	(93,259)	--	(93,259)	--
Public recreation and culture	175,567	11,558	3,098	15,715	(145,196)	--	(145,196)	--
Urban growth management	133,763	26,166	34,553	--	(73,044)	--	(73,044)	--
Interest on debt	64,986	--	--	--	(64,986)	--	(64,986)	--
Total governmental activities	1,593,474	131,879	66,439	78,826	(1,316,330)	--	(1,316,330)	--
Business-type activities								
Electric	1,397,591	1,447,300	4	45,577	--	95,290	95,290	--
Water	314,899	287,454	--	49,898	--	22,453	22,453	--
Wastewater	263,362	264,116	--	26,767	--	27,521	27,521	--
Airport	202,366	213,458	624	13,453	--	25,169	25,169	--
Convention	84,673	43,600	--	--	--	(41,073)	(41,073)	--
Environmental and health services	121,987	117,998	119	214	--	(3,656)	(3,656)	--
Public recreation	9,195	7,060	--	226	--	(1,909)	(1,909)	--
Urban growth management	308,303	286,780	38	28,565	--	7,080	7,080	--
Total business-type activities	2,702,376	2,667,766	785	164,700	--	130,875	130,875	--
Total primary government	$ 4,295,850	2,799,645	67,224	243,526	(1,316,330)	130,875	(1,185,455)	--
Component Units	86,183	98,285	499	1,623	--	--	--	14,224
General revenues:								
Property tax					671,614	--	671,614	--
Sales tax					248,813	--	248,813	--
Franchise fees and gross receipts tax					175,182	--	175,182	--
Interest and other					53,330	71,569	124,899	1,161
Transfers-internal activities					133,907	(133,907)	--	--
Total general revenues and transfers					1,282,846	(62,338)	1,220,508	1,161
Net change in net position, before special and extraordinary items					(33,484)	68,537	35,053	15,385
Special item - land sale					10,201	--	10,201	--
Extraordinary item - mold remediation					--	--	--	(1,593)
Net change in net position					(23,283)	68,537	45,254	13,792
Beginning net position, as restated (see Note 18)					(253,571)	3,959,485	3,705,914	13,489
Ending net position					$ (276,854)	4,028,022	3,751,168	27,281

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 44	--	44
Pooled investments and cash	224,126	312,997	537,123
Investments - restricted	--	31,224	31,224
Cash held by trustee - restricted	--	7,904	7,904
Investments held by trustee - restricted	--	2,420	2,420
Property taxes receivable, net of allowance	8,521	3,889	12,410
Accounts receivable, net of allowance	67,666	36,978	104,644
Interest receivable	1,078	920	1,998
Receivables from other governments	39	17,781	17,820
Notes receivable, net of allowance	157	38,344	38,501
Due from other funds	--	43,683	43,683
Advances to other funds	--	28,765	28,765
Inventories, at cost	11	--	11
Real property held for resale	--	5,479	5,479
Prepaid items	1,760	--	1,760
Other assets	--	38,956	38,956
Total assets	303,402	569,340	872,742
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	22,366	17,789	40,155
Accrued payroll	26,543	708	27,251
Accrued compensated absences	550	--	550
Due to other funds	221	43,683	43,904
Unearned revenue	--	3,022	3,022
Advances from other funds	221	28,640	28,861
Deposits and other liabilities	4,333	91,013	95,346
Total liabilities	54,234	184,855	239,089
DEFERRED INFLOWS OF RESOURCES	13,532	6,959	20,491
FUND BALANCES			
Nonspendable:			
Inventories and prepaid items	1,771	--	1,771
Permanent funds	--	1,070	1,070
Restricted	--	243,746	243,746
Committed	--	41,896	41,896
Assigned	53,441	130,735	184,176
Unassigned	180,424	(39,921)	140,503
Total fund balances	235,636	377,526	613,162
Total liabilities, deferred inflows of resources, and fund balances	$ 303,402	569,340	872,742

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

(In thousands)

Total fund balances - Governmental funds		$ 613,162
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	4,994,914	
Less: accumulated depreciation	(1,974,946)	
		3,019,968
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.		
Other assets		1,250
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.		
Pensions	955,854	
Other postemployment benefits	173,238	
Loss on debt refundings	16,140	
		1,145,232
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Compensated absences	(126,089)	
Interest payable	(5,484)	
Bonds and other tax supported debt payable, net	(1,409,120)	
Net pension liability	(2,060,161)	
Other postemployment benefits	(1,423,132)	
Other liabilities	(16,595)	
		(5,040,581)
Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.		
Unavailable revenue		
Property taxes and interest	12,473	
Accounts and other taxes receivable	8,018	
Pensions	(24,454)	
Other postemployment benefits	(159,047)	
Deferred gain on service concession agreement	(886)	
		(163,896)
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.		148,011
Total net position - Governmental activities		$ (276,854)

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 489,745	181,493	671,238
Sales taxes	248,813	--	248,813
Franchise fees and other taxes	49,076	126,106	175,182
Fines, forfeitures and penalties	8,694	5,714	14,408
Licenses, permits and inspections	16,572	76	16,648
Charges for services/goods	63,284	22,097	85,381
Intergovernmental	--	73,829	73,829
Property owners' participation and contributions	--	21,525	21,525
Interest and other	23,507	22,341	45,848
Total revenues	899,691	453,181	1,352,872
EXPENDITURES			
Current:			
General government	144,050	1,537	145,587
Public safety	610,833	8,475	619,308
Transportation, planning, and sustainability	--	5,734	5,734
Public health	86,812	21,823	108,635
Public recreation and culture	129,904	3,518	133,422
Urban growth management	42,259	65,916	108,175
Debt service:			
Principal	--	128,163	128,163
Interest	--	64,570	64,570
Fees and commissions	--	31	31
Capital outlay-capital project funds	--	202,954	202,954
Total expenditures	1,013,858	502,721	1,516,579
Deficiency of revenues under expenditures	(114,167)	(49,540)	(163,707)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	96,341	96,341
Bond premiums	--	6,200	6,200
Transfers in	172,798	99,556	272,354
Transfers out	(46,130)	(141,552)	(187,682)
Total other financing sources (uses)	126,668	60,545	187,213
Net change in fund balances, before special items	12,501	11,005	23,506
Special item - land sale (See Note 1)	10,201	--	10,201
Net change in fund balances	22,702	11,005	33,707
Fund balances at beginning of year	212,934	366,521	579,455
Fund balances at end of year	$ 235,636	377,526	613,162

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

Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2019
(In thousands)

Net change in fund balances - Governmental funds		$ 33,707
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	202,954	
Capital outlay-other funds	3,757	
Depreciation expense	(130,790)	
Loss on disposal of capital assets	(1,159)	
Capital asset transfers to business-type activities, net	(34,507)	
Other asset adjustments	(28,784)	
		11,471
Revenues and transfers in the statement of activities that do not provide current available financial resources are not reported as revenues or transfers in the funds.		
Property taxes	376	
Charges for services	(2,266)	
Interest and other	4,500	
Transfer of long-term assets and liabilities to the newly created Development Services enterprise fund	92,665	
Capital asset contributions	53,033	
		148,308
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	(96,341)	
Principal repayment on long-term debt	128,163	
Bond premiums	(6,200)	
		25,622
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	9,874	
Pensions	(212,916)	
Other postemployment benefits	(91,186)	
Interest and other	20,368	
		(273,860)
A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.		31,469
Change in net position - Governmental activities		$ (23,283)

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

Proprietary Funds
Statement of Net Position
September 30, 2019
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water (1)**	**Airport**
ASSETS			
Current assets:			
Cash	$ 22	5	3
Pooled investments and cash	406,804	185,519	18,851
Pooled investments and cash - restricted	24,957	58,254	20,141
Total pooled investments and cash	431,761	243,773	38,992
Investments - restricted	79,210	63,891	29,722
Cash held by trustee	--	2,441	--
Cash held by trustee - restricted	--	1,745	--
Working capital advances	2,398	--	--
Accounts receivable, net of allowance	148,580	73,031	3,314
Interest receivable	2,018	639	192
Receivables from other governments	--	59	--
Receivables from other governments - restricted	4,897	--	10,547
Due from other funds	392	301	--
Inventories, at cost	79,734	1,861	2,014
Regulatory assets, net of accumulated amortization	20,924	3,818	--
Prepaid items	15,654	752	747
Other receivables - restricted	--	--	4,959
Other assets	20,225	--	1,030
Total current assets	805,815	392,316	91,520
Noncurrent assets:			
Cash - restricted	4,875	--	--
Pooled investments and cash - restricted	58,899	83,679	584,947
Advances to other funds	11,263	1,503	--
Advances to other funds - restricted	--	--	13
Investments - restricted	288,205	52,214	61,080
Investments held by trustee - restricted	231,893	6,367	--
Interest receivable - restricted	488	107	1,443
Depreciable capital assets, net	2,731,824	3,233,624	1,127,233
Nondepreciable capital assets	272,241	478,569	240,515
Derivative instruments - energy risk management	206	--	--
Regulatory assets, net of accumulated amortization	771,169	348,732	--
Other receivables - restricted	7,836	--	--
Other long-term assets	660	--	17,230
Other long-term assets - restricted	39,540	--	--
Total noncurrent assets	4,419,099	4,204,795	2,032,461
Total assets	5,224,914	4,597,111	2,123,981
DEFERRED OUTFLOWS OF RESOURCES	$ 385,595	129,683	52,160

The accompanying notes are an integral part of the financial statements.
(1) Previously reported as Austin Water Utility.

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
ASSETS			
Current assets:			
Cash	35	65	11
Pooled investments and cash	387,212	998,386	248,593
Pooled investments and cash - restricted	21,351	124,703	--
Total pooled investments and cash	408,563	1,123,089	248,593
Investments - restricted	11,848	184,671	--
Cash held by trustee	--	2,441	--
Cash held by trustee - restricted	--	1,745	2,581
Working capital advances	--	2,398	--
Accounts receivable, net of allowance	23,409	248,334	2,314
Interest receivable	1,062	3,911	250
Receivables from other governments	--	59	1,200
Receivables from other governments - restricted	616	16,060	--
Due from other funds	957	1,650	--
Inventories, at cost	3,133	86,742	2,391
Regulatory assets, net of accumulated amortization	--	24,742	--
Prepaid expenses	1,291	18,444	4,289
Other receivables - restricted	--	4,959	--
Other assets	--	21,255	--
Total current assets	450,914	1,740,565	261,629
Noncurrent assets:			
Cash - restricted	--	4,875	--
Pooled investments and cash - restricted	125,415	852,940	5,407
Advances to other funds	79	12,845	19
Advances to other funds - restricted	146	159	--
Investments - restricted	10,263	411,762	--
Investments held by trustee - restricted	--	238,260	--
Interest receivable - restricted	246	2,284	--
Depreciable capital assets, net	356,044	7,448,725	75,244
Nondepreciable capital assets	380,321	1,371,646	565
Derivative instruments - energy risk management	--	206	--
Regulatory assets, net of accumulated amortization	--	1,119,901	--
Other receivables - restricted	--	7,836	--
Other long-term assets	--	17,890	--
Other long-term assets - restricted	--	39,540	--
Total noncurrent assets	872,514	11,528,869	81,235
Total assets	1,323,428	13,269,434	342,864
DEFERRED OUTFLOWS OF RESOURCES	153,918	721,356	222

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

Proprietary Funds
Statement of Net Position
September 30, 2019
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water (1)**	**Airport**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 87,429	5,746	4,411
Accounts and retainage payable from restricted assets	14,124	15,391	16,494
Accrued payroll	8,379	4,174	1,712
Accrued compensated absences	11,437	5,466	2,418
Claims payable	230	51	--
Due to other funds	--	--	171
Due to other governments	5,884	--	6
Accrued interest payable from restricted assets	25,450	40,455	16,438
Interest payable on other debt	63	98	--
Bonds payable	--	--	10
Bonds payable from restricted assets	78,398	58,907	15,235
Other postemployment benefits liability	7,132	4,827	2,160
Capital lease obligations payable	60	--	--
Customer and escrow deposits payable from restricted assets	23,497	10,453	1,180
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	1,460	--	--
Other liabilities	874	1,752	1,604
Other liabilities payable from restricted assets	502	--	--
Total current liabilities	264,919	147,320	61,839
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	--	10	--
Claims payable	2	259	--
Advances from other funds	--	432	171
Advances from other funds payable from restricted assets	--	10,821	--
Commercial paper notes payable, net of discount	26,630	102,670	--
Bonds payable, net of discount and inclusive of premium	1,910,342	2,309,368	1,141,660
Net pension liability	318,779	166,571	60,057
Other postemployment benefits liability	287,029	194,236	86,950
Capital lease obligations payable	818	--	--
Accrued landfill closure and postclosure costs	--	--	--
Asset retirement obligations	413,108	1,282	--
Derivative instruments - energy risk management	3,511	--	--
Derivative instruments - interest rate swaps	--	16,861	--
Other liabilities	40,242	--	--
Other liabilities payable from restricted assets	2,309	--	--
Total noncurrent liabilities	3,002,770	2,802,510	1,288,838
Total liabilities	3,267,689	2,949,830	1,350,677
DEFERRED INFLOWS OF RESOURCES	$ 434,268	862,407	186,024

The accompanying notes are an integral part of the financial statements.
(1) Previously reported as Austin Water Utility.

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
LIABILITIES			
Current liabilities:			
Accounts payable	9,448	107,034	29,610
Accounts and retainage payable from restricted assets	6,452	52,461	--
Accrued payroll	8,211	22,476	7,070
Accrued compensated absences	10,145	29,466	9,634
Claims payable	--	281	23,300
Due to other funds	1,258	1,429	--
Due to other governments	--	5,890	--
Accrued interest payable from restricted assets	658	83,001	8
Interest payable on other debt	501	662	--
Bonds payable	12,488	12,498	386
Bonds payable from restricted assets	13,965	166,505	--
Other postemployment benefits liability	9,455	23,574	--
Capital lease obligations payable	--	60	4,158
Customer and escrow deposits payable from restricted assets	9,453	44,583	633
Accrued landfill closure and postclosure costs	2,363	2,363	--
Decommissioning liability payable from restricted assets	--	1,460	--
Other liabilities	--	4,230	3,007
Other liabilities payable from restricted assets	414	916	--
Total current liabilities	84,811	558,889	77,806
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	696	706	124
Claims payable	--	261	23,940
Advances from other funds	1,503	2,106	--
Advances from other funds payable from restricted assets	--	10,821	--
Commercial paper notes payable, net of discount	--	129,300	--
Bonds payable, net of discount and inclusive of premium	176,509	5,537,879	1,873
Net pension liability	293,104	838,511	--
Other postemployment benefits liability	380,526	948,741	--
Capital lease obligations payable	--	818	5,722
Accrued landfill closure and postclosure costs	9,899	9,899	--
Asset retirement obligations	--	414,390	518
Derivative instruments - energy risk management	--	3,511	--
Derivative instruments - interest rate swaps	8,810	25,671	--
Other liabilities	--	40,242	--
Other liabilities payable from restricted assets	--	2,309	--
Total noncurrent liabilities	871,047	7,965,165	32,177
Total liabilities	955,858	8,524,054	109,983
DEFERRED INFLOWS OF RESOURCES	41,107	1,523,806	--

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

Proprietary Funds
Statement of Net Position
September 30, 2019
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water (1)**	**Airport**
NET POSITION			
Net investment in capital assets	$ 750,273	650,394	418,699
Restricted for:			
Bond reserve	27,311	16,264	4,373
Capital projects	45,885	43,768	157,989
Debt service	53,760	23,462	13,297
Operating reserve	--	47,807	18,961
Passenger facility charges	--	--	116,656
Renewal and replacement	69,347	--	10,000
Strategic reserve	214,061	--	--
Unrestricted	747,915	132,862	(100,535)
Total net position	$ 1,908,552	914,557	639,440
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	32,251	18,563	6,986
Total net position - Business-type activities	$ 1,940,803	933,120	646,426

The accompanying notes are an integral part of the financial statements.
(1) Previously reported as Austin Water Utility.

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
NET POSITION			
Net investment in capital assets	546,796	2,366,162	63,670
Restricted for:			
Bond reserve	7,269	55,217	--
Capital projects	125,360	373,002	5,407
Debt service	14,111	104,630	--
Operating reserve	5,161	71,929	--
Passenger facility charges	--	116,656	--
Renewal and replacement	1,018	80,365	--
Strategic reserve	--	214,061	--
Unrestricted	(219,334)	560,908	164,026
Total net position	480,381	3,942,930	233,103
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	27,292	85,092	
Total net position - Business-type activities	507,673	4,028,022	

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, 2019
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water (1)**	**Airport**
OPERATING REVENUES			
Utility services	$ 1,447,300	551,570	--
User fees and rentals	--	--	180,290
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,447,300	551,570	180,290
OPERATING EXPENSES			
Operating expenses before depreciation	1,153,142	289,101	131,754
Depreciation and amortization	204,082	123,758	35,220
Total operating expenses	1,357,224	412,859	166,974
Operating income (loss)	90,076	138,711	13,316
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	32,719	10,848	14,296
Interest on revenue bonds and other debt	(59,584)	(89,012)	(33,793)
Passenger facility charges	--	--	33,168
Loss on in-substance defeasance	--	(925)	--
Cost (recovered) to be recovered in future years	34,549	(81,265)	--
Other nonoperating revenue (expense)	(21,873)	683	(2,635)
Total nonoperating revenues (expenses)	(14,189)	(159,671)	11,036
Income (loss) before contributions and transfers	75,887	(20,960)	24,352
Capital contributions	45,577	76,665	13,453
Transfers in	472	303	--
Transfers out	(118,536)	(51,865)	(482)
Change in net position	3,400	4,143	37,323
Beginning net position, as restated (see Note 18)	1,905,152	910,414	602,117
Ending net position	$ 1,908,552	914,557	639,440
Reconciliation to government-wide Statement of Activities			
Change in net position	3,400	4,143	37,323
Adjustment to consolidate internal service activities	6,545	3,738	1,670
Change in net position - Business-type activities	$ 9,945	7,881	38,993

The accompanying notes are an integral part of the financial statements.
(1) Previously reported as Austin Water Utility.

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
OPERATING REVENUES			
Utility services	--	1,998,870	--
User fees and rentals	455,438	635,728	--
Billings to departments	--	--	505,198
Employee contributions	--	--	44,823
Operating revenues from other governments	--	--	5,507
Other operating revenues	--	--	12,201
Total operating revenues	455,438	2,634,598	567,729
OPERATING EXPENSES			
Operating expenses before depreciation	472,626	2,046,623	494,773
Depreciation and amortization	30,437	393,497	12,647
Total operating expenses	503,063	2,440,120	507,420
Operating income (loss)	(47,625)	194,478	60,309
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	13,706	71,569	2,982
Interest on revenue bonds and other debt	(7,284)	(189,673)	(102)
Passenger facility charges	--	33,168	--
Loss on in-substance defeasance	--	(925)	--
Cost (recovered) to be recovered in future years	--	(46,716)	--
Other nonoperating revenue (expense)	(95,159)	(118,984)	(220)
Total nonoperating revenues (expenses)	(88,737)	(251,561)	2,660
Income (loss) before contributions and transfers	(136,362)	(57,083)	62,969
Capital contributions	29,005	164,700	14,092
Transfers in	114,745	115,520	779
Transfers out	(6,320)	(177,203)	(23,768)
Change in net position	1,068	45,934	54,072
Beginning net position, as restated (see Note 18)	479,313	3,896,996	179,031
Ending net position	480,381	3,942,930	233,103
Reconciliation to government-wide Statement of Activities			
Change in net position	1,068	45,934	
Adjustment to consolidate internal service activities	10,650	22,603	
Change in net position - Business-type activities	11,718	68,537	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2019
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water (1)**	**Airport**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,447,041	534,038	175,687
Cash received from other funds	30,559	8,137	--
Cash payments to suppliers for goods and services	(850,972)	(64,211)	(37,304)
Cash payments to other funds	(56,863)	(79,045)	(32,060)
Cash payments to employees for services	(223,095)	(115,867)	(48,391)
Cash payments to claimants/beneficiaries	(112)	(199)	(2)
Taxes collected and remitted to other governments	(42,345)	--	--
Net cash provided by operating activities	304,213	282,853	57,930
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	472	303	--
Transfers out	(118,536)	(51,759)	(153)
Collections from other sources	--	827	--
Contributions from other funds	--	--	--
Loans to other funds	--	--	--
Loan repayments to other funds	--	(124)	(178)
Loan repayments from other funds	482	300	19
Collections from other governments	2,699	1,700	(7,929)
Net cash provided (used) by noncapital financing activities	(114,883)	(48,753)	(8,241)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	98,030	60,500	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	--	--
Proceeds from the sale of revenue bonds	739,165	3,000	265,145
Principal paid on long-term debt	(37,839)	(36,165)	(24,269)
Proceeds from the sale of capital assets	1,060	--	--
Interest paid on revenue bonds and other debt	(59,213)	(131,475)	(32,967)
Passenger facility charges	--	--	32,579
Acquisition and construction of capital assets	(703,491)	(127,134)	(209,499)
Contributions from state and federal governments	--	--	13,442
Contributions in aid of construction	45,577	35,360	--
Bond issuance costs	(6,511)	(98)	(15,641)
Bond premiums	41,344	--	73,706
Cash paid for bond defeasance	--	(45,056)	--
Bonds issued for advanced refundings of debt	--	--	151,720
Cash paid for bond refunding escrow	--	--	(158,494)
Cash paid to payoff commercial paper	(283,997)	--	--
Cash paid for nuclear fuel inventory	(18,964)	--	--
Net cash provided (used) by capital and related financing activities	(184,839)	(241,068)	95,722
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(319,139)	(223,701)	(85,878)
Proceeds from sale and maturities of investment securities	236,098	210,525	69,087
Interest on investments	17,280	7,751	11,617
Net cash provided (used) by investing activities	(65,761)	(5,425)	(5,174)
Net increase (decrease) in cash and cash equivalents	(61,270)	(12,393)	140,237
Cash and cash equivalents, beginning	556,827	344,036	483,705
Cash and cash equivalents, ending	$ 495,557	331,643	623,942

The accompanying notes are an integral part of the financial statements.
(1) Previously reported as Austin Water Utility.

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	451,378	2,608,144	72,064
Cash received from other funds	4,877	43,573	505,198
Cash payments to suppliers for goods and services	(107,531)	(1,060,018)	(98,004)
Cash payments to other funds	(82,142)	(250,110)	(27,975)
Cash payments to employees for services	(226,647)	(614,000)	(188,277)
Cash payments to claimants/beneficiaries	--	(313)	(167,940)
Taxes collected and remitted to other governments	--	(42,345)	--
Net cash provided by operating activities	39,935	684,931	95,066
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	114,745	115,520	--
Transfers out	(6,183)	(176,631)	(23,768)
Collections from other sources	1,782	2,609	--
Contributions from other funds	1,354	1,354	--
Loans to other funds	(79)	(79)	--
Loan repayments to other funds	(840)	(1,142)	--
Loan repayments from other funds	274	1,075	--
Collections from other governments	280	(3,250)	--
Net cash provided (used) by noncapital financing activities	111,333	(60,544)	(23,768)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	158,530	--
Proceeds from the sale of general obligation bonds and other tax supported debt	4,590	4,590	--
Proceeds from the sale of revenue bonds	--	1,007,310	--
Principal paid on long-term debt	(27,398)	(125,671)	(356)
Proceeds from the sale of capital assets	--	1,060	--
Interest paid on revenue bonds and other debt	(7,763)	(231,418)	(113)
Passenger facility charges	--	32,579	--
Acquisition and construction of capital assets	(61,365)	(1,101,489)	(1,989)
Contributions from state and federal governments	24	13,466	--
Contributions in aid of construction	3,621	84,558	--
Bond issuance costs	(30)	(22,280)	--
Bond premiums	440	115,490	--
Cash paid for bond defeasance	--	(45,056)	--
Bonds issued for advanced refundings of debt	--	151,720	--
Cash paid for bond refunding escrow	--	(158,494)	--
Cash paid to payoff commercial paper	--	(283,997)	--
Cash paid for nuclear fuel inventory	--	(18,964)	--
Net cash provided (used) by capital and related financing activities	(87,881)	(418,066)	(2,458)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(17,392)	(646,110)	--
Proceeds from sale and maturities of investment securities	17,853	533,563	--
Interest on investments	12,398	49,046	2,730
Net cash provided (used) by investing activities	12,859	(63,501)	2,730
Net increase (decrease) in cash and cash equivalents	76,246	142,820	71,570
Cash and cash equivalents, beginning	457,767	1,842,335	185,022
Cash and cash equivalents, ending	534,013	1,985,155	256,592

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2019
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water (1)**	**Airport**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 90,076	138,711	13,316
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	204,082	123,758	35,220
Change in assets and liabilities:			
Decrease in working capital advances	(173)	--	--
(Increase) decrease in accounts receivable	(11,101)	(11,048)	668
Increase in allowance for doubtful accounts	422	139	--
Increase in receivables from other governments	--	--	--
(Increase) decrease in inventory	(12,896)	353	(83)
Increase in prepaid expenses and other assets	(22,677)	(184)	(231)
Increase in advances to other funds	--	--	--
Decrease in other long-term assets	18,662	--	1,084
(Increase) decrease in deferred outflows	(20,020)	(13,169)	(10,973)
Increase in accounts payable	6,101	1,973	1,574
Increase in accrued payroll and compensated absences	897	38	233
Increase (decrease) in claims payable	163	(43)	--
Decrease in due to other governments	--	--	--
Increase (decrease) in customer deposits	(3,786)	(1,786)	64
Increase in net pension liability	78,285	39,556	16,342
Increase (decrease) in other postemployment benefits liability	(20,694)	(14,291)	991
Increase in other liabilities	(7,331)	(477)	(81)
Increase (decrease) in deferred inflows	4,203	19,323	(194)
Total adjustments	214,137	144,142	44,614
Net cash provided by operating activities	$ 304,213	282,853	57,930
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	$ --	(2,392)	--
Capital assets contributed from other funds	--	57	11
Capital assets contributed to other funds	--	(1,433)	--
Capital assets acquired through service concession arrangements	--	--	327
Contributed facilities	--	41,248	--
Increase in the fair value of investments	5,080	--	--
Amortization of bond (discounts) premiums	8,662	23,208	5,637
Amortization of deferred gain (loss) on refundings	(4,460)	(5,732)	(1,407)
Loss on disposal of assets	(1,690)	(287)	--
Costs (recovered) to be recovered	34,491	(81,265)	--
Transfers from other funds	--	--	--
Transfers to other funds	--	(106)	(329)

The accompanying notes are an integral part of the financial statements.
(1) Previously reported as Austin Water Utility.

	Business-Type Activities: Nonmajor Enterprise Funds	Business-Type Activities: Total	Governmental Activities- Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(47,625)	194,478	60,309
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	30,437	393,497	12,647
Change in assets and liabilities:			
Decrease in working capital advances	--	(173)	--
(Increase) decrease in accounts receivable	(2,234)	(23,715)	9,530
Increase in allowance for doubtful accounts	114	675	193
Increase in receivables from other governments	--	--	(182)
(Increase) decrease in inventory	36	(12,590)	562
Increase in prepaid expenses and other assets	(914)	(24,006)	(2,095)
Increase in advances to other funds	--	--	(8)
Decrease in other long-term assets	--	19,746	--
(Increase) decrease in deferred outflows	(42,373)	(86,535)	24
Increase in accounts payable	1,615	11,263	13,055
Increase in accrued payroll and compensated absences	1,131	2,299	902
Increase (decrease) in claims payable	--	120	(734)
Decrease in due to other governments	--	--	(3)
Increase (decrease) in customer deposits	2,937	(2,571)	459
Increase in net pension liability	80,150	214,333	--
Increase (decrease) in other postemployment benefits liability	(10,469)	(44,463)	--
Increase in other liabilities	(241)	(8,130)	407
Increase (decrease) in deferred inflows	27,371	50,703	--
Total adjustments	87,560	490,453	34,757
Net cash provided by operating activities	39,935	684,931	95,066
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	--	(2,392)	--
Capital assets contributed from other funds	25,360	25,428	14,092
Capital assets contributed to other funds	(1,947)	(3,380)	--
Capital assets acquired through service concession arrangements	--	327	--
Contributed facilities	--	41,248	--
Increase in the fair value of investments	--	5,080	--
Amortization of bond (discounts) premiums	1,302	38,809	34
Amortization of deferred gain (loss) on refundings	(927)	(12,526)	(23)
Loss on disposal of assets	(917)	(2,894)	(194)
Costs (recovered) to be recovered	--	(46,774)	--
Transfers from other funds	--	--	779
Transfers to other funds	(137)	(572)	--

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

(In thousands)

	Private-purpose Trust	Agency
ASSETS		
Pooled investments and cash	$ 2,330	1,353
Interest Receivable	5	--
Investments held by trustee	--	3,496
Other assets	122	--
Total assets	2,457	4,849
LIABILITIES		
Accounts payable	23	--
Due to other governments	--	837
Deposits and other liabilities	1,642	4,012
Total liabilities	1,665	4,849
NET POSITION		
Held in trust	792	
Total net position	$ 792	

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

		Private-Purpose Trust
ADDITIONS		
Contributions	$	2,511
Interest and other		47
Total additions		2,558
DEDUCTIONS		
Benefit payments		2,510
Total deductions		2,510
Change in net position		48
Beginning net position		744
Ending net position	$	792

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 nonmajor 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. 83, No. 85 through No. 86, and No. 88 through No. 89. In fiscal year 2019, the City implemented the following GASB Statements:

GASB Statement	Impact
83 – "Certain Asset Retirement Obligations"	This statement addresses accounting and financial reporting for certain asset retirement obligations. It also establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The adoption of GASB Statement No. 83 resulted in the recognition of an asset retirement obligation in several City funds (see Note 14k) and restatement of beginning net position (see Note 18).
88 – "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"	This statement expands note disclosures related to debt, including direct borrowings and direct placements. It further clarifies which liabilities should be included in the debt note disclosures. The requirements of this standard are to be applied prospectively. No restatement was necessary.

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*
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: Austin Housing Finance Corporation fund, 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*
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
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.
Nacogdoches Power, LLC (NP)	Austin Energy acquired Nacogdoches Power, LLC on June 13, 2019, which included the purchase of a 115 MW biomass power plant that was transferred to Austin Energy. NP provides renewable energy exclusively for the benefit of Austin Energy customers, and as such is reported as a blended component unit in the Austin Energy enterprise fund. Austin Energy staff serve as officers of the corporation. In addition, Austin Energy is fiscally responsible for the obligations of NP. Reporting Fund: Austin Energy, a major proprietary fund.

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

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) 3600 Presidential Blvd, Suite 411 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.
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.
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.

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.

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.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
b -- Government-wide and Fund Financial Statements, continued

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, 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.

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.

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

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: 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 development, 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.

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.

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.

d -- Budget

The City Manager is required by the City Charter to present proposed operating and capital budgets to the City Council at least 30 days prior to the October 1 beginning of the City's fiscal year. In addition, the City of Austin Charter mandates that a budget be adopted no later than September 27th for the next 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.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
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, 2019 (in thousands):

Governmental activities	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Charges for Services	$ 337,675	26,527	2,507	366,709
Fines	13,600	59	--	13,659
Taxes	52,349	4,483	--	56,832
Other Governments	--	2,663	--	2,663
Other	1,080	4,906	--	5,986
Allowance for doubtful accounts	(337,038)	(1,660)	(193)	(338,891)
Total	$ 67,666	36,978	2,314	106,958

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

Business-type activities	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Total
Accounts Receivable	$ 158,933	75,508	5,173	25,424	265,038
Allowance for doubtful accounts	(10,353)	(2,477)	(1,859)	(2,015)	(16,704)
Total	$ 148,580	73,031	3,314	23,409	248,334

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".

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

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
Wire Reels	Cost
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 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.

The balances of restricted assets in the enterprise funds are as follows (in thousands):

	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	$ 61,588	85,871	450,487	125,661	723,607
Customer and escrow deposits	23,497	10,447	1,180	9,151	44,275
Debt service	79,210	63,917	43,942	14,740	201,809
Federal receivables	5,104	--	10,547	616	16,267
Operating reserve account	--	47,807	18,961	8,554	75,322
Passenger facility charge account	--	--	116,655	--	116,655
Plant decommissioning	255,841	--	--	--	255,841
Renewal and replacement account	69,348	--	10,000	900	80,248
Revenue bond reserve	27,276	58,215	61,080	10,263	156,834
Revolving loan reserve	4,875	--	--	--	4,875
Strategic reserve	214,061	--	--	--	214,061
Total	$ 740,800	266,257	712,852	169,885	1,889,794

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

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.

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**	**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)	--	Other	--	--	--
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.

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

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 $19.8 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.

Austin Energy acquired Nacogdoches Power, LLC on June 13, 2019, which included the purchase of a 115 MW biomass power plant. The purchase was funded with $460 million in revenue bonds. Total consideration was allocated to net position acquired, including capital assets and working capital, at $402 million and deferred outflows of resources at $58 million. Through the acquisition, Austin Energy receives several key economic benefits, including exchanging an escalating capacity payment for a lower, fixed debt service payment and capturing operating efficiencies and cost reductions as the facility owner.

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.

Other Assets -- Other assets include amounts deposited in pre-closing escrow accounts in connection with certain real estate transactions and deposits used as collateral. In addition, the receivable related to service concession arrangements for the Airport, a major enterprise fund, is recorded as other assets.

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	
Funds	**Governmental Activities**	**Business-type Activities**	**Governmental Activities**	**Business-type Activities**
Asset Retirement Obligations (ARO) -- When an ARO is recognized, a corresponding deferred outflow of resources is recognized and amortized over the remaining life of the corresponding tangible asset.				
Austin Energy	$ --	203,193	--	--
Austin Water	--	543	--	--
Internal Service	142	--	--	--
Derivative Instruments -- 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.				
Austin Energy	--	3,511	--	206
Austin Water	--	16,861	--	--
Nonmajor Enterprise	--	8,810	--	--
Excess consideration -- When a government acquires another entity in exchange for significant consideration, the amount of consideration that exceeds the net position acquired should be reported as a deferred outflow of resources and amortized over future periods.				
Austin Energy	--	53,439	--	--
Gain/loss on debt refundings -- 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.				
Governmental Activities	16,140	--	--	--
Austin Energy	--	17,494	--	2
Austin Water	--	50,759	--	--
Airport	--	17,897	--	--
Nonmajor Enterprise	--	6,906	--	164
Internal Service	80	--	--	--
Other postemployment benefits -- 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.				
Governmental Activities	173,238	--	159,047	--
Austin Energy	--	35,809	--	32,936
Austin Water	--	24,233	--	22,509
Airport	--	17,951	--	8,867
Nonmajor Enterprise	--	66,311	--	40,943
Pensions -- 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.				
Governmental Activities	955,854	--	24,454	--
Austin Energy	--	72,149	--	--
Austin Water	--	37,287	--	3,204
Airport	--	16,312	--	--
Nonmajor Enterprise	--	71,891	--	--
Regulated operations. 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. Deferred outflows or inflows.				
Austin Energy	--	--	--	401,124
Austin Water	--	--	--	836,694
Service concession arrangements -- 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.				
Governmental Activities	--	--	886	--
Airport	--	--	--	177,157
Total	$ 1,145,454	721,356	184,387	1,523,806

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

	Deferred Outflows		Deferred Inflows	
Funds	**Governmental Activities**	**Business-type Activities**	**Governmental Activities**	**Business-type Activities**
Totals by Fund				
Governmental Activities	$ 1,145,232	--	184,387	--
Austin Energy	--	385,595	--	434,268
Austin Water	--	129,683	--	862,407
Airport	--	52,160	--	186,024
Nonmajor Enterprise	--	153,918	--	41,107
Internal Service	222	--	--	--
Grand Total	$ 1,145,454	721,356	184,387	1,523,806

The governmental funds' statements include amounts recognized as deferred inflows of resources as a result of property taxes, other taxes, and certain revenues ($20.5 million) that are not available to liquidate current liabilities in the funds. These amounts will be recognized in the period these amounts become available.

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 with 16 years of actual service are eligible for accumulated sick leave payout. As of November 15, 2018, officers may be eligible to receive up to 1,700 hours of sick leave if certain criteria are met.
(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, 2019, the City's total OPEB liability for these retiree benefits was approximately $2.4 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

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

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.

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.

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 recognize gains and losses on debt defeasance in accordance with accounting for regulated operations.

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.

Asset Retirement Obligations (AROs) -- As a result of the implementation of GASB Statement No. 83, Austin Energy is reporting AROs related to the South Texas Project and the Fayette Power Project, Austin Waster is reporting AROs related to wastewater treatment plants, and Fleet is reporting AROs related to petroleum underground storage tanks.

Other Liabilities -- Other liabilities includes Austin Energy's ownership portion of the South Texas Project net pension liability and other postemployment benefits liability.

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	$ 4,326
Austin Water	1,396
Nonmajor Enterprise	1,177

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, 2019. The amount of unbilled revenue recorded, as of September 30, 2019, was $34.3 million. Austin Water records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2019. The amount of unbilled revenue reported in accounts receivable as of September 30, 2019 was $21.2 million for water and $14.9 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	$ 5,538
Nonmajor Enterprise	3,480

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

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.

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.

Special Item -- In April 2012, the City Council approved an ordinance authorizing the execution of a master development agreement for the sale and redevelopment of the Green Water Treatment Plant land. Under this agreement the City sold the land to the developer in four phases. The City received the final payment of $10.201 million in fiscal year 2019. Sales under this agreement total $42.32 million. Due to the unusual and infrequent occurrence of a sale of City property of this significance and the fact that the transaction is under control of City management, it is being reported as a special item in the financial statements.

Extraordinary Item -- In 2018, Austin-Bergstrom Landhost Enterprises, Inc., a discretely presented component unit, recognized an extraordinary item for mold remediation in the hotel's lobby atrium. The remediation had a total cost of $1,593,368.

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 $61,000 in fiscal year 2019 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	Nonmajor Governmental Debt Service	Nonmajor Governmental Capital Projects	Nonmajor Governmental Permanent	Total
Nonspendable						
Inventory	$ 11	--	--	--	--	11
Prepaid items	1,760	--	--	--	--	1,760
Permanent funds	--	--	--	--	1,070	1,070
Total Nonspendable	1,771	--	--	--	1,070	2,841
Restricted						
Municipal court services	--	1,519	--	--	--	1,519
Police special purpose	--	9,883	--	--	--	9,883
Fire special purpose	--	51	--	--	--	51
Transportation, planning, and sustainability	--	106	--	--	--	106
Public health services	--	171	--	--	--	171
Library services	--	4,290	--	--	--	4,290
Tourism programs	--	29,736	--	--	--	29,736
Affordable housing programs	--	54,178	--	--	--	54,178
Urban growth programs	--	16,995	--	--	--	16,995
Capital construction	--	--	--	94,663	--	94,663
Debt service	--	--	32,154	--	--	32,154
Total Restricted	--	116,929	32,154	94,663	--	243,746
Committed						
Parks services	--	4,153	--	--	--	4,153
Tourism programs	--	69	--	--	--	69
Affordable housing programs	--	5,011	--	--	--	5,011
Urban growth programs	--	32,663	--	--	--	32,663
Total Committed	--	41,896	--	--	--	41,896
Assigned						
General government services	145	--	--	--	--	145
Municipal court services	1,618	--	--	--	--	1,618
Police special purpose	14,201	39	--	--	--	14,240
Fire special purpose	183	--	--	--	--	183
EMS special purpose	338	--	--	--	--	338
Transportation, planning, and sustainability	12	15	--	--	--	27
Public health services	5,903	40	--	--	--	5,943
Parks services	919	79	--	--	--	998
Library services	998	6	--	--	--	1,004
Tourism programs	--	6,916	--	--	--	6,916
Affordable housing programs	464	84	--	--	--	548
Urban growth programs	28,660	8,345	--	--	--	37,005
Capital construction	--	--	--	115,211	--	115,211
Total Assigned	53,441	15,524	--	115,211	--	184,176
Unassigned	180,424	(2,161)	--	(37,760)	--	140,503
Total Fund Balance	$ 235,636	172,188	32,154	172,114	1,070	613,162

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

Budgetary reserve funds -- By formal action of City Council, the General Fund maintains three reserve funds; a budget stabilization reserve, an emergency reserve, and a property tax reserve. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2019, the budget stabilization reserve reports a balance of $105.5 million, the emergency reserve maintains a balance of six percent of total General Fund requirements, or $61.7 million, and the property tax reserve has a balance of $4.5 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 -- New Development Services enterprise fund

Prior to fiscal year 2019, Development Services was reported in the General Fund under the Urban growth management program. After several years of discussions surrounding development activities, fees, and cost of service, city management recommended and City Council adopted the budget for the new Development Services enterprise fund in fiscal year 2019. With this budget, the department became substantially self-supporting by bringing fees into alignment with the cost of providing these services. This move to a separate fund helps ensure that development revenue is not being used for activities other than those authorized by City Council and that taxpayers are not supporting the cost of development. There were 362 full time positions moved from the General Fund to the new Development Services nonmajor enterprise fund. Capital assets, net pension liability, other postemployment benefits, and other balances were transferred from governmental activities to the new fund.

g -- 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.

h -- 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, 2019 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	$ 224,126	--
Nonmajor governmental funds	312,997	--
Austin Energy	406,804	83,856
Austin Water	185,519	141,933
Airport	18,851	605,088
Nonmajor enterprise funds	387,212	146,766
Internal service funds	248,593	5,407
Fiduciary funds	3,683	--
Subtotal pooled investments and cash	1,787,785	983,050
Total pooled investments and cash	$ 2,770,835	

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, representation from the Controller’s office, a public sector investment expert, a Financial Advisor's representative, a representative from Austin Energy, a representative from the Austin Water, 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 2019.

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, 2019, TexPool, Texpool Prime, TexasDAILY, TexStar, and Texas CLASS had a weighted average maturity of 34 days, 32 days, 32 days, 18 days, and 50 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, 2019:

- U.S. Treasury securities of $620.6 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 $1.2 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, 2019, the City presented Money Market Funds of $124.3 million, LGIPs of $1.4 billion valued using amortized cost, and LGIP's of $299.8 million valued using NAV.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2019 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 31,224	411,651	--	442,875
Money Market Funds	2,420	118,376	3,496	124,292
US Treasury Notes	--	59,928	--	59,928
US Agency Bonds	--	244,738	--	244,738
Total non-pooled investments	33,644	834,693	3,496	871,833
Pooled investments:				
Local Government Investment Pools	362,430	905,280	1,666	1,269,376
US Treasury Notes	160,073	399,823	745	560,641
US Agency Bonds	273,196	682,377	1,272	956,845
Total pooled investments	795,699	1,987,480	3,683	2,786,862
Total investments	$ 829,343	2,822,173	7,179	3,658,695

Concentration of Credit Risk

At September 30, 2019, 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 ($371.7 or 10%), Federal Home Loan Bank ($270.1 or 7%), Federal Home Loan Mortgage Corporation ($390.1 or 11%), and Federal National Mortgage Association ($169.7 or 5%).

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, 2019, 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	$ 362,430	905,280	1,666	1,269,376	1
US Treasury Notes	160,073	399,823	745	560,641	263
US Agency Bonds	273,196	682,377	1,272	956,845	399
Total Operating funds	795,699	1,987,480	3,683	2,786,862	
Debt service funds					
General Obligation Debt Service					
Local Government Investment Pools	31,224	--	--	31,224	1
Utility (1)					
Local Government Investment Pools	--	143,101	--	143,101	1
Airport					
Local Government Investment Pools	--	29,722	--	29,722	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	11,848	--	11,848	1
Total Debt service funds	31,224	184,671	--	215,895	
Debt service reserve funds					
Utility (1)					
Local Government Investment Pools	--	41,394	--	41,394	1
Money Market Funds	--	4,256	--	4,256	1
Airport					
Local Government Investment Pools	--	61,080	--	61,080	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	10,263	--	10,263	1
Total Debt service reserve funds	--	116,993	--	116,993	
Special projects/purpose funds					
Austin Energy Strategic Reserve					
Local Government Investment Pools	--	89,561	--	89,561	1
US Agency Bonds	--	184,782	--	184,782	503
Total Austin Energy Strategic Reserve	--	274,343	--	274,343	
Austin Energy Nuclear Decommissioning Trust Funds (NDTF)					
Money Market Funds	--	112,009	--	112,009	1
US Treasury Notes	--	59,928	--	59,928	123
US Agency Bonds	--	59,956	--	59,956	248
Total Austin Energy NDTF	--	231,893	--	231,893	
Special Projects - Utility Reserve (1)					
Local Government Investment Pools	--	24,682	--	24,682	1
Special Projects - Other					
Money Market Funds	2,420	2,111	3,496	8,027	1
Total Special projects/purpose funds	2,420	533,029	3,496	538,945	
Total funds	$ 829,343	2,822,173	7,179	3,658,695	

(1) Includes combined pledge debt service

Credit Risk

At September 30, 2019, 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, 2019, 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 ($351.7 or 12%), Federal Home Loan Bank ($205 or 7%), and Federal Home Loan Mortgage Corporation ($290.2 or 10%).

Special Projects or Special Purpose Funds
At September 30, 2019, 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 ($20 or 7%), Federal Home Loan Bank ($35 or 13%), Federal Home Loan Mortgage Corporation ($80 or 29%), and Federal National Mortgage Association ($49.8 or 18%).

At September 30, 2019, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank ($30 or 12%) and Federal Home Loan Mortgage Corporation ($20 or 8%).

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, 2019, 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 190 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, 2019, 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 340 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, 2019, the dollar weighted average maturity was 96 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, 2019, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 44,184	843,819	3,496	891,499
Pooled investments and cash	799,058	1,995,869	3,683	2,798,610
Total investments and cash	843,242	2,839,688	7,179	3,690,109
Unrestricted cash	55	2,506	--	2,561
Restricted cash	10,485	6,620	--	17,105
Pooled investments and cash	799,058	1,995,869	3,683	2,798,610
Investments	33,644	834,693	3,496	871,833
Total	$ 843,242	2,839,688	7,179	3,690,109

The bank balance of the portfolio exceeds the book balance by approximately $28 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 increase it. The difference eliminates once both the outstanding checks and deposits in transit clear the bank.

Deposits
The September 30, 2019 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	$ 55	65	120
Restricted	--	4,875	4,875
Cash held by trustee			
Unrestricted	--	2,441	2,441
Restricted	10,485	1,745	12,230
Pooled cash	3,359	8,389	11,748
Total deposits	$ 13,899	17,515	31,414

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, 2019.

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, 2018, upon which the 2019 levy was based, was $152,147,505,769.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2019, 99.46% of the current tax levy (October 1, 2018) 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%. State law governing municipalities' authority to increase property tax rates was changed during 2019. Effective for fiscal year 2021, any increase in the property tax rate for maintenance and operations of more than 3.5% above the no-new-revenue-property tax rate will require voter approval on the November general election ballot. The no-new-revenue rate is the rate at which the City would generate the same amount of property tax revenue for maintenance and operations as in the prior year from properties taxed in both years, net of certain adjustments. The City will continue to have the ability to set its debt service tax rate at the level necessary to generate sufficient revenue to make its payments on voter-approved bonds, certificates of obligation, and other contractual obligations.

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, 2019, was $0.3308 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, 2019 was $0.1095 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $0.6692 per $100 assessed valuation and could levy approximately $1,018,171,108 in additional taxes from the assessed valuation of $152,147,505,769 before the legislative limit is reached.

5 – CAPITAL ASSETS AND INFRASTRUCTURE

Governmental Activities

Capital asset activity for the year ended September 30, 2019, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,051,306	31,338	(674)	1,081,970
Plant and equipment	267,281	23,733	(18,507)	272,507
Vehicles	151,974	16,913	(14,051)	154,836
Infrastructure	3,006,160	78,662	--	3,084,822
Total depreciable capital assets	4,476,721	150,646	(33,232)	4,594,135
Less accumulated depreciation for				
Building and improvements	(394,317)	(29,599)	206	(423,710)
Plant and equipment	(192,701)	(17,971)	17,418	(193,254)
Vehicles	(97,972)	(13,130)	11,809	(99,293)
Infrastructure	(1,267,023)	(82,517)	--	(1,349,540)
Total accumulated depreciation	(1,952,013)	(143,217) (2)	29,433	(2,065,797)
Depreciable capital assets, net	2,524,708	7,429	(3,799)	2,528,338
Nondepreciable capital assets				
Land and improvements	383,137	39,084	(21,490)	400,731
Arts and treasures	10,602	416	--	11,018
Library collections	18,167	--	--	18,167
Construction in progress	92,271	169,274	(124,022)	137,523
Total nondepreciable assets	504,177	208,774	(145,512)	567,439
Total capital assets	$ 3,028,885	216,203	(149,311)	3,095,777

(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	$ 5,780
Public safety	15,807
Transportation, planning and sustainability	63,494
Public health	1,796
Public recreation and culture	20,577
Urban growth management	23,335
Internal service funds	12,428
Total increases in accumulated depreciation/amortization	$ 143,217

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2019, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 2,827,461	227,796	(50)	3,055,207
Plant and equipment	4,051,318	155,036	(5,597)	4,200,757
Vehicles	228,320	28,920	(10,221)	247,019
Electric plant	4,986,675	573,900	(5,025)	5,555,550
Non-electric plant	236,700	31,027	--	267,727
Nuclear fuel	400,467	18,964	--	419,431
Water rights	100,000	--	--	100,000
Total depreciable capital assets	12,830,941	1,035,643	(20,893)	13,845,691
Less accumulated depreciation/amortization for				
Building and improvements	(849,363)	(66,025)	50	(915,338)
Plant and equipment	(1,674,096)	(106,172)	3,785	(1,776,483)
Vehicles	(154,744)	(20,185)	10,384	(164,545)
Electric plant	(2,862,786)	(191,606)	4,870	(3,049,522)
Non-electric plant	(89,951)	(10,735)	--	(100,686)
Nuclear fuel	(352,198)	(18,440)	--	(370,638)
Water rights	(18,766)	(988)	--	(19,754)
Total accumulated depreciation/amortization	(6,001,904)	(414,151) (2)	19,089	(6,396,966)
Depreciable capital assets, net	6,829,037	621,492	(1,804)	7,448,725
Nondepreciable capital assets				
Land and improvements	694,458	51,302	(1,431)	744,329
Arts and treasures	4,098	--	--	4,098
Construction in progress	606,596	991,299	(997,791)	600,104
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	1,328,267	1,042,601	(999,222)	1,371,646
Total capital assets	$ 8,157,304	1,664,093	(1,001,026)	8,820,371

(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	$ 204,082
Water	59,271
Wastewater	64,487
Airport	35,220
Convention	9,017
Environmental and health services	10,036
Public recreation	678
Urban growth management	10,706
Total business-type activities depreciation expense	393,497
Transferred accumulated depreciation	2,214
Current year amortization included in operating expense	18,440
Total increases in accumulated depreciation/amortization	$ 414,151

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2019, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Vehicles	$ 33,726	3,503	(2,126)	35,103
Electric plant	4,986,675	573,900	(5,025)	5,555,550
Non-electric plant	236,700	31,027	--	267,727
Nuclear fuel	400,467	18,964	--	419,431
Total depreciable capital assets	5,657,568	627,394	(7,151)	6,277,811
Less accumulated depreciation/amortization for				
Vehicles	(25,523)	(1,741)	2,123	(25,141)
Electric plant	(2,862,786)	(191,606)	4,870	(3,049,522)
Non-electric plant	(89,951)	(10,735)	--	(100,686)
Nuclear fuel	(352,198)	(18,440)	--	(370,638)
Total accumulated depreciation/amortization	(3,330,458)	(222,522) (1)	6,993	(3,545,987)
Depreciable capital assets, net	2,327,110	404,872	(158)	2,731,824
Nondepreciable capital assets				
Land and improvements	65,787	2,677	--	68,464
Plant held for future use	23,115	--	--	23,115
Construction in progress (2)	179,788	611,980	(611,106)	180,662
Total nondepreciable assets	268,690	614,657	(611,106)	272,241
Total capital assets	$ 2,595,800	1,019,529	(611,264)	3,004,065

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 204,082
Current year amortization included in operating expense	18,440
Total increases in accumulated depreciation/amortization	$ 222,522

(2) Increases and decreases include $394,386 related to the purchase of the Nacogdoches biomass powerplant.

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water

Capital asset activity for the year ended September 30, 2019, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,202,172	32,493	--	1,234,665
Plant and equipment	3,787,604	138,390	(1,074)	3,924,920
Vehicles	44,211	2,035	(2,870)	43,376
Water rights	100,000	--	--	100,000
Total depreciable capital assets	5,133,987	172,918	(3,944)	5,302,961
Less accumulated depreciation/amortization for				
Building and improvements	(330,632)	(25,908)	--	(356,540)
Plant and equipment	(1,566,091)	(94,562)	--	(1,660,653)
Vehicles	(33,643)	(2,300)	3,553	(32,390)
Water rights	(18,766)	(988)	--	(19,754)
Total accumulated depreciation/amortization	(1,949,132)	(123,758) (1)	3,553	(2,069,337)
Depreciable capital assets, net	3,184,855	49,160	(391)	3,233,624
Nondepreciable capital assets				
Land and improvements	231,763	39	(1,431)	230,371
Arts and treasures	111	--	--	111
Construction in progress	253,727	124,816	(130,456)	248,087
Total nondepreciable assets	485,601	124,855	(131,887)	478,569
Total capital assets	$ 3,670,456	174,015	(132,278)	3,712,193

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	$ 58,283
Wastewater	64,487
Current year amortization	
Water	988
Total increases in accumulated depreciation/amortization	$ 123,758

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport

Capital asset activity for the year ended September 30, 2019, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,281,425	192,656	(50)	1,474,031
Plant and equipment	36,306	6,404	(330)	42,380
Vehicles	16,087	3,161	(757)	18,491
Total depreciable capital assets	1,333,818	202,221	(1,137)	1,534,902
Less accumulated depreciation for				
Building and improvements	(346,659)	(31,309)	50	(377,918)
Plant and equipment	(17,284)	(2,166)	2	(19,448)
Vehicles	(9,312)	(1,745)	754	(10,303)
Total accumulated depreciation	(373,255)	(35,220) (1)	806	(407,669)
Depreciable capital assets, net	960,563	167,001	(331)	1,127,233
Nondepreciable capital assets				
Land and improvements	96,381	--	--	96,381
Arts and treasures	3,375	--	--	3,375
Construction in progress	149,652	192,877	(201,770)	140,759
Total nondepreciable assets	249,408	192,877	(201,770)	240,515
Total capital assets	$ 1,209,971	359,878	(202,101)	1,367,748

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 35,220

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2019, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 343,864	2,647	--	346,511
Plant and equipment	227,408	10,242	(4,193)	233,457
Vehicles	134,296	20,221	(4,468)	150,049
Total depreciable capital assets	705,568	33,110	(8,661)	730,017
Less accumulated depreciation for				
Building and improvements	(172,072)	(8,808)	--	(180,880)
Plant and equipment	(90,721)	(9,444)	3,783	(96,382)
Vehicles	(86,266)	(14,399)	3,954	(96,711)
Total accumulated depreciation	(349,059)	(32,651) (2)	7,737	(373,973)
Depreciable capital assets, net	356,509	459	(924)	356,044
Nondepreciable capital assets				
Land and improvements	300,527	48,586	--	349,113
Arts and treasures	612	--	--	612
Construction in progress	23,429	61,626	(54,459)	30,596
Total nondepreciable assets	324,568	110,212	(54,459)	380,321
Total capital assets	$ 681,077	110,671	(55,383)	736,365

(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	$ 9,017
Environmental and health services	10,036
Public recreation	678
Urban growth management	10,706
Total nonmajor enterprise activities depreciation expense	30,437
Transferred accumulated depreciation	2,214
Total increases in accumulated depreciation/amortization	$ 32,651

Service Concession Arrangements

The City has recorded net capital assets of $164.2 million, other assets of $18 million and deferred inflows of $178 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

In 2010, the City entered into an agreement with the Young Men's Christian Association (YMCA) 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.

In 2016, 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, 2019, the unamortized balance was $10.0 million and is presented in other assets. The related deferred inflow balance is $11.3 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.

In 2017, 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, 2019, the unamortized balance was $8 million and is presented in other assets. The related deferred inflow balance is $8.6 million. Construction costs totaled $27.1 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, 2019, 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	--	1,573	58	1,631	706
YMCA Northeast Recreation Center	1,333	--	194	33	227	1,106
Total Governmental Activities	3,670	--	1,767	91	1,858	1,812
Business-type Activities:						
CONRAC facility	152,496	--	11,369	3,814	15,183	137,313
Bark and Zoom facility	26,771	327	1,339	669	2,008	25,090
Total Business-type Activities	179,267	327	12,708	4,483	17,191	162,403

	Beginning Deferred Inflows	Current year Additions	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
Governmental Activities:						
Umlauf Sculpture Garden	240	--	2,097	77	2,174	163
YMCA Northeast Recreation Center	788	--	545	65	610	723
Total Governmental Activities	1,028	--	2,642	142	2,784	886
Business-type Activities:						
CONRAC facility	137,278	--	15,218	5,083	20,301	132,195
CONRAC base rent agreement	11,735	--	1,306	433	1,739	11,302
Bark and Zoom facility	25,433	327	1,338	670	2,008	25,090
Bark and Zoom base rent agreement	8,803	--	461	233	694	8,570
Total Business-type Activities	$ 183,249	327	18,323	6,419	24,742	177,157

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, 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. In accordance with GASB Statement No. 88, the beginning balance of revenue bonds was adjusted to identify the debt related to revenue notes from direct placements. In addition, in accordance with GASB Statement No. 83, asset retirement obligations were restated, and the beginning balance of decommissioning liability payable was adjusted to identify asset retirement obligations. Balances at September 30, 2019, were as follows (in thousands):

Description	October 1, 2018	Increases	Decreases	September 30, 2019	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	$ 1,123,455	76,731	(118,412)	1,081,774	71,391
Certificates of obligation, net	239,446	7,593	(11,372)	235,667	8,969
Contractual obligations, net	94,064	18,217	(18,343)	93,938	15,944
General obligation bonds and other tax supported debt total	1,456,965	102,541	(148,127)	1,411,379	96,304
Capital lease obligations	9,880	--	--	9,880	4,158
Net debt	1,466,845	102,541	(148,127)	1,421,259	100,462
Other long-term obligations					
Accrued compensated absences	147,337	995	(11,935)	136,397	63,171
Claims payable	47,974	167,206	(167,940)	47,240	23,300
Net pension liability	1,067,452	1,431,657	(438,948)	2,060,161	--
Other postemployment benefits	1,573,263	162,537	(312,668)	1,423,132	34,503
Asset retirement obligations	518	--	--	518	--
Other liabilities	113,316	8,722	(3,435)	118,603	102,055
Governmental activities total	4,416,705	1,873,658	(1,083,053)	5,207,310	323,491
Total business-type activities					
General obligation bonds, net	16,217	--	(3,397)	12,820	3,119
Certificates of obligation, net	52,277	--	(2,692)	49,585	2,370
Contractual obligations, net	26,518	5,030	(10,538)	21,010	8,131
Other tax supported debt, net	6,905	--	(790)	6,115	775
General obligation bonds and other tax supported debt total	101,917	5,030	(17,417)	89,530	14,395
Commercial paper notes, net	254,767	158,530	(283,997)	129,300	--
Revenue bonds, net	4,532,336	1,271,080	(338,249)	5,465,167	154,053
Revenue notes from direct placements, net	169,465	3,000	(10,280)	162,185	10,555
Capital lease obligations	934	--	(56)	878	60
Net debt	5,059,419	1,437,640	(649,999)	5,847,060	179,063
Other long-term obligations					
Accrued compensated absences	27,653	2,864	(345)	30,172	29,466
Claims payable	422	433	(313)	542	281
Net pension liability	585,052	436,434	(182,975)	838,511	--
Other postemployment benefits	951,634	196,571	(175,890)	972,315	23,574
Accrued landfill closure and postclosure costs	12,490	65	(293)	12,262	2,363
Decommissioning liability payable	3,753	--	(2,293)	1,460	1,460
Asset retirement obligations	414,390	--	--	414,390	--
Other liabilities	88,811	10,217	(6,748)	92,280	49,729
Business-type activities total	7,143,624	2,084,224	(1,018,856)	8,208,992	285,936
Total liabilities (1)	$ 11,560,329	3,957,882	(2,101,909)	13,416,302	609,427

(1) This schedule excludes select short-term liabilities of $109,578 for governmental activities. For business-type activities, it excludes select short-term liablities of $271,524, and derivative instruments of $29,182.

6 – DEBT AND NON-DEBT LIABILITIES, continued
a -- Long-Term Liabilities, continued

Description	October 1, 2018	Increases	Decreases	September 30, 2019	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	$ 163	--	(109)	54	50
General obligation bonds and other tax supported debt total	163	--	(109)	54	50
Commercial paper notes, net	212,597	98,030	(283,997)	26,630	--
Revenue bonds, net	1,253,843	780,509	(45,666)	1,988,686	78,348
Capital lease obligations	934	--	(56)	878	60
Net debt	1,467,537	878,539	(329,828)	2,016,248	78,458
Other long-term obligations					
Accrued compensated absences	11,067	450	(80)	11,437	11,437
Claims payable	69	275	(112)	232	230
Net pension liability	240,493	147,400	(69,114)	318,779	--
Other postemployment benefits	314,855	32,808	(53,502)	294,161	7,132
Decommissioning liability payable	3,753	--	(2,293)	1,460	1,460
Asset retirement obligations	413,108	--	--	413,108	--
Other liabilities	64,597	7,216	(4,389)	67,424	24,873
Electric activities total	2,515,479	1,066,688	(459,318)	3,122,849	123,590
Water and Wastewater activities					
General obligation bonds, net	1,220	--	(255)	965	207
Certificates of obligation bonds, net	1,594	--	(97)	1,497	92
Contractual obligations, net	3,799	--	(1,411)	2,388	1,052
Other tax supported debt, net	4,510	--	(595)	3,915	496
General obligation bonds and other tax supported debt total	11,123	--	(2,358)	8,765	1,847
Commercial paper notes, net	42,170	60,500	--	102,670	--
Revenue bonds, net	2,368,313	--	(97,933)	2,270,380	52,925
Revenue notes from direct placements, net	90,130	3,000	(4,000)	89,130	4,135
Net debt	2,511,736	63,500	(104,291)	2,470,945	58,907
Other long-term obligations					
Accrued compensated absences	5,579	21	(124)	5,476	5,466
Claims payable	353	156	(199)	310	51
Net pension liability	127,015	74,421	(34,865)	166,571	--
Other postemployment benefits	213,354	22,173	(36,464)	199,063	4,827
Asset retirement obligations	1,282	--	--	1,282	--
Other liabilities	14,468	--	(2,263)	12,205	12,205
Water and Wastewater activities total	2,873,787	160,271	(178,206)	2,855,852	81,456
Airport activities					
General obligation bonds, net	33	--	(20)	13	10
General obligation bonds and other tax supported debt total	33	--	(20)	13	10
Revenue bonds, net	801,216	490,571	(182,925)	1,108,862	10,900
Revenue notes from direct placements, net	52,265	--	(4,235)	48,030	4,335
Net debt	853,514	490,571	(187,180)	1,156,905	15,245
Other long-term obligations					
Accrued compensated absences	2,355	63	--	2,418	2,418
Claims payable	--	2	(2)	--	--
Net pension liability	43,715	30,116	(13,774)	60,057	--
Other postemployment benefits	88,119	16,973	(15,982)	89,110	2,160
Other liabilities	2,801	64	(81)	2,784	2,784
Airport activities total	990,504	537,789	(217,019)	1,311,274	22,607
Nonmajor activities					
General obligation bonds, net	14,801	--	(3,013)	11,788	2,852
Certificates of obligation, net	50,683	--	(2,595)	48,088	2,278
Contractual obligations	22,719	5,030	(9,127)	18,622	7,079
Other tax supported debt, net	2,395	--	(195)	2,200	279
General obligation bonds and other tax supported debt total	90,598	5,030	(14,930)	80,698	12,488
Revenue bonds, net	108,964	--	(11,725)	97,239	11,880
Revenue notes from direct placements, net	27,070	--	(2,045)	25,025	2,085
Net debt	226,632	5,030	(28,700)	202,962	26,453
Other long-term obligations					
Accrued compensated absences	8,652	2,330	(141)	10,841	10,145
Net pension liability	173,829	184,497	(65,222)	293,104	--
Other postemployment benefits	335,306	124,617	(69,942)	389,981	9,455
Accrued landfill closure and postclosure costs	12,490	65	(293)	12,262	2,363
Other liabilities	6,945	2,937	(15)	9,867	9,867
Nonmajor activities total	$ 763,854	319,476	(164,313)	919,017	58,283

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, 2019, 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	145	6	(1)(3)	4.30%	9/1/2020
NW Austin MUD - 2006	2006	7,995	5,970	1,063	(1)(3)	4.15 - 4.25%	9/1/2020-2026
Mueller Contractual Obligation - 2006	2006	12,000	5,830	1,104	(1)(4)	4.00 - 5.00%	9/1/2020-2026
Public Improvement Refunding - 2008	2008	172,505	14,220	1,015	(1)	5.00%	9/1/2020-2021
Public Improvement - 2009B	2009	78,460	63,845	18,507	(1)	4.70 - 5.31%	9/1/2020-2029
Certificates of Obligation - 2009	2009	12,500	7,405	3,349	(1)	3.38 - 4.75%	9/1/2020-2039
Contractual Obligation - 2009	2009	13,800	305	5	(2)	3.25%	11/1/2019
Mueller Contractual Obligation - 2009	2010	15,000	9,105	2,215	(1)(4)	4.00 - 4.25%	9/1/2020-2029
Public Improvement - 2010A	2011	79,528	65,830	16,562	(1)	3.00 - 4.00%	9/1/2020-2030
Public Improvement - 2010B	2011	26,400	24,370	6,791	(1)	3.45 - 4.65%	9/1/2020-2030
Certificates of Obligation - 2010	2011	22,300	14,860	3,160	(1)	3.00 - 3.50%	9/1/2020-2030
Public Improvement Refunding - 2010	2011	91,560	50,170	5,301	(1)	4.34 - 5.00%	9/1/2020-2023
Public Improvement - 2011A	2012	78,090	66,040	20,675	(1)	3.00 - 4.00%	9/1/2020-2031
Public Improvement - 2011B	2012	8,450	7,300	2,172	(1)	3.50 - 4.50%	9/1/2020-2031
Certificates of Obligation - 2011	2012	51,150	42,420	20,634	(1)	3.00 - 5.00%	9/1/2020-2041
Public Improvement Refunding - 2011A	2012	68,285	13,660	1,720	(1)	4.00 - 5.00%	9/1/2020-2023
Public Improvement - 2012A	2013	74,280	70,945	19,959	(1)	3.00 - 5.00%	9/1/2023-2032
Public Improvement - 2012B	2013	6,640	4,575	1,099	(1)	2.50 - 3.50%	9/1/2020-2032
Certificates of Obligation - 2012	2013	24,645	18,480	4,844	(1)	3.00 - 4.00%	9/1/2020-2037
Contractual Obligation - 2012	2013	27,135	2,095	42	(2)	4.00%	11/1/2019
Mueller Contractual Obligation - 2012	2013	16,735	13,035	3,631	(1)(4)	2.63 - 3.38%	9/1/2020-2032
Public Improvement - 2013	2014	104,665	92,855	35,480	(1)	4.00 - 5.00%	9/1/2020-2033
Certificates of Obligation - 2013	2014	25,355	22,095	10,335	(1)	3.25 - 5.00%	9/1/2020-2038
Contractual Obligation - 2013	2014	50,150	10,545	223	(2)	2.00 - 2.25%	11/1/2019-2020
Public Improvement Refunding - 2013A	2014	43,250	20,020	3,320	(1)	5.00%	9/1/2020-2024
Public Improvement Refunding - 2013B	2014	71,455	6,320	172	(1)	2.72%	9/1/2020
Public Improvement - 2014	2015	89,915	89,205	48,382	(1)	3.00 - 5.00%	9/1/2020-2034
Public Improvement - 2014	2015	10,000	9,650	4,003	(1)	2.38 - 4.02%	9/1/2020-2034
Certificates of Obligation - 2014	2015	35,490	29,245	12,828	(1)	2.00 - 5.00%	9/1/2020-2034
Certificates of Obligation - 2014	2015	9,600	7,780	2,554	(1)	2.38 - 3.92%	9/1/2020-2034
Contractual Obligation - 2014	2015	14,100	7,025	490	(2)	4.00 - 5.00%	11/1/2019-2021
Mueller Contractual Obligation - 2014	2015	15,845	14,525	4,649	(1)(4)	3.00 - 5.00%	9/1/2020-2029
Public Improvement and Refunding - 2015	2016	236,905	208,385	59,573	(1)	2.95 - 5.00%	9/1/2020-2035
Public Improvement - 2015	2016	10,000	8,820	3,198	(1)	2.89 - 4.27%	9/1/2020-2035
Certificates of Obligation - 2015	2016	43,710	37,720	17,695	(1)	3.25 - 5.00%	9/1/2020-2035
Contractual Obligation - 2015	2016	14,450	7,785	797	(2)	5.00%	11/1/2019-2022
Public Improvement and Refunding - 2016	2017	98,365	84,535	30,164	(1)	3.00 - 5.00%	9/1/2020-2036
Certificates of Obligation - 2016	2017	44,015	39,600	19,246	(1)	3.00 - 5.00%	9/1/2020-2036
Contractual Obligation - 2016	2017	22,555	14,745	1,541	(2)	2.00 - 5.00%	11/1/2019-2023
Public Improvement - 2016	2017	12,000	10,595	2,927	(1)	1.81 - 4.00%	9/1/2020-2036
Certificates of Obligation - 2016	2017	8,700	7,685	2,120	(1)	1.81 - 4.00%	9/1/2020-2036
Public Improvement - 2017	2018	63,580	48,095	23,562	(1)	5.00%	9/1/2020-2037
Certificates of Obligation - 2017	2018	29,635	27,630	14,832	(1)	5.00%	9/1/2020-2037
Contractual Obligation - 2017	2018	5,075	4,060	461	(2)	2.00 - 5.00%	11/1/2019-2024
Public Improvement - 2017	2018	25,000	23,720	8,311	(1)	2.35 - 5.00%	9/1/2020-2037
Public Improvement - 2018	2019	65,595	28,745	9,544	(1)	3.00 - 5.00%	9/1/2020-2038
Certificates of Obligation - 2018	2019	7,140	6,890	2,857	(1)	3.00 - 5.00%	9/1/2020-2038
Contractual Obligation - 2018	2019	21,215	20,070	3,468	(2)	4.00 - 5.00%	11/1/2019-2025
Public Improvement - 2018	2019	6,980	6,740	2,921	(1)	3.38 - 5.00%	9/1/2020-2038
			$ 1,395,690				

(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 principal of $3,915 and interest of $684 and Drainage fund principal of $2,200 and interest of $385.
(4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.

6 – DEBT AND NON-DEBT LIABILITIES, continued
b -- Governmental Activities Long-Term Liabilities, continued

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). Principal payments are due 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). Principal payments are due 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. Principal payments are due 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. Principal payments are due September 1 of each year from 2019 to 2038. Interest is payable March 1 and September 1 of each year from 2019 to 2038, commencing on March 1, 2019. Total interest requirements for this obligation, at rates ranging from 3.4% to 5.0% are $3,184,623.

General obligation bonds authorized and unissued amounted to $1,616,365,000 at September 30, 2019. Bond ratings at September 30, 2019 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. 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 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.

The total combined utility systems revenue bond obligations at September 30, 2019, exclusive of discounts, premiums, and loss on refundings consists of $90,967,962 subordinate lien bonds. Aggregate interest requirements are $21,501,600 at September 30, 2019. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2019, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), 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. The subordinate lien bonds are subordinate to prior lien revenue bonds, which have been paid in full, 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.

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.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Combined Utility Systems Debt -- Bonds Issued and Outstanding - The following schedule shows the refunding revenue bonds outstanding at September 30, 2019 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1998 Refunding	1999	$ 139,965	88,770	17,500 (1)	5.25%	5/15/2020-2025
1998A Refunding	1999	105,350	2,198	4,002 (2)	4.25%	5/15/2020
			$ 90,968			

(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, 2019, 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.

At September 30, 2019, Austin Energy had tax exempt commercial paper notes of $16,510,000 outstanding and Austin Water had $102,670,000 of commercial paper notes outstanding with interest ranging from 1.45% to 2.65%, 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%	$ 119,180	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. In the event of a default, at the discretion of the bank and with written notice to the City, the outstanding amount of both principal and interest may become immediately due and payable.

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, 2019, 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.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

At September 30, 2019, Austin Energy had outstanding taxable commercial paper notes of $10,120,000 with interest rates ranging from 2.00% to 3.26%. 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%	$ 10,120	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. In the event of a default, at the discretion of the bank and with written notice to the City, the outstanding amount of both principal and interest may become immediately due and payable.

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, 2019, were Aa3 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA (Fitch).

Electric Utility System Revenue Debt -- Revenue Bond Issue - In June 2019, the City issued $464,540,000 of Electric Utility System Revenue Bonds, Taxable Series 2019A. The net proceeds of $462,676,658 (after issuance costs) were used to acquire the Nacogdoches Biomass Facility. Interest payments are due May 15 and November 15 of each year from 2019 to 2031. Principal payments are due November 15 of each year from 2019 to 2031. Total interest requirements for this obligation, with interest rates ranging from 2.4% to 3.1%, are $90,207,448.

Electric Utility System Revenue Debt -- Revenue Bond Refunding Issues - In August 2019, the City issued $169,850,000 of Electric Utility System Revenue Refunding Bonds, Series 2019B. The net proceeds of $210,481,513 (after issue costs, premium and discounts) from the issuance were used to refund $210,000,000 in tax-exempt commercial paper. Interest is payable May 15 and November 15 of each year from 2019 to 2049, commencing on November 15, 2019. Principal payments are due November 15 of each year from 2022 to 2049. Total interest requirements for this obligation, at a constant rate of 5.0%, are $179,254,833.

In August 2019, the City issued $104,775,000 of Electric Utility System Revenue Refunding Bonds, Series 2019C. The net proceeds of $104,340,850 (after issue costs, premium and discounts) from the issuance were used to refund $73,997,000 in taxable commercial paper and $30,000,000 will be used to fund the design and construction of a chilled water plant. Interest is payable May 15 and November 15 of each year from 2019 to 2049, commencing on November 15, 2019. Principal payments are due November 15 of each year from 2020 to 2049. Total interest requirements for this obligation, with interest rates ranging from 2.0% to 3.6%, are $68,536,496.

These issuances, Series 2019B & Series 2019C, only encompassed commercial paper refundings; therefore, there was no real economic gain achieved with this transaction, nor was an accounting loss or gain recorded. The refunding issuances enabled the City to restore the available capacity under its tax-exempt and taxable commercial paper notes.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system refunding revenue bonds outstanding at September 30, 2019 (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	14,010	640 (1)	5.00%	11/15/2019-2020
2008 Refunding	2008	50,000	36,855	18,462 (1)	5.20 - 6.26%	11/15/2019-2032
2010A Refunding	2010	119,255	91,455	41,982 (1)	4.00 - 5.00%	11/15/2019-2040
2010B Refunding	2010	100,990	100,990	70,748 (1)	4.54 - 5.72%	11/15/2019-2040
2012A Refunding	2013	267,770	247,085	142,859 (1)	2.50 - 5.00%	11/15/2019-2040
2012B Refunding	2013	107,715	82,280	14,938 (1)	1.83 - 3.16%	11/15/2019-2027
2015A Refunding	2015	327,845	327,845	250,763 (1)	5.00%	11/15/2021-2045
2015B Refunding	2015	81,045	63,420	21,344 (1)	2.08 - 4.66%	11/15/2019-2037
2017 Refunding	2017	101,570	101,570	68,684 (1)	4.00 - 5.00%	11/15/2019-2038
2019A	2019	464,540	464,540	90,207 (1)	2.43 - 3.09%	11/15/2019-2031
2019B Refunding	2019	169,850	169,850	179,255 (1)	5.00%	11/15/2022-2049
2019C Refunding	2019	104,775	104,775	68,536 (1)	2.00 - 3.57%	11/15/2020-2049
			$ 1,804,675			

(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, 2019 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,471,267	1,105,466	365,801	91,371	4.00

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation, other postemployment benefits and net pension liability accruals.

Water and Wastewater System Revenue Debt -- General - The City is authorized by ordinance to issue Austin Water 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 Austin Water. Bond ratings at September 30, 2019, 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 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 and wastewater system. 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. Total interest requirements for the bonds, with interest rates ranging from 1.2% to 2.6%, are $740,207.

Water and Wastewater System Revenue Debt -- Revenue Bond In-Substance Defeasance - In May 2019, the City defeased $4,355,000 of separate lien revenue refunding bonds, series 2010A, $11,355,000 of separate lien revenue refunding bonds, series 2011, $16,140,000 of separate lien revenue refunding bonds, series 2012, $6,520,000 of separate lien revenue refunding bonds, series 2013A, $3,960,000 of separate lien revenue refunding bonds, series 2014, and $750,000 of separate lien revenue refunding bonds, series 2015A, with a $45,056,909 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 2019 defeasance were $48,430,825 over a seven-year period. These savings, coupled with future planned debt defeasance transactions, will help achieve rate stability over the next few years. An accounting loss of $925,230 was recorded and recognized in the current period on the defeasance.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

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, 2019 (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	101,500	27,053	(2)	1.25 - 2.32%	11/15/2019-2031	(3)
2009 Refunding	2009	175,000	1,700	34	(1)	4.00%	11/15/2019	
2010	2010	31,815	24,385	--	(4)	0.00%	11/15/2019-2041	
2010A Refunding	2011	76,855	59,860	43,320	(1)	5.00 - 5.13%	11/15/2019-2040	
2010B Refunding	2011	100,970	90,425	66,574	(1)	4.10 - 6.02%	11/15/2019-2040	
2011 Refunding	2012	237,530	196,745	123,423	(1)	3.13 - 5.00%	11/15/2019-2041	
2012 Refunding	2012	336,820	239,185	139,128	(1)	2.50 - 5.00%	5/15/2020-2042	
2013A Refunding	2013	282,460	256,115	152,879	(1)	3.00 - 5.00%	11/15/2019-2043	
2014 Refunding	2014	282,205	273,100	180,051	(1)	5.00%	11/15/2019-2043	
2015A Refunding	2015	249,145	244,785	85,550	(1)	2.85 - 5.00%	11/15/2019-2036	
2015B Refunding	2015	40,000	22,990	566	(1)	2.13 - 2.54%	11/15/2019-2021	
2016 Refunding	2016	247,770	247,770	197,803	(1)	5.00%	11/15/2019-2045	
2016A	2017	20,430	18,590	3,036	(1)	0.64 - 2.12%	11/15/2019-2036	
2017 Refunding	2017	311,100	311,100	192,898	(1)	2.50 - 5.00%	11/15/2020-2046	
2017A	2018	45,175	43,155	8,121	(1)	0.63 - 2.29%	11/15/2019-2037	
2018	2019	3,000	3,000	711	(1)	1.21 - 2.61%	11/15/2019-2038	
			$ 2,134,405					

(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.

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	Barclays Bank PLC	0.25%	Goldman Sachs	0.05%	$ 101,500	10/28/2022

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. The City currently has an Irrevocable Letter of Credit Reimbursement Agreement, which has provisions within the agreement that, in the event of a default, the bank has the ability to declare the principal and accrued interest immediately due and payable.

Water and Wastewater System Revenue Debt -- Pledged Revenues - The net revenue of Austin Water was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2019 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (3)
$ 560,168	261,004	299,164	163,595	1.83

(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.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Airport System 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, 2019, the total airport system obligation for prior lien bonds is $1,024,355,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are $821,347,894 at September 30, 2019. Revenue bonds authorized and unissued amount to $735,795,000. Bond ratings at September 30, 2019, for the revenue bonds were A (Standard & Poor's) and A1 (Moody's Investors Service, Inc.).

Airport System Revenue Debt -- Revenue Refunding Bond Issue - In May 2019, the City issued $151,720,000 of Airport System Revenue Refunding Bonds, Series 2019 (AMT). The bonds are subject to the alternative minimum tax (AMT). The net proceeds of $168,031,141 (after issue costs, discounts, and premiums) from the refunding were used to refund $157,450,000 of the City's outstanding Airport System Revenue Refunding Bonds, Series 2005 (AMT). Interest is payable May 15 and November 15 of each year from 2019 to 2025, commencing on November 15, 2019. Principal payments are due November 15 of each year from 2019 to 2025. Total interest requirements for this obligation, at a constant rate of 5.0%, are $29,242,506. An economic gain of $5,413,733 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $6,629,352. In connection with the refunding the interest rate swap was terminated; the termination fee was $13,379,000 related to the transaction. An accounting loss of $18,862,607, which will be deferred and amortized, was recorded on this refunding.

Airport System Revenue Debt -- Revenue Bond Issue - In August 2019, the City issued $16,975,000 of Airport System Revenue Bonds, Series 2019A. The net proceeds of $20,660,156 (after issue costs, discounts, and premiums) from the issuance is being used to complete the parking garage project. Interest is payable May 15 and November 15 of each year from 2019 to 2049, commencing on November 15, 2019. Principal payment is due November 15, 2049. Total interest requirements for these obligations, at a constant rate of 5.0%, are $25,679,403.

In August 2019, the City issued $248,170,000 of Airport System Revenue Bonds, Series 2019B (AMT). The net proceeds of $300,399,829 (after issue costs, discounts, and premiums) from the issuance are being used for expansion and improvements to the terminal and apron and the construction of a new administration building adjacent to the parking garage. Interest is payable May 15 and November 15 of each year from 2019 to 2048, commencing on November 15, 2019. Principal payments are due November 15 of each year from 2022 to 2048. Total interest requirements for these obligations, at a constant rate of 5.0%, are $238,245,061.

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2019 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2013 Revenue	2013	$ 60,000	48,030	5,547 (1)	2.25%	11/15/2019-2028 (2)
2014 Revenue	2015	244,495	244,495	219,349 (1)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	178,429 (1)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	124,856 (1)	5.00%	11/15/2026-2046
2019 Revenue	2019	151,720	151,720	29,243 (1)	5.00%	11/15/2019-2025
2019A Revenue	2019	16,975	16,975	25,679 (1)	5.00%	11/15/2049
2019B Revenue	2019	248,170	248,170	238,245 (1)	5.00%	11/15/2022-2048
			$ 1,024,355			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Series matures on May 15 of the final year.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Airport System 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, 2019 (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
$ 191,166	6,107	118,610	78,663	24,429	3.22

(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.

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, 2019, the total convention center obligation for prior and subordinate lien bonds is $121,615,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $20,726,118 at September 30, 2019. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2019. Bond ratings at September 30, 2019, 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 table below summarizes Convention Center refunding revenue bonds outstanding at September 30, 2019 (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	76,640	13,708 (2)	1.17 - 2.39%	11/15/2019-2029
2012 Refunding	2012	20,185	15,010	4,235 (1)	3.63 - 5.00%	11/15/2019-2029
2013 Refunding	2014	26,485	4,940	123 (1)	5.00%	11/15/2019
2016 Refunding	2017	29,080	25,025	2,660 (1)	1.88%	11/15/2019-2029
			$ 121,615			

(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%	$ 38,320	10/9/2020
2008-B	Sumitomo Mitsui Banking Corporation	0.33%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.05%	38,320	10/9/2020
					$ 76,640	

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. 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. The City currently has an Irrevocable Letter of Credit Reimbursement Agreement, which has provisions within the agreement that, in the event of a default, the bank has the ability to declare the principal and accrued interest immediately due and payable.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements

Governmental 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
2020	$ 71,391	44,123	8,969	9,281	15,944	3,611
2021	75,682	40,805	9,352	8,926	13,675	3,012
2022	76,156	37,174	9,762	8,554	11,263	2,448
2023	76,794	33,558	10,199	8,154	9,663	1,951
2024	77,325	30,170	10,653	7,725	7,830	1,538
2025-2029	365,090	101,476	60,934	31,411	24,485	3,872
2030-2034	232,735	34,253	67,297	17,293	6,055	407
2035-2039	31,155	2,218	33,652	4,302	--	--
2040-2044	--	--	4,365	281	--	--
Total debt service requirements	1,006,328	323,777	215,183	95,927	88,915	16,839
Less: Unamortized bond discounts	(1,028)	--	(598)	--	(185)	--
Add: Unamortized bond premiums	76,474	--	21,082	--	5,208	--
Net debt	1,081,774	323,777	235,667	95,927	93,938	16,839

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Governmental Debt Service Requirements Principal	Total Governmental Debt Service Requirements Interest	Total Governmental Debt Service Requirements Total
2020	4,158	220	100,462	57,235	157,697
2021	1,973	215	100,682	52,958	153,640
2022	1,907	282	99,088	48,458	147,546
2023	1,842	347	98,498	44,010	142,508
2024	--	--	95,808	39,433	135,241
2025-2029	--	--	450,509	136,759	587,268
2030-2034	--	--	306,087	51,953	358,040
2035-2039	--	--	64,807	6,520	71,327
2040-2044	--	--	4,365	281	4,646
Total debt service requirements	9,880	1,064	1,320,306	437,607	1,757,913
Less: Unamortized bond discounts	--	--	(1,811)	--	(1,811)
Add: Unamortized bond premiums	--	--	102,764	--	102,764
Net debt	$ 9,880	1,064	1,421,259	437,607	1,858,866

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
2020	$ 3,119	588	2,370	2,016	8,131	672
2021	3,253	443	2,488	1,935	4,610	449
2022	2,575	297	2,603	1,849	2,636	300
2023	1,650	168	2,730	1,753	1,838	191
2024	1,715	85	2,868	1,645	1,480	116
2025-2029	--	--	16,557	6,322	1,515	59
2030-2034	--	--	13,938	2,685	--	--
2035-2039	--	--	3,073	322	--	--
2040-2044	--	--	--	--	--	--
2045-2049	--	--	--	--	--	--
2050-2054	--	--	--	--	--	--
Total debt service requirements	12,312	1,581	46,627	18,527	20,210	1,787
Less: Unamortized bond discounts	--	--	(78)	--	(1)	--
Add: Unamortized bond premiums	508	--	3,036	--	801	--
Net debt	12,820	1,581	49,585	18,527	21,010	1,787

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
2020	775	258	129,300	47	154,053	224,628
2021	820	226	--	--	179,200	221,582
2022	845	191	--	--	199,005	213,876
2023	885	156	--	--	210,985	204,650
2024	920	119	--	--	231,605	194,990
2025-2029	1,870	119	--	--	1,216,170	817,811
2030-2034	--	--	--	--	914,020	571,148
2035-2039	--	--	--	--	830,590	370,094
2040-2044	--	--	--	--	707,530	175,320
2045-2049	--	--	--	--	335,775	38,136
2050-2054	--	--	--	--	34,900	830
Total debt service requirements	6,115	1,069	129,300	47	5,013,833	3,033,065
Less: Unamortized bond discounts	--	--	--	--	(1,406)	--
Add: Unamortized bond premiums	--	--	--	--	452,740	--
Net debt	$ 6,115	1,069	129,300	47	5,465,167	3,033,065

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(Continued)

(2) A portion of these bonds are variable rate bonds with rates ranging from 1.17% to 2.39%.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-type Activities, continued
(in thousands)

Fiscal Year Ended September 30	Revenue Notes from Direct Placements		Capital Lease Obligations		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	$ 10,555	2,484	60	73	308,363	230,766	539,129
2021	10,700	2,323	63	69	201,134	227,027	428,161
2022	10,860	2,160	67	66	218,591	218,739	437,330
2023	11,070	1,989	70	64	229,228	208,971	438,199
2024	11,230	1,812	74	59	249,892	198,826	448,718
2025-2029	58,985	6,109	427	236	1,295,524	830,656	2,126,180
2030-2034	25,705	2,563	117	39	953,780	576,435	1,530,215
2035-2039	19,895	636	--	--	853,558	371,052	1,224,610
2040-2044	3,185	--	--	--	710,715	175,320	886,035
2045-2049	--	--	--	--	335,775	38,136	373,911
2050-2054	--	--	--	--	34,900	830	35,730
Total debt service requirements	162,185	20,076	878	606	5,391,460	3,076,758	8,468,218
Less: Unamortized bond discounts	--	--	--	--	(1,485)	--	(1,485)
Add: Unamortized bond premiums	--	--	--	--	457,085	--	457,085
Net debt	$ 162,185	20,076	878	606	5,847,060	3,076,758	8,923,818

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
2020	$ 50	2	26,630	10	78,348	72,725
2021	4	--	--	--	78,886	74,218
2022	--	--	--	--	87,148	71,400
2023	--	--	--	--	86,843	68,100
2024	--	--	--	--	91,652	64,628
2025-2029	--	--	--	--	483,772	267,432
2030-2034	--	--	--	--	365,555	176,199
2035-2039	--	--	--	--	261,920	111,875
2040-2044	--	--	--	--	184,745	58,400
2045-2049	--	--	--	--	133,770	16,024
2050-2054	--	--	--	--	17,925	406
Total debt service requirements	54	2	26,630	10	1,870,564	981,407
Less: Unamortized bond discounts	--	--	--	--	(174)	--
Add: Unamortized bond premiums	--	--	--	--	118,296	--
Net debt	54	2	26,630	10	1,988,686	981,407

Fiscal Year Ended September 30	Capital Lease Obligations		Total Austin Energy Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2020	60	73	105,088	72,810	177,898
2021	63	69	78,953	74,287	153,240
2022	67	66	87,215	71,466	158,681
2023	70	64	86,913	68,164	155,077
2024	74	59	91,726	64,687	156,413
2025-2029	427	236	484,199	267,668	751,867
2030-2034	117	39	365,672	176,238	541,910
2035-2039	--	--	261,920	111,875	373,795
2040-2044	--	--	184,745	58,400	243,145
2045-2049	--	--	133,770	16,024	149,794
2050-2054	--	--	17,925	406	18,331
Total debt service requirements	878	606	1,898,126	982,025	2,880,151
Less: Unamortized bond discounts	--	--	(174)	--	(174)
Add: Unamortized bond premiums	--	--	118,296	--	118,296
Net debt	$ 878	606	2,016,248	982,025	2,998,273

(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
(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
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	188	9	114	43	--	--	589	76
2025-2029	--	--	636	140	--	--	1,197	76
2030-2034	--	--	326	20	--	--	--	--
2035-2039	--	--	--	--	--	--	--	--
2040-2044	--	--	--	--	--	--	--	--
2045-2049	--	--	--	--	--	--	--	--
Total debt service requirements	923	130	1,478	409	2,317	161	3,915	684
Less: Unamortized bond discounts	--	--	(4)	--	--	--	--	--
Add: Unamortized bond premiums	42	--	23	--	71	--	--	--
Net debt	965	130	1,497	409	2,388	161	3,915	684

Fiscal Year Ended September 30	Commercial Paper Notes (1)		Revenue Bonds (2)		Revenue Notes from Direct Placements		Total Austin Water Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	102,670	37	52,925	103,296	4,135	1,002	161,577	104,682	266,259
2021	--	--	70,674	96,872	4,155	980	76,310	98,134	174,444
2022	--	--	82,712	93,348	4,170	957	88,131	94,528	182,659
2023	--	--	89,372	88,911	4,245	930	94,623	90,009	184,632
2024	--	--	103,673	84,386	4,265	900	108,829	85,414	194,243
2025-2029	--	--	557,188	345,826	21,840	3,924	580,861	349,966	930,827
2030-2034	--	--	395,920	228,210	23,240	2,540	419,486	230,770	650,256
2035-2039	--	--	386,380	131,976	19,895	636	406,275	132,612	538,887
2040-2044	--	--	289,780	42,339	3,185	--	292,965	42,339	335,304
2045-2049	--	--	41,730	2,627	--	--	41,730	2,627	44,357
Total debt service requirements	102,670	37	2,070,354	1,217,791	89,130	11,869	2,270,787	1,231,081	3,501,868
Less: Unamortized bond discounts	--	--	(1,173)	--	--	--	(1,177)	--	(1,177)
Add: Unamortized bond premiums	--	--	201,199	--	--	--	201,335	--	201,335
Net debt	$ 102,670	37	2,270,380	1,217,791	89,130	11,869	2,470,945	1,231,081	3,702,026

(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 1.25 - 2.32%.

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 Principal	Revenue Bonds Interest	Revenue Notes from Direct Placements Principal	Revenue Notes from Direct Placements Interest
2020	$ 10	1	10,900	45,451	4,335	1,032
2021	2	--	22,450	47,710	4,425	933
2022	1	--	21,695	46,606	4,530	833
2023	--	--	27,095	45,386	4,630	730
2024	--	--	28,320	44,002	4,730	624
2025-2029	--	--	130,705	199,250	25,380	1,395
2030-2034	--	--	142,615	166,663	--	--
2035-2039	--	--	182,290	126,243	--	--
2040-2044	--	--	233,005	74,581	--	--
2045-2049	--	--	160,275	19,485	--	--
2050-2054	--	--	16,975	424	--	--
Total debt service requirements	13	1	976,325	815,801	48,030	5,547
Add: Unamortized bond premiums	--	--	132,537	--	--	--
Net debt	13	1	1,108,862	815,801	48,030	5,547

Fiscal Year Ended September 30	Total Airport Debt Service Requirements Principal	Interest	Total
2020	15,245	46,484	61,729
2021	26,877	48,643	75,520
2022	26,226	47,439	73,665
2023	31,725	46,116	77,841
2024	33,050	44,626	77,676
2025-2029	156,085	200,645	356,730
2030-2034	142,615	166,663	309,278
2035-2039	182,290	126,243	308,533
2040-2044	233,005	74,581	307,586
2045-2049	160,275	19,485	179,760
2050-2054	16,975	424	17,399
Total debt service requirements	1,024,368	821,349	1,845,717
Add: Unamortized bond premiums	132,537	--	132,537
Net debt	$ 1,156,905	821,349	1,978,254

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	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest
2020	$ 2,852	542	2,278	1,960	7,079	589	279	93
2021	3,061	409	2,389	1,882	3,939	399	295	81
2022	2,387	270	2,501	1,799	2,217	276	304	69
2023	1,495	151	2,621	1,706	1,663	187	318	56
2024	1,527	76	2,754	1,602	1,480	116	331	43
2025-2029	--	--	15,921	6,182	1,515	59	673	43
2030-2034	--	--	13,612	2,665	--	--	--	--
2035-2039	--	--	3,073	322	--	--	--	--
Total debt service requirements	11,322	1,448	45,149	18,118	17,893	1,626	2,200	385
Less: Unamortized bond discounts	--	--	(74)	--	(1)	--	--	--
Add: Unamortized bond premiums	466	--	3,013	--	730	--	--	--
Net debt	11,788	1,448	48,088	18,118	18,622	1,626	2,200	385

Fiscal Year Ended September 30	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest	Revenue Notes from Direct Placements Principal	Revenue Notes from Direct Placements Interest	Total Nonmajor Enterprise Debt Service Requirements Principal	Total Nonmajor Enterprise Debt Service Requirements Interest	Total Nonmajor Enterprise Debt Service Requirements Total
2020	11,880	3,156	2,085	450	26,453	6,790	33,243
2021	7,190	2,782	2,120	410	18,994	5,963	24,957
2022	7,450	2,522	2,160	370	17,019	5,306	22,325
2023	7,675	2,253	2,195	329	15,967	4,682	20,649
2024	7,960	1,974	2,235	288	16,287	4,099	20,386
2025-2029	44,505	5,303	11,765	790	74,379	12,377	86,756
2030-2034	9,930	76	2,465	23	26,007	2,764	28,771
2035-2039	--	--	--	--	3,073	322	3,395
Total debt service requirements	96,590	18,066	25,025	2,660	198,179	42,303	240,482
Less: Unamortized bond discounts	(59)	--	--	--	(134)	--	(134)
Add: Unamortized bond premiums	708	--	--	--	4,917	--	4,917
Net debt	$ 97,239	18,066	25,025	2,660	202,962	42,303	245,265

(1) A portion of these bonds are variable rate bonds with rates ranging from 1.17% - 2.39%.

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, 2019, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity Dates	Balance (1)
Austin Water		
Series 2004A	11/15/2019	$ 7,175
Series 2009	11/15/2019	118,030
Series 2009A	11/15/2019	135,125
Series 2010A	11/15/2019 - 11/15/2025	8,150
Series 2011	11/15/2019 - 11/15/2021	37,270
Series 2012	11/15/2019 - 5/15/2022	24,895
Series 2013A	11/15/2020	6,520
Series 2014	5/15/2020 - 5/15/2022	3,960
Series 2015A	5/15/2020	750
		$ 341,875

(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, 2018. 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	6836 Austin Center Blvd, Suite 190 Austin, TX 78731 **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 automatic 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 automatic 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 automatic 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 2019.

7 – RETIREMENT PLANS, continued
a -- General Information, continued

Employees Covered by Benefit Terms -- Membership in the plans as of December 31, 2018, is as follows:

	City Employees	Police Officers	Fire Fighters
Inactive employees or beneficiaries currently receiving benefits	6,414	906	822
Inactive employees entitled to but not yet receiving benefits	2,851	111 (1)	8
Active employees	9,838	1,892	1,102
Total	19,103	2,909	1,932

(1) Includes 39 terminated vested members and 72 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, 2019 (in thousands)	$120,795	35,617	20,890

(1) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 18% effective October 1, 2012.

The City's net pension liability was measured as of December 31, 2018 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, 2017 using the final 2018 assumptions and then was rolled forward to the plan's year ending December 31, 2018.

Actuarial Assumptions -- Actuarial assumptions used in the most recent actuarial valuations include:

	City Employees	Police Officers	Fire Fighters
Inflation rate	2.75%	2.50%	2.75%
Projected annual salary increases	4.00% to 6.25%	3.00% to 15.20% Service based (1)	1.00% to 8.50% Service based (2)
Investment rate of return	7.50%	7.25%	7.70%
Ad hoc postemployment benefit changes including COLAs	None	None	None
Experience study period	2011 - 2015	2013 - 2017	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.	Mortality rates were based on the PubS-2010 with projected improvements.	PubS-2010 (above-median, amount weighted) tables with mortality improvements projected five (5) years beyond the valuation date using scale MP-2018

(1) This includes the classification status change upon graduation from the academy.
(2) This does not include assumed general wage inflation increases of 3.00% for Fire.

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	32.00%	5.30%
Developed markets equities	15.00%	6.62%
Emerging markets equities	8.00%	7.14%
Fixed income	20.00%	3.58%
Alternative investments	15.00%	5.39% to 6.65%
Real estate	10.00%	5.27%
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%
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 City Employees' and Fire Fighters' 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. Police Officers' fund was projected to be available to make projected future payments of current active and inactive employees through the year 2041. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2041 fiscal year, and the municipal bond rate of 3.71% was applied to all benefit payments after that date, with the resulting blended discount rate being 4.70%.

	City Employees	Police Officers	Fire Fighters
Discount rate	7.50%	4.70% (1)	7.70%
Change since last measurement date	None	(3.00%)	None
Long-term expected rate of return on pension plan investments	7.50%	7.25%	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 40 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%.

(1) The use of a blended discount rate that was three percentage points lower than the previous discount rate resulted in a significant increase in the net pension liability related to changes in assumptions.

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
City Employees	6.50%	$ 2,011,391	7.50%	$ 1,528,177	8.50%	$ 1,125,047
Police Officers	3.70%	1,475,727	4.70%	1,186,434	5.70%	952,515
Fire Fighters	6.70%	290,175	7.70%	184,061	8.70%	94,426

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, 2018 are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Total pension liability at December 31, 2017 (a)	$ 3,797,823	1,189,591	1,038,801	6,026,215
Changes for the year:				
Service cost	111,438	33,757	25,131	170,326
Interest	281,404	90,479	80,552	452,435
Benefit changes	--	--	10,188	10,188
Differences between expected and actual experience	1,882	(12,905)	(735)	(11,758)
Assumption changes	--	666,873	(4,779)	662,094
Contribution buy back	--	1,142	--	1,142
Benefit payments including refunds	(202,987)	(63,983)	(55,979)	(322,949)
Net change in total pension liability	191,737	715,363	54,378	961,478
Total pension liability at December 31, 2018 (b)	3,989,560	1,904,954	1,093,179	6,987,693
Total plan fiduciary net position at December 31, 2017 (c)	2,650,438	769,475	953,798	4,373,711
Changes for the year:				
Employer contributions	116,486	35,244	20,085	171,815
Employee contributions	58,713	21,461	17,033	97,207
Contribution buy back	--	1,142	--	1,142
Pension plan net investment income (loss)	(157,242)	(43,398)	(25,114)	(225,754)
Benefits payments and refunds	(202,987)	(63,983)	(55,979)	(322,949)
Pension plan administrative expense	(4,025)	(1,421)	(705)	(6,151)
Net change in total plan fiduciary net position	(189,055)	(50,955)	(44,680)	(284,690)
Total plan fiduciary net position at December 31, 2018 (d)	2,461,383	718,520	909,118	4,089,021
Net pension liability at December 31, 2017 (a-c)	1,147,385	420,116	85,003	1,652,504
Net pension liability at December 31, 2018 (b-d)	$ 1,528,177	1,186,434	184,061	2,898,672

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

The City Employees' fund had no significant changes of assumptions or benefit terms that affected the total pension liability for the measurement period.

The Police Officers' fund had no significant changes to benefit terms during the measurement period but did have several changes of assumptions that affected the total pension liability including:

- The investment return assumption was decreased from 7.70% to 7.25%
- The change from a single discount rate of 7.70% to a single blended discount rate of 4.70% (see Note 7b -- Discount Rate)
- The inflation assumption was decreased from 3.00% to 2.50%
- Individual salary increase rates were modified to better reflect the current expectation for inflation and the current step schedule
- The payroll growth rate was decreased from 4.00% to 3.00%
- An explicit administrative expense load of 0.90% of payroll was added to the normal cost
- Mortality rates from PubS-2010 were adopted with fully generational mortality improvement using the ultimate mortality improvement rates in the MP tables
- Termination rates were modified to better reflect APRS experience
- Retirement rates were modified to better reflect APRS experience

The Fire Fighters' fund had changes of assumptions and benefit terms that affected the pension liability. Effective January 1, 2019 a cost-of-living adjustment increase of 2.3% went into effect.

Changes of assumptions included:

- The assumed mortality rates were updated to reflect the PubS-2010 (above-median, amount-weighted) tables.
- The price inflation assumption was lowered from 3.50% to 2.75% per year.

c -- Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2019, was comprised of the following (in thousands):

	Pension Expense
City Employees	$ 266,320
Police Officers	156,208
Fire Fighters	48,009
Total	$ 470,537

7 – RETIREMENT PLANS, continued

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, 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	$ 88,875	26,105	15,364	130,344
Differences between expected and actual experience	27,949	18,563	12,269	58,781
Changes in assumptions	28,661	600,308	2,170	631,139
Net difference between projected and actual earnings on pension plan investments	200,252	81,692	43,607	325,551
Changes in proportionate share (between funds)	7,678	--	--	7,678
Total	353,415	726,668	73,410	1,153,493
Deferred Inflows of Resources				
Differences between expected and actual experience	--	15,156	643	15,799
Changes in assumptions	--	--	4,181	4,181
Changes in proportionate share (between funds)	7,678	--	--	7,678
Total	$ 7,678	15,156	4,824	27,658

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
2020	$ 106,244	110,354	18,007	234,605
2021	41,310	100,158	7,197	148,665
2022	36,014	97,672	6,304	139,990
2023	73,154	103,186	22,048	198,388
2024	140	82,420	1,046	83,606
Thereafter	--	191,617	(1,380)	190,237
Total	$ 256,862	685,407	53,222	995,491

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 No. 75.

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued
a -- General Information, continued

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 2019 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%

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 -- The City has elected to do biennial actuarial valuations of its other postemployment benefits liability with a rollforward in the off years. The current year is a rollforward year and as a result membership in the plan is presented as of December 31, 2017:

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 $2,395,447 (in thousands) was determined by an actuarial valuation as of December 31, 2017 that was rolled forward to December 31, 2018, the measurement date. Of the total liability, $58,077 (in thousands) is considered to be due within one year and the remaining $2,337,370 (in thousands) is considered to be a long-term liability.

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued
b – Total OPEB Liability, continued

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.

General Assumptions	
Inflation rate	• NA
Salary increases	• Vary by retirement group, age, and years of service
Discount rate	• 4.10%
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	• 8.50% graded to 4.50% over 8 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	
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, 2018, the City's actuaries used the Bond Buyer US Weekly Yields 20 General Obligation Bond Index of 4.10%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate -- The following presents the total OPEB liability (in thousands) 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
3.10%	$ 2,884,701	4.10%	$ 2,395,447	5.10%	$ 2,015,195

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates -- The following presents the total OPEB liability (in thousands) 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
$ 2,002,490	$ 2,395,447	$ 2,907,388

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

b – Total OPEB Liability, continued

Schedule of Changes in Total OPEB Liability -- Changes in the total OPEB liability for measurement period ended December 31, 2018 is as follows (in thousands):

Total OPEB liability at December 31, 2017	$ 2,524,897
Changes for the year:	
Service cost	108,478
Interest	89,675
Benefit changes	231
Assumption changes	(274,758)
Expected benefit payments	(53,076)
Net change in total OPEB liability	(129,450)
Total OPEB liability at December 31, 2018	$ 2,395,447

The OPEB plan changes included:

- Increasing the maximum value of the Health Reimbursement Account for retirees in the Consumer Driven Health Plan from $500 to $1,000 for individuals and $1,000 to $1,500 for families effective January 1, 2019.
- The Plan also switched health benefit providers from United Healthcare to BlueCross BlueShield effective January 1, 2019. However, the plan of benefits was unchanged and plan costs were not projected to change materially as a result of the change in vendors.

The OPEB plan assumption changes included:

- The discount rate was increased from 3.44% to 4.10% based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date.
- Administrative expenses were updated to reflect the most recent vendor contracts (previously $413 load annually per covered individual).
- The medical trend rates, beginning with the year ending December 31, 2019, were updated (pre-65 previously 6.50% and now 7.00% decreased by 0.50% per year to an ultimate 4.50% and post-65 previously 5.50% and now 6.00% decreased by 0.50% per year to an ultimate 4.50%).

c – Other Postemployment Benefits Expense

Total OPEB expenses recognized by the City for the fiscal year ended September 30, 2019 were $198,598 (in thousands).

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2019, 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	$ 36,287	--
Differences between expected and actual experience	47,213	--
Changes in assumptions	208,106	238,366
Changes in proportionate share (between funds)	25,936	25,936
Total	$ 317,542	264,302

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

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		
2020	$	9,612
2021		9,612
2022		9,612
2023		9,612
2024		9,612
Thereafter		(31,107)
Total	$	16,953

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, capacity, 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, capacity, 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.

Hedging Derivative Instruments

<u>Natural Gas Derivatives</u>
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, 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.

9 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

Premiums paid for options are deferred until the contract is settled. As of September 30, 2019, $105 thousand in premiums was deferred. As of September 30, 2019, the fair value of Austin Energy's futures, options, and swaps was an unrealized loss of $3.3 million, of which $3.5 million is reported as derivative instruments in liabilities and $206 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 2019, Austin Energy sold PCRRs and recorded a gain of $156 thousand; however, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2019, $313 thousand remained deferred.

On September 30, 2019, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction		Reference Index	Fair Value at September 30, 2019 Maturity Dates	Notional Volumes	Fair Value	Change in Fair Value	Premiums Deferred
Long	OTC Call Options	Henry Hub	Oct 2019 - Sep 2021	2,900,000 (1)	$ 21	(1)	462
Long	OTC Put Options	Henry Hub	Apr 2020 - Jun 2020	819,000 (1)	185	185	(184)
			Derivative instruments (assets)		206	184	278
Short	OTC Put Options	Henry Hub	Apr 2020 - Jun 2020	(1,092,000) (1)	(64)	(64)	(70)
Short	OTC Put Options	Henry Hub	Oct 2019 - Sep 2021	(2,900,000) (1)	(1,005)	(286)	(103)
Long	OTC Swaps	Henry Hub	Oct 2019 - Sep 2020	3,275,000 (1)	(2,442)	(821)	--
			Derivative instruments (liabilities)		(3,511)	(1,171)	(173)
			Total		$ (3,305)	(987)	105

(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.

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, 2019, the brokerages had credit ratings of A.

The over-the-counter agreements expose Austin Energy to credit risk; however, at September 30, 2019, 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 specified thresholds. At September 30, 2019, 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.

9 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

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 mitigated 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 (Katy/HSC) different than that at which the financial hedging contracts are expected to settle i.e. NYMEX (Henry Hub). As of September 30, 2019, the NYMEX price was $2.43 per MMBTU (one million British thermal unit, a measurement of heating value), Katy was $2.33 per MMBTU, and the HSC Hub price was $2.33 per MMBTU.

<u>Other Risks</u>

As of September 30, 2019, 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.

As of September 30, 2019, the City has two outstanding swap transactions with initial and outstanding notional amounts totaling $295.9 million and $178.1 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.

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

On September 30, 2019, 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	$ 101,500	(16,861)
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	76,640	(8,810)
					$ 178,140	(25,671)

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, 2019 (in thousands):

Item	Outstanding Notional Amount	Fair Value and Classification		Change in fair value	
		Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	$ 101,500	(16,861)	Non-current liability	(7,208)	--
HOT1	76,640	(8,810)	Non-current liability	(3,088)	--
	$ 178,140	(25,671)		(10,296)	--

Due to the continued low interest rate levels during fiscal year 2019, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2019. 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.

Risks

Credit risk. As of September 30, 2019, 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, 2019, are included in the table below:

Item	Related Variable Rate Bonds	Counterparty	Counterparty Ratings		
			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+
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products (MKFP)	A3	BBB+	BBB

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

Swap agreements for both 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 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, 2019, are included in the table below (in thousands):

Item	Related Variable Rate Bonds	Counterparty Swap Interest Pay	Counterparty Swap Interest Receive	Counterparty Swap Interest Net	Interest to Bondholders	Net Interest Payments
Business-Type Activities:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	$ (3,679)	1,596	(2,083)	(1,612)	(3,695)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(2,514)	1,231	(1,283)	(1,221)	(2,504)
		$ (6,193)	2,827	(3,366)	(2,833)	(6,199)

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, 2019, the City bears basis risk on the Swap HOT1. This swap has basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bond. 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 bond. 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 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bond 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.

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, 2019, the City did not have any investment derivative instruments related to interest rate swaps.

9 – DERIVATIVE INSTRUMENTS, continued
c -- Swap Payments and Associated Debt

As of September 30, 2019, 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	Interest (1)	Interest Rate Swaps, Net	Total Interest
2020	$ 10,135	(25)	5,883	5,858
2021	9,285	(28)	5,568	5,540
2022	6,810	(35)	5,337	5,302
2023	17,385	(38)	4,986	4,948
2024	17,350	(35)	4,387	4,352
2025-2029	81,435	(158)	13,710	13,552
2030-2034	35,740	(37)	1,246	1,209
Total	$ 178,140	(356)	41,117	40,761

(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 the end of the fiscal year.

10 – DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2019, 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:	
Housing Assistance 2018	$ 2,137
One Texas Center	24
Capital Projects Funds:	
2012 fund	
Library & cultural	591
2018 fund	
Library & cultural	19
Parks	1,010
Open space	22,754
Health	88
Public safety	16
Transportation	243
Other funds	
Fire - general	1,383
Public Works	964
City Hall, plaza, parking garage	5,932
Waller Creek District	4,760
Nonmajor Enterprise	
Austin Resource Recovery	93,924
Development Services	84,446
Transportation	87,243

11 – INTERFUND BALANCES AND TRANSFERS
a -- Interfund receivables, payables, and advances

Interfund receivables, payables, and advances at September 30, 2019, are as follows (in thousands):

	Due From				
Due To	**Nonmajor Governmental**	**Austin Energy**	**Austin Water**	**Nonmajor Enterprise**	**Total**
General Fund	$ --	221	--	--	221
Nonmajor governmental	43,683	--	--	--	43,683
Airport	--	171	--	--	171
Nonmajor enterprise	--	--	301	957	1,258
Total	$ 43,683	392	301	957	45,333

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 ($32.2 million), the majority ($24.1 million) being new GGCIP funds. Deficits in grant funds awaiting reimbursement from grantors ($12.5 million) was borrowed from the Fiscal Surety fund.

	Advances To						
Advances From	**Nonmajor Governmental**	**Austin Energy**	**Austin Water**	**Airport**	**Nonmajor Enterprise**	**Internal Service**	**Total**
General Fund	$ --	221	--	--	--	--	221
Nonmajor governmental	28,333	50	--	13	225	19	28,640
Austin Water Utility	432	10,821	--	--	--	--	11,253
Airport	--	171	--	--	--	--	171
Nonmajor enterprise	--	--	1,503	--	--	--	1,503
Total	$ 28,765	11,263	1,503	13	225	19	41,788

Advances to and advances from reflect borrowing that will not be liquidated within one year. The advance to Nonmajor Governmental is for the Planning and Development Center and will be funded by certificates of obligation. The advance to Austin Water 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.

b -- Transfers

Transfers at September 30, 2019, are as follows (in thousands):

	Transfers In						
Transfers Out	**General Fund**	**Nonmajor Governmental**	**Austin Energy**	**Austin Water**	**Nonmajor Enterprise**	**Internal Service**	**Total**
General Fund	$ --	30,532	1	--	15,597	--	46,130
Nonmajor governmental	2,232	39,973	69	250	99,028	--	141,552
Austin Energy	118,536	--	--	--	--	--	118,536
Austin Water Utility	51,453	75	231	--	--	106	51,865
Airport	--	--	153	--	--	329	482
Nonmajor enterprise	577	5,536	17	53	--	137	6,320
Internal service	--	23,440	1	--	120	207	23,768
Total	$ 172,798	99,556	472	303	114,745	779	388,653

Interfund transfers are authorized through City council approval. Significant transfers include:

- Austin Energy and Austin Water transfers to the General Fund ($170 million), which are comparable to a return on investment to owners.
- The Hotel-Motel Occupancy Tax ($78.2 million) and the Vehicle Rental Tax ($11.5 million), special revenue funds, transfer tax collections to the Convention Center in support of convention operations and debt service.
- The General Fund ($26 million), various internal service funds ($18 million), and special revenue funds ($17 million) make transfers to capital improvement projects to cash fund various city projects.

12 – SELECTED REVENUES

a -- Major Enterprise Funds

Austin Energy and Austin Water

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 $82 million in fiscal year 2019. 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, 2019, 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.

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 2019, the Airport fund revenues included minimum concession guarantees of $24,944,916.

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, 2019 (in thousands):

Fiscal Year Ended September 30	Airport Lease Receipts
2020	$ 31,238
2021	30,898
2022	29,019
2023	27,773
2024	27,684
2025-2029	83,198
2030-2034	8,295
2035-2039	7,375
2040-2044	2,635
Thereafter	1,643
Totals	$ 249,758

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
2020	$ 2,709
2021	2,176
2022	2,068
2023	2,030
2024	1,955
2025-2029	8,800
2030-2034	8,122
2035-2039	7,638
2040-2044	6,325
Thereafter	41,782
Totals	$ 83,605

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.

a -- 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 tax, sales tax, 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 average compensation 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 refunded if the entity meets commitments made under the agreement. If criteria are not met, no taxes are refunded.

During fiscal year 2019, the City had four agreements under this program which resulted in rebates that meet the definition of tax abatements of approximately $9.3 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.

b -- Exemption Program

There were no active agreements under the Media Production Development Zone Program during fiscal year 2019.

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 $17.7 million as of September 30, 2019. 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, 2019, Austin Energy's investment in the STP was approximately $372.2 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 asset retirement obligations. 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, 2019, the trust's assets were in excess of the estimated liability by $23.3 million which is reported as part of deferred inflows of resources (in thousands).

Decommissioning trust assets	$ 232,231
Pro rata decommissioning liability	(208,909)
	$ 23,322

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, 2018 showed that the trust assets exceeded the minimum required assurance by $77.5 million.

d -- Purchased Power

Austin Energy has commitments totaling $5.2 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041, landfill power through October 2019, 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 and Fayette power plants. At September 30, 2019, the financial statements include a $1.5 million short-term decommissioning liability related to Holly and a $317 thousand short-term environmental liability related to Fayette, classified as other liabilities. The amount is based on 2019 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, 2019.

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.

14 – COMMITMENTS AND CONTINGENCIES, continued

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 2019 Capital Budget has substantial contractual commitments relating to its capital improvement plan.

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	$ 127,285
Public safety	53,324
Transportation, planning, and sustainability	132,030
Public health	2,397
Public recreation and culture	69,677
Urban growth management	35,662
Business-type activities:	
Electric	328,248
Water	96,297
Wastewater	150,367
Airport	213,518
Convention	56,076
Environmental and health services	8,496
Public recreation and culture	69
Urban growth management	106,065
Total	$ 1,379,511

i -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2019, is as follows (in thousands):

	Encumbrances
General Fund	$ 35,806
Nonmajor governmental	
Special Revenue	33,035
Capital Projects	135,216
	$ 204,057

Significant encumbrances include reservations for the 2012 bond program ($17,938), 2016 bond program ($23,559), General government projects ($23,570), Fire general ($15,125), and Waller Creek District ($22,795).

14 – COMMITMENTS AND CONTINGENCIES, continued
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 delayed final closure, but repairs for damage sustained from the floods are estimated to be completed prior to September 30, 2020. Closure date will be coordinated with TCEQ after the repairs have been completed. 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, 2019, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	$ 24,716	9,899	34,615
% capacity used	100%	100%	100%
Cumulative liability accrued	24,716	9,899	34,615
Costs incurred	(22,353)	--	(22,353)
Closure and postclosure liability	$ 2,363	9,899	12,262

These amounts are based on the 2019 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 -- Asset Retirement Obligations (ARO)

South Texas Project (STP) -- Federal regulations require Austin Energy to perform certain asset retirement obligations related to decommissioning STP, a nuclear power station located in Bay City, Texas. These regulations are provided by the Nuclear Regulatory Commission (NRC) and require licensed nuclear facilities to follow both technical and financial criteria for decommissioning activities. An external decommissioning cost study is performed every five years. The most recent cost study was completed in May 2018 by TLG Services, Inc. and included a total decommissioning cost estimate of $2.5 billion. Austin Energy, holding a 16% ownership interest in STP, has included a total ARO estimate of $397.9 million (adjusted to 2019 dollars) and an associated deferred outflows of resources of $189.0 million. Austin Energy has restricted assets held in an irrevocable trust to cover the eventual decommissioning costs and as of September 30, 2019, trust assets totaled $232.2 million.

Fayette Power Project (FPP) -- Federal and state regulations as well as contractual obligations require Austin Energy to perform certain asset retirement activities associated with FPP. A cost study performed by the LCRA and completed June 30, 2018, assessed the activities required for capital asset retirement and includes a best estimate of the current value of costs to be incurred related to legal or contractual obligations. Austin Energy, holding a 50% ownership in Units 1 and 2 with the LCRA, has included a total ARO estimate of $15.2 million and an associated deferred outflows of resources of $14.2 million. Austin Energy, as joint owner of the facility, will amortize the deferred outflow related to regulatory obligations over 23 years, the estimated remaining useful life of the plant. Austin Energy will amortize the deferred outflow related to the contractual obligation over the remaining leased period of 6 years.

Wastewater treatment plants -- Federal regulations require the City to perform certain asset retirement obligations related to its wastewater treatment plants. The City must close the wastewater treatment facilities in a manner that minimizes the need for further maintenance and minimizes or controls postclosure escape of hazardous waste, hazardous constituents, leachate, contaminated run-off, or hazardous waste decomposition products to the ground or surface waters. Based on historical vendor invoices to remove solids from wastewater treatment plants, the ARO for wastewater treatment plants was approximately $1.3 million as of September 30, 2019 and is reported as asset retirement obligations in the Austin Water fund, a major enterprise fund. The associated deferred outflow of $543 thousand will be amortized over the remaining useful lives of the City's wastewater treatment plants, which range from 7 to 42 years.

Petroleum underground storage tanks -- State regulations require the City to perform certain asset retirement obligations pertaining to its petroleum underground storage tanks. Upon retirement of the tanks, the City is required to either remove the tank from the ground, permanently fill the tank in place, or conduct a permanent change in service. The City is opting to remove the tanks from the ground upon retirement. Based on an estimate from a certified vendor, the ARO for petroleum underground storage tanks was approximately $518 thousand as of September 30, 2019 and is reported as asset retirement obligations in the Fleet fund, an internal service fund. The associated deferred outflow of $142 thousand will be amortized over the remaining useful lives of the City's petroleum underground storage tanks, which range from 2 to 24 years.

14 – COMMITMENTS AND CONTINGENCIES, continued
I -- 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 14% of City employees and 22% of retirees use the HMO option; approximately 72% of City employees and 77% of retirees use the PPO option; and approximately 14% 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, 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. For 2018 stop-loss insurance covers individual claims that exceed $500,000 per calendar year, up to a maximum of $5 million. For 2019 stop-loss insurance covers individual claims that exceed $750,000 per calendar year, with an unlimited maximum. In fiscal year 2019, four claims exceeded the stop-loss limit of $500,000 for 2018 and no claims have exceeded the stop loss limit of $750,000 for 2019; during fiscal year 2018, eleven claims exceeded the stop-loss limit of $500,000, and during fiscal year 2017, four 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, 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 $47.8 to $49.2 million. In accordance with GAAP, $47.8 million is recognized as claims payable in the financial statements with $23.6 million recognized as a current liability and $24.2 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, 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
l -- Risk-Related Contingencies, continued

Changes in the balances of claims liability are as follows (in thousands):

	Austin Energy		Austin Water		Airport	
	2019	2018	2019	2018	2019	2018
Liability balances, beginning of year	$ 69	2,070	353	562	--	1
Claims and changes in estimates	275	(1,708)	156	29	2	--
Claim payments	(112)	(293)	(199)	(238)	(2)	(1)
Liability balances, end of year	232	69	310	353	--	--

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2019	2018	2019	2018	2019	2018
Liability balances, beginning of year	16,525	18,822	4,440	4,975	27,009	25,299
Claims and changes in estimates	162,292	158,704	(1,186)	2,963	6,100	5,101
Claim payments	(162,630)	(161,001)	(1,082)	(3,498)	(4,228)	(3,391)
Liability balances, end of year	$ 16,187	16,525	2,172	4,440	28,881	27,009

The Austin Water fund claims liability balance at fiscal year-end included liabilities of $264 thousand discounted at 2.90% in 2019 and $238 thousand discounted at 4.44% in 2018. The Liability Reserve fund claims liability balance at fiscal year-end included liabilities of $455 thousand discounted at 2.90% in 2019 and $2.8 million discounted at 4.44% in 2018.

m -- 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 2.5 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 130 employers provide approximately 5,900 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2019, approximately 2,040 single-family homes and 2,110 multi-family units were either complete or under construction. Catellus also recently completed a new urban park and broke ground on two commercial office buildings in the Town Center.

n -- 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. $1,967,271 in total assessments were levied in the year ended September 30, 2019. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2019 are $12,205,000 and $4,933, respectively. In April 2019, the City partially defeased $665,000 of the remaining debt instruments in this series with proceeds from the 2019 series as described below.

14 – COMMITMENTS AND CONTINGENCIES, continued
n -- No-Commitment Special Assessment Debt, continued

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. $386,811 in total assessments were levied in the year ended September 30, 2019. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2019 are $2,370,000 and $373, 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. $1,820,227 in total assessments were levied during the fiscal year ended September 30, 2019. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2019 are $9,895,000 and $825, respectively.

In December 2018, the City issued $4,265,000 and $8,305,000 of Special Assessment Revenue Bonds, Series 2018 #1 and #2, respectively, 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. No assessments related to the new bonds were levied during the fiscal year ended September 30, 2019. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2019 are $12,570,000 and $6,330,848, respectively.

In April 2019, the City issued $4,500,000 of Special Assessment Revenue Bonds, Series 2019 related to the Whisper Valley Public Improvement District, Phase 1. 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. No assessments related to the new bonds were levied in the year ended September 30, 2019. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2019 are $4,500,000 and $3,700, respectively. A total $665,000 of the proceeds was used to defease a portion of the 2011 series.

o -- Capital Leases

The City has entered into lease agreements to finance equipment for both governmental and business-type activities. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments at their inception date. The lease agreements end in 2023 and 2031, respectively. See Note 6 for the debt service requirements on these leases.

The following summarizes capital assets recorded at September 30, 2019, under capital lease obligations (in thousands):

Capital Assets	Governmental Activities	Austin Energy
Building and improvements	$ --	1,405
Equipment	14,257	--
Accumulated depreciation	(2,148)	(597)
Net capital assets	$ 12,109	808

14 – COMMITMENTS AND CONTINGENCIES, continued
p -- 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, 2019, was $33.9 million.

Fiscal Year Ended September 30	Future Lease Payments
2020	$ 30,962
2021	26,911
2022	25,351
2023	24,584
2024	17,719
2025-2029	13,411
2030-2034	5,332
2035-2039	4,384
2040-2044	4,384
Thereafter	28,811
Totals	$ 181,849

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, Airport, and Liability Reserve funds for claims payable at September 30, 2019. 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, 2019, $134.9 million in housing revenue bonds were outstanding with an original issue value of $139.4 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, 2019, $143.3 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	$ 136,502
Advances to other funds	9
Capital assets	205,593
Other noncurrent assets	121,661
Total assets	463,765
DEFERRED OUTFLOWS OF RESOURCES	31,399
LIABILITIES	
Other current liabilities	26,071
Other noncurrent liabilities	212,310
Total liabilities	238,381
DEFERRED INFLOWS OF RESOURCES	5,089
NET POSITION	
Net investment in capital assets	81,249
Restricted	138,821
Unrestricted	31,624
Total net position	$ 251,694

Condensed Statement of Revenues, Expenses, and Changes in Net Position

OPERATING REVENUES	
User fees and rentals	$ 43,600
Total operating revenues	43,600
OPERATING EXPENSES	
Operating expenses before depreciation	73,270
Depreciation and amortization	9,017
Total operating expenses	82,287
Operating income (loss)	(38,687)
Nonoperating revenues (expenses)	2,472
Transfers	87,706
Change in net position	51,491
Beginning net position, as restated	200,203
Ending net position	$ 251,694

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	$ (22,774)
Noncapital financing activities	89,511
Capital and related financing activities	(27,435)
Investing activities	5,890
Net increase (decrease) in cash and cash equivalents	45,192
Cash and cash equivalents, beginning	187,992
Cash and cash equivalents, ending	$ 233,184

18 – RESTATEMENT

During fiscal year 2019, the City implemented a new accounting standard, GASB Statement No. 83, "Certain Asset Retirement Obligations (AROs)." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. As a result of implementing this statement, net position was restated at October 1, 2018. 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, 2018		Governmental Activities	Governmental Activities-Internal Service Funds
Net position, as previously reported	$	(253,209)	179,393
Adjustments to properly record implementation of GASB Statement No. 83		(362)	(362)
Net position, as restated	$	(253,571)	179,031

The adjustments associated with the implementation of this standard were deferred in accordance with accounting for regulated operations for Austin Water. The amount deferred is $720 thousand; therefore, there was no restatement to net position in this fund.

Prior to the restatement, Austin Energy carried a $201.6 million decommissioning liability at September 30, 2018 related to the decommissioning of STP. With the implementation of GASB Statement No. 83, the City restated its ARO and deferred outflow of resources balances to $414.9 million and $212.2 million, respectively.

19 – SUBSEQUENT EVENTS

a -- General Obligation Bond Issue

In October 2019, the City issued $146,090,000 of Public Improvement and Refunding Bonds, Series 2019. The net proceeds of $147,670,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility ($59,150,000), watershed projects and acquisition of land ($36,850,000), facility improvements ($26,990,000), and parks and recreation ($24,680,000). The net proceeds of the refunding portion of $21,768,150 were used to refund $14,220,000 Public Improvement Refunding Bonds, Series 2008 and $7,405,000 Certificates of Obligation, Series 2009. Principal payments are due on September 1 of each year from 2020 to 2039. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2020. Total interest requirements for these bonds, at rates ranging from 4.0% to 5.0%, are $50,409,857. An economic gain of $2,064,601 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $2,332,382. An accounting loss of $834,531, which will be deferred and amortized, was recorded on this refunding.

In October 2019, the City issued $5,055,000 of Certificates of Obligation, Series 2019. The net proceeds of $6,260,000 (after issue costs, discounts, and premiums) from this issue will be used to repair and refurbish city pools. Principal payments are due on September 1 of each year from 2020 to 2039. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2020. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are $2,972,998.

In October 2019, the City issued $25,780,000 of Public Property Finance Contractual Obligations, Series 2019. The net proceeds of $29,400,000 (after issue costs, discounts, and premiums) from this issue will be used for capital equipment. Principal payments are due on May 1 and November 1 of each year from 2020 to 2026. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2020. Total interest requirements for these obligations, at a rate of 5.0%, are $5,221,961.

In October 2019, the City issued $40,535,000 of Public Improvement Taxable Bonds, Series 2019. The net proceeds of $40,700,000 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing ($37,905,000) and Austin Film studios ($2,795,000). Principal payments are due September 1 of each year from 2020 to 2039. Interest is payable March 1 and September 1 of each year from 2020 to 2039, commencing on March 1, 2020. Total interest requirements for this obligation, at rates ranging from 1.9% to 5.0% are $12,607,349.

In October 2019, the City issued $14,935,000 of Certificates of Obligation, Taxable Series 2019. The net proceeds of $15,000,000 (after issue costs, discounts, and premiums) from the issuance were used for Waller Creek District improvements. Principal payments are due September 1 of each year from 2020 to 2039. Interest is payable March 1 and September 1 of each year from 2020 to 2039, commencing on March 1, 2020. Total interest requirements for this obligation, at rates ranging from 1.9% to 5.0% are $4,644,909.

19 – SUBSEQUENT EVENTS, continued
b -- Water and Wastewater – System Revenue Bond Issue

In November 2019, the City issued $6,200,000 of Water and Wastewater System Revenue Bonds, Series 2019. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $5,778,093 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2020 to 2039. Interest payments are due May 15 and November 15 of each year from 2020 to 2039. Total interest requirements for the bonds are $1,040,148, with interest rates ranging from 0.84% to 1.94%.

In February 2020, the City issued $11,200,000 of Water and Wastewater System Revenue Bonds, Series 2020A. This is a private placement structured through a memorandum with the TWDB. Project funds of $10,533,750 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2020 to 2049. Interest payments are due May 15 and November 15 of each year from 2020 to 2049. Total interest requirements for the bonds are $497,111, with interest rates ranging from 0.05% to 0.50%.

In February 2020, the City issued $3,800,000 of Water and Wastewater System Revenue Bonds, Series 2020B. This is a private placement structured through a memorandum with the TWDB. Project funds of $3,541,198 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2020 to 2049. Interest payments are due May 15 and November 15 of each year from 2020 to 2049. The total interest requirements on the bonds are $325,304, with interest rates ranging from 0.03% to 0.80%.

c -- Novel Coronavirus (COVID-19)

In late December 2019 and early January 2020, the Novel Coronavirus or COVID-19, was identified in Wuhan, China. In late January, the United States had its first confirmed case of the virus in Washington State. On January 30, 2020 the World Health Organization declared a “public health emergency of international concern.” Throughout this time period, city management has been monitoring world, national, and local events and preparing for the potential of cases in the Austin area.

On March 6, 2020, in response to the increasing concerns regarding COVID-19 across the nation, City of Austin and Travis County officials declared a “local state of disaster” in advance of the City’s spring festival season following recommendations from local health authorities. Local officials announced the declaration to proactively increase preventative measures and put in place mitigation plans for events in the region. This declaration prohibits events with 2,500 or more people unless organizers can assure Austin Public Health that the organizers have mitigations plans to help prevent the spread of infectious diseases in place. Although no positive test results have been identified in the Austin area, the City and its staff are focused on mitigation strategies to protect our community. It is too early to identify the full impact of this virus on the Austin economy or the city’s financial position.

REQUIRED SUPPLEMENTARY INFORMATION

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(In thousands)

General Fund	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	$ 752,340	100	752,440	734,622	734,622	17,818
Franchise fees	35,294	18	35,312	35,310	35,310	2
Fines, forfeitures and penalties	8,694	--	8,694	12,369	12,369	(3,675)
Licenses, permits and inspections	16,572	--	16,572	15,948	15,983	589
Charges for services/goods	63,284	3,469	66,753	66,932	67,107	(354)
Interest and other	23,507	(6,813)	16,694	8,176	8,176	8,518
Total revenues	899,691	(3,226)	896,465	873,357	873,567	22,898
EXPENDITURES						
General government						
Municipal Court	24,310	1,083	25,393	27,674	27,988	2,595
Public safety						
Emergency Medical Services	76,251	11,729	87,980	88,337	88,530	550
Fire	176,967	22,417	199,384	198,479	198,479	(905)
Police	357,615	55,475	413,090	418,299	418,486	5,396
Public health						
Animal Services	11,960	1,699	13,659	13,912	13,912	253
Public Health	39,844	3,496	43,340	44,003	44,003	663
Social Services	35,008	1,580	36,588	37,294	36,600	12
Public recreation and culture						
Austin Public Library	46,857	4,926	51,783	52,168	52,168	385
Parks and Recreation	83,047	9,126	92,173	92,675	92,850	677
Urban growth management						
Neighborhood Housing and Community Development	9,642	5,692	15,334	17,232	17,232	1,898
Planning and Zoning	6,565	1,915	8,480	9,044	9,044	564
Other urban growth management	26,052	2,663	28,715	32,486	32,486	3,771
General city responsibilities (4)	119,740	(111,510)	8,230	8,636	9,836	1,606
Total expenditures	1,013,858	10,291	1,024,149	1,040,239	1,041,614	17,465
Excess (deficiency) of revenues over expenditures	(114,167)	(13,517)	(127,684)	(166,882)	(168,047)	40,363
OTHER FINANCING SOURCES (USES)						
Transfers in	172,798	52,285	225,083	195,683	195,683	29,400
Transfers out	(46,130)	(43,720)	(89,850)	(60,576)	(60,576)	(29,274)
Total other financing sources (uses)	126,668	8,565	135,233	135,107	135,107	126
Excess (deficiency) of revenues and other sources over expenditures and other uses	12,501	(4,952)	7,549	(31,775)	(32,940)	40,489
Special item - land sale	10,201	(10,201)	--	--	--	--
Fund balance at beginning of year	212,934	(6,730)	206,204	172,990	173,575	32,629
Fund balance at end of year	$ 235,636	(21,883)	213,753	141,215	140,635	73,118

(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 in the City's legally adopted budget: the Budgetary General Fund (represented as the General Fund in the City's budget document) plus Barton Springs Conservation, Budget Stabilization Reserve, Community Development Incentives, Economic Development, Economic Incentives Reserve, Emergency Reserve, Long Center Capital Improvements, Music Venue Assistance Program, Neighborhood Housing-Housing Trust, Pay for Success, Planning and Zoning Technology, Property Tax Reserve, and Seaholm Parking Garage Revenue. RSI reflects the budgetary comparison for the consolidated General Fund. Below are the budgetary comparisons for each of the fourteen funds.

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 ($7,836,108).

b -- Budget Amendments

During fiscal year 2019, an amendment to the revenue budget related to licenses, permits, and inspection fees of $35,500 was established for the new Planning and Zoning Technology fund. Additionally, Parks and Recreation Department amended their budget in both revenue and expenditures for $175,000 due to an increase in interment services at City cemeteries. The expenditure budget for homeless services was amended and reallocated from Austin Public Health ($694,733) to Municipal Court ($313,643) for one full time case manager, Emergency Medical Services ($193,602) for one full time case sworn clinical specialist, and Austin Police Department ($187,488). The expenditure budget for Pay for Success Fund in general city responsibilities was increased by $1,200,000 for a project delivering permanent supportive housing.

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	$ 12,501
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	1,894
Net compensated absences accrual	(413)
Outstanding encumbrances established in current year	(32,869)
Payments against prior year encumbrances	19,617
Other	6,819
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 7,549

RETIREMENT PLANS-TREND INFORMATION

The retirement plan information for each of the City's three pension plans provided below represents five years of trend information. Additional years will be added each year until ten years of trend data is available.

Changes in net pension liability for each pension plan for each of the five years ended December 31, 2014 through 2018 (measurement periods) 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	2018
Beginning total pension liability (a)	$ 2,909,918	3,094,056	3,391,796	3,591,376	3,797,823
Changes for the year:					
Service cost	89,235	93,506	107,111	107,767	111,438
Interest	222,710	236,844	251,684	266,257	281,404
Differences between expected and actual experience	33,911	13,414	19,914	22,755	1,882
Assumption changes	--	123,493	--	--	--
Benefit payments including refunds	(161,718)	(169,517)	(179,129)	(190,332)	(202,987)
Net change in total pension liability	184,138	297,740	199,580	206,447	191,737
Ending total pension liability (b)	3,094,056	3,391,796	3,591,376	3,797,823	3,989,560
Beginning total plan fiduciary net position (c)	2,130,624	2,209,800	2,144,804	2,299,688	2,650,438
Changes for the year:					
Employer contributions	93,331	100,485	104,273	110,846	116,486
Employee contributions	50,490	54,066	60,801	56,194	58,713
Pension plan net investment income (loss)	99,704	(47,608)	171,640	376,820	(157,242)
Benefits payments and refunds	(161,718)	(169,517)	(179,129)	(190,332)	(202,987)
Pension plan administrative expense	(2,631)	(2,422)	(2,701)	(2,778)	(4,025)
Net change in plan fiduciary net position	79,176	(64,996)	154,884	350,750	(189,055)
Ending total plan fiduciary net position (d)	2,209,800	2,144,804	2,299,688	2,650,438	2,461,383
Beginning net pension liability (a-c)	779,294	884,256	1,246,992	1,291,688	1,147,385
Ending net pension liability (b-d)	$ 884,256	1,246,992	1,291,688	1,147,385	1,528,177
Plan fiduciary net position as a percentage of the total pension liability (d/b)	71.42%	63.24%	64.03%	69.79%	61.70%
Covered payroll	$ 514,787	546,058	573,308	609,553	640,464
City's net pension liability as a percentage of covered payroll	171.77%	228.36%	225.30%	188.23%	238.60%

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, 2018, 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	2018
Beginning total pension liability (a)	$ 909,000	971,623	1,028,909	1,106,189	1,189,591
Changes for the year:					
Service cost	30,254	32,138	32,990	35,322	33,757
Interest	72,443	76,999	80,846	84,472	90,479
Benefit changes	(11,015)	(4,080)	--	--	--
Differences between expected and actual experience	--	(6,318)	7,455	17,241	(12,905)
Assumption changes	14,137	3,904	5,148	--	666,873
Contribution buy back	2,207	4,648	1,668	2,915	1,142
Benefit payments including refunds	(45,403)	(50,005)	(50,827)	(56,548)	(63,983)
Net change in total pension liability	62,623	57,286	77,280	83,402	715,363
Ending total pension liability (b)	971,623	1,028,909	1,106,189	1,189,591	1,904,954
Beginning total plan fiduciary net position (c)	595,110	638,019	644,174	686,020	769,475
Changes for the year:					
Employer contributions	32,400	33,239	33,814	35,141	35,244
Employee contributions	19,458	20,061	20,623	21,437	21,461
Contribution buy back	2,207	4,648	1,668	2,915	1,142
Pension plan net investment income (loss)	35,574	(322)	37,965	82,072	(43,398)
Benefits payments and refunds	(45,403)	(50,005)	(50,827)	(56,548)	(63,983)
Pension plan administrative expense	(1,327)	(1,466)	(1,397)	(1,562)	(1,421)
Net change in plan fiduciary net position	42,909	6,155	41,846	83,455	(50,955)
Ending total plan fiduciary net position (d)	638,019	644,174	686,020	769,475	718,520
Beginning net pension liability (a-c)	313,890	333,604	384,735	420,169	420,116
Ending net pension liability (b-d)	$ 333,604	384,735	420,169	420,116	1,186,434
Plan fiduciary net position as a percentage of the total pension liability (d/b)	65.67%	62.61%	62.02%	64.68%	37.72%
Covered payroll	$ 149,686	152,696	157,303	163,995	164,112
City's net pension liability as a percentage of covered payroll	222.87%	251.96%	267.11%	256.18%	722.94%

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 years ended December 31, 2018 and 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 was decreased for 2016 from 7.80% to 7.70% (decreasing 0.30% over the last three years) and for 2018 from 7.70% to 7.25%,
- The core inflation rate assumption was decreased for 2016 from 3.25% to 3.00% and for 2018 from 3.00% to 2.50%,
- The general wage inflation rate assumption was decreased for 2016 from 3.50% to 3.25%,
- In 2016 assumed rates of salary increase were amended at most service points, and in 2018 individual salary increase rates were modified to better reflect the current expectation for inflation and the current step schedule,
- The payroll growth assumption was increased for 2016 from 3.50% to 4.00% and decreased for 2018 from 4.00% to 3.00%,
- An explicit administrative expense load of 0.90% of payroll was added to the normal cost in 2018,
- Mortality rates from PubS-2010 were adopted with fully generational mortality improvement using the ultimate mortality improvement rates in the MP tables in 2018, and
- Termination and retirement rates were modified to better reflect APRS experience in 2018.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Changes in the Fire Fighters' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016	2017	2018
Beginning total pension liability (a)	$ 806,282	861,468	913,618	977,723	1,038,801
Changes for the year:					
Service cost	25,319	23,309	24,323	23,830	25,131
Interest	62,977	66,405	70,893	75,812	80,552
Benefit Changes	--	--	5,491	8,964	10,188
Differences between expected and actual experience	--	7,193	8,893	4,360	(735)
Assumption changes	4,883	--	--	--	(4,779)
Benefit payments including refunds	(37,993)	(44,757)	(45,495)	(51,888)	(55,979)
Net change in total pension liability	55,186	52,150	64,105	61,078	54,378
Ending total pension liability (b)	861,468	913,618	977,723	1,038,801	1,093,179
Beginning total plan fiduciary net position (c)	752,622	789,433	785,211	829,610	953,798
Changes for the year:					
Employer contributions	18,670	19,222	19,104	19,242	20,085
Employee contributions	14,660	15,547	15,884	16,319	17,033
Pension plan net investment income	42,005	6,328	55,569	141,915	(25,114)
Benefits payments and refunds	(37,993)	(44,757)	(45,496)	(51,888)	(55,979)
Pension plan administrative expense	(531)	(562)	(662)	(1,400)	(705)
Net change in plan fiduciary net position	36,811	(4,222)	44,399	124,188	(44,680)
Ending total plan fiduciary net position (d)	789,433	785,211	829,610	953,798	909,118
Beginning net pension liability (a-c)	53,660	72,035	128,407	148,113	85,003
Ending net pension liability (b-d)	$ 72,035	128,407	148,113	85,003	184,061
Plan fiduciary net position as a percentage the total pension liability (d/b)	91.64%	85.95%	84.85%	91.82%	83.16%
Covered payroll	$ 84,589	83,979	86,632	87,266	91,087
City's net pension liability as a percentage of covered payroll	85.16%	152.90%	170.97%	97.41%	202.07%

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 year ended December 31, 2015. For the years ended December 31, 2014, 2016, and 2017 there were no changes to assumptions that affected measurement of the total pension liability; there were, however, changes to the benefit terms. For the year ended December 31, 2018 there were changes to benefit terms and assumptions that affected measurement of the total pension liability.

The Fire Fighters' pension plan changes in benefit terms:

- Effective January 1, 2015 a cost-of-living adjustment increase of 1.3%,
- Effective January 1, 2017 a cost-of-living adjustment increase of 1.5%,
- Effective January 1, 2018 a cost-of-living adjustment increase of 2.2%, and
- Effective January 1, 2019 a cost-of-living adjustment increase of 2.3%.

The Fire Fighters' pension plan changes in assumptions:

- The assumed mortality rates were updated to reflect the PubS-2010 (above-median, amount-weighted) tables, and
- The price inflation assumption was lowered from 3.50% to 2.75% per year.

RETIREMENT PLANS-TREND INFORMATION, continued

Information pertaining to City contributions to the retirement systems 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%
2019	129,910	120,795	9,115	667,256	18.10%

Notes to Schedule of Actuarially Determined City Contributions to the City Employees' Fund

Valuation Date	
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	• Experience-based table of rates that are gender specific. • 2016 forward - Last updated for December 31, 2015 valuation pursuant to an experience study of the 5-year period ending December 31, 2015. • 2015 - Last updated for 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	
Notes	• 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%
2019	35,603	35,617	(14)	167,048	21.32%
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%
2019	20,890	20,890	--	94,740	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

The other postemployment benefits plan information for the City's plan provided below represents two years of trend information. Additional years will be added each year until ten years of trend data is available.

Changes in other postemployment benefits liability for the other postemployment benefits plan for each of the two years ended December 31, 2017 through 2018 (measurement periods) are presented below:

Schedule of Changes in the City of Austin OPEB Liability and Related Ratios (in thousands)

	2017	2018
Beginning total OPEB liability	$ 2,055,627	2,524,897
Changes for the year:		
Service cost	86,687	108,478
Interest	80,132	89,675
Benefit changes	--	231
Differences between expected and actual experience	64,227	--
Assumption changes	283,099	(274,758)
Expected benefit payments	(44,875)	(53,076)
Net change in total OPEB liability	469,270	(129,450)
Ending total OPEB liability	$ 2,524,897	2,395,447
Covered-employee payroll	$ 968,403	1,000,536
City's total OPEB liability as a percentage of covered-employee payroll	260.73%	239.42%

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION, continued

For the year ended December 31, 2017 there were no changes to benefit terms that affected measurement of the total OPEB liability. However, for the year ended December 31, 2018 there were changes to benefit terms that affected the measurement of the total OPEB liability. For the years ended December 31, 2017 and 2018, there were assumption changes.

The OPEB plan benefit term changes included:

- Increasing the maximum value of the Health Reimbursement Account for retirees in the Consumer Driven Health Plan from $500 to $1,000 for individuals and $1,000 to $1,500 for families effective January 1, 2019, and
- Switching health benefit providers from United Healthcare to BlueCross BlueShield effective January 1, 2019. However, the plan of benefits was unchanged and plan costs were not projected to change materially as a result of the change in vendors.

The OPEB plan assumption changes included:

- Decreasing the discount rate for 2017 from 3.78% to 3.44% and increasing the rate for 2018 from 3.44% to 4.10% based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date,
- Updating medical and prescription drug claim costs in 2017 to reflect more recent experience,
- Modifying medical and prescriptions drug trend rates in 2017 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%,
- Updating third-party administrator and vendor administrative expenses to reflect more recent contracts and assumed trends on such costs, and for 2018 updating administrative expenses to reflect the most recent vendor contracts (previously $413 load annually per covered individual and now $398), and
- Updating the medical trend rates, beginning with the year ending December 31, 2019 (pre-65 previously 6.50% and now 7.00% decreased by 0.50% per year to an ultimate 4.50% and post-65 previously 5.50% and now 6.00% decreased by 0.50% per year to an ultimate 4.50%).

Supplementary information for the plan can be found in Note 8.

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APPENDIX C

SUMMARY OF CERTAIN MASTER ORDINANCE PROVISIONS

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ORDINANCE NO. 010118-53A

AN ORDINANCE providing for the issuance of ELECTRIC UTILITY SYSTEM revenue obligations; making provision for the payment of such obligations from the revenues of the City's Electric Utility System; enacting provisions incident and related to the issuance, payment and security of such obligations, including covenants and agreements relating to the operation and management of the Electric Utility System, the revenues derived from its operation and ownership, the establishment and maintenance of funds and accounts for the payment of such obligations, specifying the terms and conditions for the issuance of parity revenue obligations and other matters incident and related to their issuance and security; suspending the rule requiring ordinances be read on three separate days; and declaring an emergency.

WHEREAS, the City of Austin, Texas (the "City" or the "Issuer"), a "home-rule" city operating under a home-rule charter adopted pursuant to Section 5 of Article XI of the Texas Constitution has heretofore financed improvements and extensions to the City's Electric Light and Power System (the "System") by the issuance and sale of revenue obligations payable from and secured by a joint and several lien on and pledge of the Net Revenues of the City's Electric Light and Power System and the City's Water and Wastewater System; and

WHEREAS, the revenue obligations currently outstanding payable from and secured by a joint and several lien on and pledge of the Net Revenues of the City's Electric Light and Power System and the City's Water and Wastewater System include:

(a) "Prior First Lien Obligations" more particularly identified as follows : (i) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1986", dated March 1, 1986, (ii) "City of Austin, Texas, Combined Utility Systems Revenue Bonds, Series 1986C", dated November 15, 1986, (iii) "City of Austin, Texas, Combined Utility Systems Revenue Bonds, Series 1987", dated May 15, 1987, (iv) "City of Austin, Texas, Combined Utility Systems Revenue Bonds, Series 1989", dated July 15, 1989, (v) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1990A", dated February 1, 1990, (vi) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1990B", dated February 1, 1990, (vii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1991-A", dated June 1, 1991, (viii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1992", dated March 1, 1992, (ix) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1992A", dated May 15, 1992, (x) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1993", dated January 15, 1993, (xi) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1993A", dated June 1, 1993, (xii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1994", dated September 1, 1994,

(xiii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1995", dated June 1, 1995, (xiv) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1996A", dated August 1, 1996, (xv) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1996B", dated August 1, 1996, (xvi) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1997", dated August 1, 1997, (xvii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1998", dated July 1, 1996, and (xviii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1998A", dated August 1, 1997,

(b) "Prior Subordinate Lien Obligations" more particularly described as follows: (i) "City of Austin, Texas, Water, Sewer and Electric Refunding Revenue Bonds, Series 1982", dated March 15, 1982, (ii) "City of Austin, Texas, Subordinate Lien Revenue Bonds, Series 1990", dated June 1, 1990, (iii) "City of Austin, Texas, Subordinate Lien Revenue Bonds, Series 1994", dated March 1, 1994, (iv) "City of Austin, Texas, Combined Utility System Subordinate Lien Revenue Bonds, Series 1998, dated August 1, 1998, (v) "City of Austin, Texas, Subordinate Lien Revenue Refunding Bonds, Series 1998", dated October 1, 1998 and (vi) "City of Austin, Texas, Subordinate Lien Revenue Refunding Bonds, Series 1998A", dated October 1, 1998, and

(c) "Commercial Paper Obligations" more particularly described as follows: (i) City of Austin, Texas Combined Utility Systems Commercial Paper Notes, Series A", authorized for issuance pursuant to Ordinance No. 930318-A, as amended by Ordinance No. 961121-A and Ordinance No. 980513-A currently authorized up to an aggregate principal amount of $350,000,000 and (ii) "City of Austin, Texas Combined Utility Systems Taxable Commercial Paper Notes", authorized for issuance pursuant to Ordinance No. 980513-B, as amended by Ordinance No. 000627-A, currently authorized up to an aggregate principal amount of $160,000,000, and in such aggregate principal amounts as hereinafter provided by amendments to either Ordinance No. 930318-A, as amended, or Ordinance No.980513-B, as amended; and

AND WHEREAS, in the ordinances authorizing the issuance of the Prior First Lien Obligations, Prior Subordinate Lien Obligations and Commercial Paper Obligations, the City retained the authority to issue "Separate Lien Obligations" payable solely from either the Net Revenues of the Water and Wastewater System or the Net Revenues of the Electric Light and Power System, but not both, without specifying any terms or limitations on the issuance of such "Separate Lien Obligations"; and

WHEREAS, the City has determined future financing of capital improvements for the City's Electric Light and Power System and the City's Water and Wastewater System should be undertaken and accomplished through the issuance of "Separate Lien Obligations" which will enable the City to restructure provisions governing the issuance of such obligations and relating to the operations of such systems and provide financing flexibility to both systems, particularly the Electric Light and Power System in a more competitive market resulting from a change in laws affecting the regulation, generation, distribution and sale of electric energy, and

WHEREAS, in furtherance of its determination that future financing of capital improvements to the City's Electric Light and Power System shall be undertaken through the issuance of revenue obligations payable solely from and secured by a lien on and pledge of the Net Revenues of the City's Electric Light and Power System, the Council hereby finds a master ordinance governing and pertaining to their issuance should be adopted and enacted; and

WHEREAS, the terms used in this Ordinance and not otherwise defined shall have the meaning given Exhibit A to this Ordinance attached hereto and made a part hereof;

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

Section 1. REVENUE OBLIGATION FINANCING FOR THE CITY'S ELECTRIC UTILITY SYSTEM. From and after the date hereof, all revenue obligations, other than Commercial Paper Obligations, to finance capital improvements for the Electric Utility System shall be payable from and secured only by a lien on and pledge of the Net Revenues of the Electric Utility System and from the funds and accounts hereinafter provided in this Ordinance and in any Supplement. This Ordinance is intended to provide for and govern the issuance of such Parity Electric Utility Obligations and establish the security for their payment, the agreements and covenants with the holders or owners of such obligations in regard to the management and operation of the Electric Utility System, the application and disbursement of revenues derived from its operation and ownership and other matters incident and related to the issuance of such revenue obligations. Each issue or series of Parity Electric Utility Obligations shall be issued, incurred or assumed pursuant to the terms of a Supplement, and each such Supplement shall provide for the authorization, issuance, sale, delivery, form, characteristics, terms of payment and redemption, and any other related matters not inconsistent with the Constitution and laws of the State of Texas or the provisions of this Ordinance.

Section 2. PLEDGE OF REVENUES/SECURITY FOR PAYMENT. Subject to the prior claim on and lien on the Net Revenues of the Electric Utility System to the payment and security of the Prior First Lien Obligations currently Outstanding, including the funding and maintenance of the special funds established and maintained for the payment and security of such Prior First Lien Obligations, the Net Revenues of the Electric Utility System are hereby pledged to the payment of the Parity Electric Utility Obligations and such Parity Electric Utility Obligations, together with the Prior Subordinate Lien Obligations, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Electric Utility System in accordance with the terms of this Ordinance and any Supplement. Additionally, Parity Electric Utility Obligations shall be secured by a lien on the funds, if any, deposited to the credit of the Debt Service Fund, any special fund or funds created and maintained for the payment and security of the Parity Electric Utility Obligations pursuant to a Supplement and funds on deposit in any construction fund maintained and established with the proceeds of sale of Parity Electric Utility Obligations pending expenditure in accordance with the terms of this Ordinance and any Supplement. Parity Electric Utility Obligations are and will be secured by and payable only from the Net Revenues of the Electric Utility System, and are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, of the Electric Utility System. The owners of the Parity Electric Utility Obligations shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in this Ordinance or any Supplement.

Section 3. NO ADDITIONAL PRIOR FIRST LIEN /PRIOR SUBORDINATE LIEN COMBINED UTILITY SYSTEMS REVENUE OBLIGATIONS. From and after the date of the adoption of this Ordinance, the City hereby provides that no additional revenue obligations payable from the same sources and secured in the same manner as the Prior First Lien Obligations or the Prior Subordinate Lien Obligations shall be issued, and at such time as the Prior First Lien Obligations, Prior Subordinate Lien Obligations currently Outstanding and the Commercial Paper Obligations have been fully paid and discharged in a manner such obligations are no longer deemed to be Outstanding under the terms of their respective ordinances and by law, all revenue obligations of the Electric Utility System then Outstanding shall be Parity Electric Utility Obligations or obligations subordinate to the Parity Electric Utility Obligations then Outstanding, and payable only from and secured only by a lien on and pledge of the Net Revenues of the Electric Utility System and the revenues deposited to the credit of the accounts and funds established and maintained in the ordinances providing for their issuance, including this Ordinance with respect to Parity Electric Utility Obligations and any Supplement.

Section 4. RATE COVENANT. Subject to any rate regulation by any state or federal regulatory authority, the City will fix, establish, maintain and collect such rates, charges and fees for electric power and energy and services furnished by the Electric Utility System and to the extent legally permissible, revise such rates, charges and fees to produce Gross Revenues each Fiscal Year sufficient:

(i) to pay all current Operating Expenses,

(ii) to produce Net Revenues, after (x) deducting amounts expended during the Fiscal Year from the Electric Utility System's Net Revenues for the payment of debt service requirements of the Prior First Lien Obligations and Prior Subordinate Lien Obligations and (y) taking into account ending fund balances in the System Fund to be carried forward in a Fiscal Year, equal to an amount sufficient to pay the annual debt service due and payable in such Fiscal Year of the then Outstanding Parity Electric Utility Obligations; and

(iii) to pay after deducting the amounts determined in (i) and (ii) above, all other financial obligations of the Electric Utility System reasonably anticipated to be paid from Gross Revenues.

If the Net Revenues in any Fiscal Year are less than the aggregate amount specified above the City shall promptly upon receipt of the annual audit for such Fiscal Year cause such rates and charges to be revised and adjusted to comply with this Section or obtain a written report from a Utility System Consultant after a review and study of the operations of the Electric Utility System has been made concluding that, in their opinion, the rates and charges then in effect for the current Fiscal Year are sufficient or adjustments and revisions need to be made to such rates and charges to comply with this Section and such adjustments and revisions to electric rates and charges are promptly implemented and enacted in accordance with such Utility System Consultant's report. Notwithstanding anything herein to the contrary, the City shall be deemed to be in compliance herewith if either of the actions mentioned in the preceding sentence are undertaken and completed prior to the end of the Fiscal Year next following the Fiscal Year the deficiency in Net Revenues occurred.

Section 5. GENERAL COVENANTS. Subject to the provisions contained in the ordinances authorizing the issuance of the Prior First Lien Obligations, Prior Subordinate Lien Obligations and Commercial Paper Obligations which may be in conflict herewith and control to the extent of any conflict, the City hereby covenants and agrees with the Holders of the Parity Electric Utility Obligations to the extent permitted by law as follows:

(a) **PERFORMANCE**. All covenants, undertakings, stipulations, and provisions contained in this Ordinance and any Supplement shall be duly performed and honored at all times; the principal amount of and interest on Parity Electric Utility Obligations shall be timely paid as the same shall become due and payable on the dates, at the places and in the manner prescribed in each Supplement and such Parity Electric Utility Obligations; and all deposits to the credit of the Funds and Accounts shall be made at the times, in the amounts and in the manner specified by this Ordinance and in any Supplement; and any Holder may require the City, its officials and employees to perform, honor or enforce the covenants and obligations of this Ordinance, or any Supplement, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the City, its officials and employees.

(b) **CITY'S LEGAL AUTHORITY**. The City is a duly created and existing home rule municipality of the State of Texas, and is duly authorized under the laws of the State of Texas to issue the Parity Electric Utility Obligations; with the adoption of each Supplement, all action on the City's part for the issuance of the Parity Electric Utility Obligations shall have been duly and effectively taken; and the Parity Electric Utility Obligations upon issuance and delivery to the Holders shall and will be valid and enforceable special obligations of the City in accordance with their terms.

(c) **OPERATION AND MAINTENANCE**. The Electric Utility System shall be operated in an efficient manner consistent with Prudent Utility Practice, and the plants, facilities and properties of the Electric Utility System shall be maintained, preserved and kept in good repair, working order and condition, and proper maintenance, repairs and replacements of such property, facilities and plants shall occur to preserve and keep the Electric Utility System operating in a business like manner; provided, however, nothing herein is intended nor shall any statement herein be construed to prevent the City from ceasing to operate or maintain, or from leasing or disposing of, any portion or component of the Electric Utility System if, in the judgment of the governing body of the City having responsibility for the management and operation of the Electric Utility System, including the making of any final decision on the acquisition and disposal of Electric Utility System properties, determines (i) it is advisable to lease, dispose of or not operate and maintain the same, (ii) the operation thereof is not essential to the maintenance and continued operation of the remainder of the Electric Utility System and (iii) the lease, disposition or failure to maintain or operate such component or portion of the Electric Utility System will not prevent the City from complying with the requirements of Section 4 hereof.

(d) **TITLE**. The City has or will have lawful title, whether such title is in fee or lesser interest, to the lands, buildings, structures and facilities constituting the Electric Utility System; the City warrants it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof against the claims and demands of all persons whomsoever; and the City is lawfully qualified to pledge the Net Revenues to the payment of the Parity Electric Utility Obligations in the manner prescribed herein, and has lawfully exercised such rights.

(e) **LIENS.** All taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon the Electric Utility System, its properties or revenues, shall be paid before the same become delinquent; all lawful claims for rents, royalties, labor, materials and supplies shall be paid in a timely manner, which if unpaid might by law become a lien or charge on the revenues of the Electric Utility System or the Electric Utility System's properties prior to or interfere with the liens hereof, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the lien on and pledge of the Net Revenues of the Electric Utility System for the Parity Electric Utility Obligations granted by this Ordinance or any Supplement might or could be impaired; provided however, that no such tax, assessment or charge, and no such claims that might result in a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the City.

(f) **NO FREE SERVICE**. Save and except as provided by V.T.C.A., Government Code, Section 1502.057, as amended, no free service of the Electric Utility System shall be allowed.

(g) **FURTHER ENCUMBRANCE**. Save and except for the issuance of Parity Electric Utility Obligations, the Net Revenues of the Electric Utility System shall not hereafter be encumbered in any manner unless such encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Ordinance and any Supplement; but the right to issue Subordinated Debt payable in whole or in part from a subordinate lien on the Net Revenues is specifically recognized and retained.

(h) **SALE, LEASE OR DISPOSAL OF SYSTEM PROPERTY**. To the extent and in the manner provided by law, the City can sell, exchange or otherwise dispose of property, facilities and assets of the Electric Utility System at any time and from time to time. Furthermore, the City to the extent and in the manner provided by law may lease, contract, or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights to the properties and facilities of the Electric Utility System. The proceeds of any such sale, exchange or disposal of property or facilities shall be deposited to the credit of a special Fund or Account, and funds deposited to the credit of such special Fund or Account shall be used to acquire other property necessary or desirable for the safe or efficient operation of the Electric Utility System, to redeem or purchase Prior First Lien Obligations, Prior Subordinate Lien Obligations, Parity Electric Utility Obligations or for any other Electric Utility System purpose.

(i) **BOOKS, RECORDS AND ACCOUNTS.** Proper books, records and accounts pertaining to the operation and ownership of the Electric Utility System shall be established and maintained in accordance with generally accepted accounting principles, and such books, records and accounts shall be kept and maintained separate and apart from all other records and accounts of the City. Accurate and complete entries of all transactions relating to the Electric Utility System shall be recorded in such books, records and accounts, and such books and records relating to the financial operations of the Electric Utility System shall be kept current on a month to month basis.

(j) **INSURANCE.** Except as otherwise permitted below, insurance shall be obtained and maintained on the properties of the Electric Utility System in a manner and to the extent municipal corporations operating like properties carry and maintain such insurance, and such insurance shall be maintained with one or more responsible insurance companies and cover such risks, accidents or casualties customarily carried by municipal corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage caused by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Holders and their representatives at all reasonable times during regular business hours. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property, together with any other funds available for such purpose as the City in its sole discretion shall determine, shall be used to repair the property damaged or replace the property destroyed; provided, however, if the insurance proceeds and other funds that might be lawfully appropriated therefore are insufficient to repair or replace the damaged property, then such insurance proceeds received for the damaged or destroyed property shall be deposited to the credit of a special insurance Account or Fund until other funds become available which, together with funds on deposit to the credit of such special insurance account, will be sufficient to make the repairs or replacements to the property damaged or destroyed that resulted in such insurance proceeds or make other improvements to the Electric Utility System.

In lieu of obtaining policies for insurance as provided above, the City may self-insure against risks, accidents, claims or casualties described above, or such risks, accidents, claims or casualties may be covered under one or more blanket insurance policies maintained by the City. The annual audit hereinafter required shall contain a section commenting on whether the City has complied with the requirements of this Section with respect to the maintenance of insurance, and listing the areas of insurance for which the City is self-insuring, all policies carried, and whether all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(k) **AUDITS.** After the close of each Fiscal Year while any of the Parity Electric Utility Obligations are Outstanding, an annual audit of the books, records and accounts relating to the operations of the Electric Utility System shall be made by an Accountant as part of the City's overall annual comprehensive audit. After such annual audit has been completed and approved by the

City, a copy thereof shall be sent to the Municipal Advisory Council of Texas and to any owner of $100,000 or more in Outstanding Principal Amount of Parity Electric Utility Obligations who shall request a copy of such annual audit in writing. A copy of such annual audit shall be available for the inspection at the administrative offices of the Electric Utility System by the owners of the Parity Electric Utility Obligations and their agents and representatives at all reasonable times during regular business hours.

(l) **GOVERNMENTAL AGENCIES.** Any and all franchises, licenses, permits and authorizations received or obtained from any governmental agency or department and applicable to or necessary with respect to the operations of the Electric Utility System shall be kept current and in effect, and no franchise, permit, license or authorization required or necessary for the acquisition, construction, equipment, operation and maintenance of the Electric Utility System shall be allowed to expire or terminate by a failure of the City to act or shall the City fail to comply with any terms or conditions that results in a forfeiture or early termination of any such franchise, permit, license, or authorization.

(m) **RIGHTS OF INSPECTION.** Subject to public safety and other restrictions as may be reasonably imposed, the owner of Parity Electric Utility Obligations shall have the right at all reasonable times during regular business hours to inspect properties of the Electric Utility System and all records, accounts and data relating thereto, and copies of such records, accounts and data will be furnished to such owner from time to time, upon the written request and at the payment of the cost of making such copies by the owner making such request.

Section 6. SYSTEM FUND. In accordance with the provisions of the ordinances authorizing the issuance of the Prior First Lien Obligations, Prior Subordinate Lien Obligations and the Commercial Paper Obligations, the City has created and there shall be maintained on the books of the City while the Parity Electric Utility Obligations are Outstanding a separate fund or account known and designated as the "Electric Light and Power System Fund" (herein called the "Electric Fund" or "System Fund"). All funds deposited to the credit of the System Fund and disbursements from such Fund shall be recorded in the books and records of the City and moneys deposited to the credit of such Fund shall be in an account or fund maintained at an official depository of the City. The Gross Revenues of Electric Utility System shall be deposited, as collected, to the credit of the System Fund and such Gross Revenues deposited to the credit of the System Fund shall be allocated, budgeted and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: To the payment of Operating Expenses, as defined herein or required by statute to be a first charge on and claim against the Gross Revenues.

SECOND: To the payment of the amounts required to be deposited in any special funds or accounts created for the payment and security of the Prior First Lien Obligations, including the amounts required to be deposited to the credit of the common reserve fund established for the Prior First Lien Obligations and Prior Subordinate Lien Obligations.

THIRD: Equally and ratably to the payment of the amounts required to be deposited to the credit of (i) the special fund created and established for the payment of principal of and interest on the Prior Subordinate Lien Obligations as the same becomes due and payable and (ii) the special Funds and Accounts maintain for the payment and security of the Parity Electric Utility Obligations pursuant to this Ordinance or a Supplement.

FOURTH: To pay Subordinated Debt, including amounts for the payment of the Commercial Paper Obligations, and the amounts, if any, due and payable under any credit agreement executed in connection therewith.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Section 7. DEBT SERVICE FUND. For the sole purpose of paying the principal amount of, premium, if any, and interest on, and other payments (other than Operating Expenses) incurred in connection with Parity Electric Utility Obligations, there is hereby created and there shall be established and maintained on the books of the City a separate fund designated as the "Electric Utility Revenue Obligation Debt Service Fund" (the "Debt Service Fund") and moneys to the credit of such Debt Service Fund shall be placed in a special fund or account maintained at an official depository of funds of the City.

The amount of the deposits to be made to the credit of the Debt Service Fund to pay the principal of and interest on the Parity Electric Utility Obligations as the same shall become due and payable and the manner for making such deposits shall be addressed and contained in each Supplement. In addition, the City reserves the right in any Supplement to establish within the Debt Service Fund various Accounts to facilitate the timely payment of Parity Electric Utility Obligations as the same become due and owing.

Section 8. ISSUANCE OF ADDITIONAL OBLIGATIONS. (a) Parity Electric Utility Obligations. The City reserves and shall have the right and power to issue or incur Parity Electric Utility Obligations for any purpose authorized by law pursuant to the provisions of this Ordinance and a Supplement hereafter adopted. The City may issue, incur, or otherwise become liable in respect of any Parity Electric Utility Obligations if a Designated Financial Officer shall certify in writing:

(i) the City is in compliance with all covenants contained in this Ordinance and any Supplement, is not in default in the performance and observance of any of the terms, provisions and conditions hereof and thereof, and the Funds and Accounts established for the payment and security of the Parity Electric Utility Obligations then Outstanding contain the amounts then required to be deposited therein or the proceeds of sale of the Parity Electric Utility Obligations then to be issued are to be used to cure any deficiency in the amounts on deposit to the credit of such Funds and Accounts, if any; and

(ii) the Net Revenues of the Electric Utility System, for the last completed Fiscal Year preceding the date of the then proposed Parity Electric Utility Obligations, or for any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Parity Electric Utility Obligations and after deducting amounts expended from the Electric Utility System's Net Revenues during the last completed Fiscal Year for the payment of debt service requirements of the Prior First Lien Obligations and Prior Subordinate Lien Obligations, exceed One Hundred Ten Per Cent (110%) the maximum Annual Debt Service Requirement of the Parity Electric Utility Obligations to be Outstanding after giving effect to the issuance of the then proposed Parity Electric Utility Obligations.

For purposes of paragraph (a) (ii), if Parity Electric Utility Obligations are issued to refund less than all of the Parity Electric Utility Obligations then Outstanding, the Designated Financial Officer's certificate required above shall give effect to the issuance of the proposed refunding Parity Electric Utility Obligations (and shall not give effect to the Parity Electric Utility Obligations being refunded following their cancellation or provision being made for their payment).

(b) Short-Term Parity Electric Utility Obligations. The City may issue or incur Parity Electric Utility Obligations issued in the form of commercial paper and for purposes of this subsection, the term "Outstanding Funded Debt" shall include Subordinated Debt that matures by its terms, or that is renewable at the option of the City to a date, more than one year after the date of its issuance by the City. The terms and conditions pertaining to the issuance of Parity Electric Utility Obligations in the form of commercial paper, including, without limitation, the security, liquidity and reserves necessary to support such commercial paper obligations, shall be contained in a Supplement relating to their issuance.

(c) Special Facilities Debt and Subordinated Debt. Special Facilities Debt and Subordinated Debt may be incurred by the City without limitation.

(d) Separately Financed Projects. The City expressly retains the right to issue or incur bonds, notes, or other obligations or evidences of indebtedness, other than Parity Electric Utility Obligations, for any project or purpose for goods or services other than the generation, transmission, distribution and sale of electric energy and capacity or related goods and services, which presently are or hereafter may be authorized or permitted to be provided or maintained by municipal electric systems generally or the City specifically under the laws of the State of Texas, federal law or the City's home rule charter; provided the bonds, notes or other obligations issued or incurred for any such separately financed project are payable from and secured by other available funds derived from the ownership or operation thereof or excess Net Revenues remaining after satisfying, or making provision for the satisfaction of, the "First" through the "Fourth" priority of claims identified on such Net Revenues in Section 6 hereof and separate books and records for such separately financed project or activity are maintained by the City

(e) Credit Agreements. Payments to be made under a Credit Agreement may be treated as Parity Electric Utility Obligations if the governing body of the City makes a finding in the Supplement authorizing and approving the Credit Agreement that Gross Revenues will be sufficient to meet the obligations of the Electric Utility System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of Parity Electric Utility Obligations then Outstanding and the financial obligations of the City under the Credit Agreement, and such finding is supported by a certificate executed by a Designated Financial Officer of the City.

(f) Determination of Net Revenues. In making a determination of Net Revenues for any of the purposes described in this Section, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the Electric Utility System that became effective at least 30 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues coverage test described above, make a pro forma determination of the Net Revenues of the Electric Utility System for the period of time covered by his or her certification based on such change in rates and charges being in effect for the entire period covered.

Section 9. FINAL DEPOSITS; GOVERNMENT OBLIGATIONS. (a) Any Parity Electric Utility Obligation shall be deemed to be paid, retired and cease to be Outstanding within the meaning of this Ordinance, and the Supplement pursuant to which it was issued, when payment of the principal amount of, redemption premium, if any, on such Parity Electric Utility Obligation, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, upon redemption, or otherwise) either shall have been (i) made in accordance with the terms thereof or (ii) provided by irrevocably depositing with, or making available to, a Paying Agent (or escrow agent) therefor, in trust and set aside exclusively for such payment, in accordance with the terms and conditions of an agreement between the City and said Paying Agent (or escrow agent), (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of such Paying Agent pertaining to the Parity Electric Utility Obligation with respect to which such deposit is made shall have been paid or the payment thereof duly provided (and irrevocable instructions shall have been given by the City to such Paying Agent to give notice of such redemption in the manner required by the Supplement authorizing the issuance of such Parity Electric Utility Obligation) to the satisfaction of such Paying Agent. Such Paying Agent shall give notice to each owner of any Parity Electric Utility Obligation that such deposit as described above has been made, in the same manner as required with respect to the redemption of such Parity Electric Utility Obligation, all in accordance with the terms of the Supplement pursuant to which such Parity Electric Utility Obligation was issued. In addition, in connection with a defeasance, such Paying Agent shall give notice of redemption, if necessary, to the owners of any Parity Electric Utility Obligation in the manner provided in the Supplement for such Parity Electric Utility Obligation and as directed in the redemption instructions delivered by the City to such Paying Agent. At such time as a Parity Electric Utility Obligation shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of this Ordinance or the Supplement pursuant to which it was issued or a lien on and pledge of the Net Revenues, and shall be entitled to payment solely from such money or Government Obligations.

(b) Any moneys deposited with a Paying Agent (or escrow agent) may, at the direction of the City, also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Paying Agent pursuant to this Section which is not required for the payment of the principal of the Parity Electric Utility Obligations, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, shall be remitted to the City for deposit to the credit of the Debt Service Fund.

(c) Except as provided in clause (b) of this Section, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of Parity Electric Utility Obligations, the redemption premium, if any, and interest thereon, shall be applied solely to and used solely for the payment of such Parity Electric Utility Obligations, the redemption premium, if any, and interest thereon.

Section 10. AMENDMENT OF ORDINANCE. (a) Required Owner Consent for Amendments. The owners of a majority in Outstanding Principal Amount of the Parity Electric Utility Obligations shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that nothing contained herein shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Parity Electric Utility Obligations so as to:

(1) Make any change in the maturity of any of the Outstanding Parity Electric Utility Obligations;

(2) Reduce the rate of interest borne by any of the Outstanding Parity Electric Utility Obligations;

(3) Reduce the amount of the principal payable on the Outstanding Parity Electric Utility Obligations;

(4) Modify the terms of payment of principal of, premium, if any, or interest on the Outstanding Parity Electric Utility Obligations or impose any conditions with respect to such payment;

(5) Affect the rights of the owners of less than all of the Parity Electric Utility Obligations then Outstanding;

(6) Amend this subsection (a) of this Section; or

(7) Change the minimum percentage of the principal amount of Parity Electric Utility Obligations necessary for consent to any amendment;

unless such amendment or amendments be approved by the owners of all of the Parity Electric Utility Obligations affected by the change or amendment then Outstanding.

(b) Notice of Amendment Requiring Consent. If at any time the City shall desire to amend the Ordinance under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, and a newspaper of general circulation in the City, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file with each Paying Agent or Registrar, as the case may be, for the Parity Electric Utility Obligations for inspection by all Holders of Parity Electric Utility Obligations. Such publication is not required, however, if notice in writing is given by mail, first class postage prepaid, to each Holder of Parity Electric Utility Obligations.

(c) Time Period for Obtaining Consent If within one year from (i) the date of the first publication of said notice or (ii) the date of the mailing by the Paying Agent of written notice to the owners of the Parity Electric Utility Obligations, whichever date first occurs if both methods of giving notice are used, the City shall receive an instrument or instruments executed by the owners of at least a majority in Outstanding Principal Amount of the Parity Electric Utility Obligations consenting to and approving such amendment in substantially the form of the copy thereof on file with each Paying Agent or Registrar, as the case may be, for the Parity Electric Utility Obligations, the governing body of the City may pass the amendatory ordinance in substantially the same form.

(d) Revocation of Consent. Any consent given by the owner of a Parity Electric Utility Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date for measuring the one year period to obtain consents noted in paragraph (c) above, and shall be conclusive and binding upon all future owners of the same Parity Electric Utility Obligation during such period. At any time after six months from the date for measuring the one year period to obtain consents noted in paragraph (c) above, such consent may be revoked by the owner who gave such consent, or by a successor in title, by filing written notice thereof with the Paying Agent or Registrar, as the case may be, for such Parity Electric Utility Obligation and the City, but such revocation shall not be effective if the owners of at least a majority in Outstanding Principal Amount of the then Outstanding Parity Electric Utility Obligations as determined in accordance with this Section have, prior to the attempted revocation, consented to and approved the amendment.

(e) Implementation of Amendment. Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations of the City under this Ordinance and all the owners of then Outstanding Parity Electric Utility Obligations and all future Parity Electric Utility Obligations shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(f) Amendment without Consent. The foregoing provisions of this Section notwithstanding, the City by action of its governing body may amend this Ordinance for any one or more of the following purposes:

(1) To vest the management and control of the Electric Utility System in an independent board of trustees or similar board pursuant to authority conferred by V.T.C.A., Government Code, Section 1502.070 et seq. or other law now or hereafter enacted;

(2) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to the owners of the Parity Electric Utility Obligations or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City;

(3) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the owners of the Parity Electric Utility Obligations then outstanding;

(4) To modify any of the provisions of this Ordinance in any other respect whatever, provided that such modification shall be, and be expressed to be, effective only after all Parity Electric Utility Obligations outstanding at the date of the adoption of such modification shall cease to be outstanding;

(5) To make such amendments to this Ordinance as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto;

(6) To make such changes, modifications or amendments as may be necessary or desirable in order to allow the owners of the Parity Electric Utility Obligations to thereafter avail themselves of a book-entry system for payments, transfers and other matters relating to the Parity Electric Utility Obligations, which changes, modifications or amendments are not contrary to or inconsistent with other provisions of this Ordinance and which shall not adversely affect the interests of the owners of the Parity Electric Utility Obligations;

(7) To make such changes, modifications or amendments as may be necessary or desirable in order to obtain or maintain the granting of a rating on the Parity Electric Utility Obligations by a Rating Agency or to obtain or maintain a Credit Agreement or a Credit Facility; and

(8) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Parity Electric Utility Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange agreements, or similar types of agreements with respect to the Parity Electric Utility Obligations. Notice of any such amendment may be published by the City in the manner described in clause (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

(g) Ownership. For the purpose of this Section, the ownership and other matters relating to all Parity Electric Utility Obligations may be determined as provided in each Supplement and unless otherwise provided in a Supplement, the owners of the Parity Electric Utility Obligations insured as to the payment of principal of and interest thereon shall be deemed to be the insurance company providing the insurance coverage on such Parity Electric Utility Obligations; provided such amendment to this Ordinance is an amendment that can be made with the consent of a majority in Outstanding Principal Amount of the Parity Electric Utility Obligations and such insurance company is not in default with respect to its obligations under its insurance policy.

(h) Amendments of Supplements. Each Supplement shall contain provisions governing the ability of the City to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of Parity Electric Utility Obligations then Outstanding under such Supplement a priority over the owners of any other Parity Electric Utility Obligations then Outstanding.

Section 11. DEFICIENCIES. If on any occasion there shall not be sufficient Net Revenues to make the required deposits into the Funds and Accounts established in accordance with this Ordinance and any Supplement, then such deficiency shall be made up as soon as possible from the next available Net Revenues, or from any other source available for such purpose.

Section 12. FUNDS SECURED. Moneys in all Funds and Accounts created in accordance with this Ordinance and any Supplement shall be secured in the manner prescribed by law for securing funds of the City.

Section 13. INVESTMENTS. Moneys in any Fund or Account established pursuant to this Ordinance and any Supplement may, at the option of the City, be placed or invested in Eligible Investments. The value of any such Fund or Account shall be established by adding any money therein to the Value of Investment Securities. The value of each such Fund or Account shall be established no less frequently than annually during the last month of each Fiscal Year. Earnings derived from the investment of moneys on deposit in the various Funds and Accounts shall be credited to the Fund or Account from which moneys used to acquire such investment shall have come.

Section 14. BENEFITS OF ORDINANCE. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, the Paying Agent/Registrar and the Holders.

Section 15. GOVERNING LAW. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 16. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 17. CONSTRUCTION OF TERMS. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

Section 18. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

Section 19. PUBLIC MEETING. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given; all as required by V.T.C.A., Government Code, Chapter 551, as amended.

Section 20. EMERGENCY. The public importance of this measure and the fact that there is an urgent public need for the City to obtain the funds from the sale of the Bonds as soon as possible and without delay for the immediate preservation of the public peace, health and safety of the citizens of the City constitute and create an emergency requiring the suspension of the rule providing for ordinances to be read on three separate days; and such rule relating to the passage of ordinances and the Charter provision relating to the effective date of ordinances are hereby suspended and this ordinance is hereby passed as an emergency measure and shall be effective immediately upon its passage and adoption as provided by the Charter of the City.

PASSED AND ADOPTED, this 18th day of January, 2001.

CITY OF AUSTIN, TEXAS

KIRK WATSON
Mayor

ATTEST:

SHIRLEY A. BROWN
City Clerk

APPROVED:

(City Seal)

ANDREW MARTIN
City Attorney

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APPENDIX D

SELECTED MODIFIED PROVISIONS FROM ORDINANCES RELATING TO PRIOR SUBORDINATE LIEN OBLIGATIONS

References to the "Bonds" contained in this Appendix D refer to Prior Subordinate Lien Obligations previously issued and secured by the Net Revenues of the Combined Utility Systems, and do not refer to the current issuance of the Electric Utility System Revenue Refunding and Improvement Bonds, Series 2020A, the Electric Utility System Revenue Refunding Bonds, Taxable Series 2020B, nor the Parity Electric Utility Obligations.

Additionally, references to Prior Lien Bonds (referred to as Prior First Lien Obligations in the Official Statement) in this Appendix D are not applicable due to the fact that no previously issued Prior Lien Bonds are outstanding as of May 15, 2019.

Definitions. The following definitions are provided:

Electric Light and Power System-shall mean all facilities and plants currently owned, operated and maintained by the City, wholly or partially in participation with others, for the generation, transmission, supply and distribution of electrical energy and power, together with all future extensions, improvements, replacements and additions thereto, and all replacements thereof; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term "Electric Light and Power System" shall not include facilities of any kind (including any electric power generating and transmission facilities) which are declared not to be a part of the Electric Light and Power System and which are acquired or constructed by the City, or in participation with others, with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue obligations of the City which are not Prior Lien Bonds, Subordinate Lien Bonds or Separate Lien Obligations but which are payable from and secured by other liens on and pledges of any revenues, sources or payments not pledged to the payment of the Prior Lien Bonds, the Subordinate Lien Bonds or Separate Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Fiscal Year-shall mean the twelve month period used by the City in connection with the operation of the Systems which may be any twelve consecutive month period established by the City.

Government Obligations-shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, and which may be in book-entry form.

Gross Revenues-shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants and proceeds derived from the sale or other disposition of all or part of the City's participating interest in the South Texas Project and revenues, sources or payment from facilities acquired or constructed with "Special Facilities Bonds") of the respective system, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established by the City for the payment and security of the Prior Lien Bonds or the Subordinate Lien Bonds or Separate Lien Obligations.

Maintenance and Operating Expenses-shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, all current expenses of operating and maintaining the respective system, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Prior Lien Bonds or the Subordinate Lien Bonds shall be deducted in determining "Net Revenues." Depreciation shall never be considered as an expense of Maintenance and Operation. Maintenance and Operating Expenses shall include payments under contracts for the purchase of power and energy, water supply or other materials, goods or services for the Systems to the extent authorized by law and the provisions of such contract.

Net Revenues-shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, Gross Revenues of the respective system after deducting the system's Maintenance and Operating Expenses.

Outstanding-shall mean with respect to Bonds, as of the date of determination, all Bonds theretofore issued and delivered under this Ordinance [an ordinance related to Prior Subordinate Lien Obligations], except:(i) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation; (ii) those Bonds for which payment has been duly provided by the City in accordance with the provisions of Section 27 hereof; and(iii) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 30 hereof.

Subordinate Lien Bonds-shall mean the outstanding revenue bonds of those series designated "City of Austin, Texas, Subordinate Lien Revenue Refunding Bonds, Series 1998," dated October 1, 1998.

Required Reserve-shall mean the amount required to be accumulated and maintained in the Reserve Fund under the provisions of Section 15 hereof.

Separate Lien Obligations-shall mean (a) those obligations hereafter (i) issued or incurred by the City payable solely from the Net Revenues of either the Electric Light and Power System or the Net Revenues of the Waterworks and Sewer System, but not both, (ii) incurred pursuant to express charter or statutory authority heretofore or hereafter adopted or enacted and (iii) which by the terms of the ordinance authorizing their issuance or the incurring of the obligation provide for payments to be made by the City for the retirement or payment thereof to be secured solely by a lien on and pledge of the Net Revenues of the Electric Light and Power System or the Net Revenues of the Waterworks and Sewer System, but not both, of equal dignity with the lien on and pledge of said Net Revenues securing the payment of the Subordinate Lien Bonds and (b) those contractual obligations of the City heretofore incurred payable solely from and secured by a lien on and pledge of the Net Revenues of the Water and Sewer System and securing the payment of certain outstanding contract revenue bonds more specifically identified in Exhibit B.

South Texas Project-shall mean the City's ownership interest in two nuclear steam electric generating units and related land and facilities, as more particularly defined in the South Texas Project Participation Agreement effective as of December 1, 1973, as amended.

Systems-shall mean collectively the Electric Light and Power System and the Waterworks and Sewer System.

Waterworks and Sewer System- shall mean all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term "Waterworks and Sewer System" shall not include facilities of any kind which are declared not to be a part of the Waterworks and Sewer System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue obligations of the City which are not Prior Lien Bonds, Subordinate Lien Bonds or Separate Lien Obligations but which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of Prior Lien Bonds, the Subordinate Lien Bonds or Separate Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Pledge. (a) Electric Light and Power System. Subject only to the prior lien on and pledge of the Net Revenues of the Electric Light and Power System for the payment and security of the Prior Lien Bonds, the City hereby covenants and agrees that the Net Revenues of the Electric Light and Power System, with the exception of those in excess of the amounts required for the payment and security of the Subordinate Lien Bonds and the Separate Lien Obligations, shall be and are hereby irrevocably pledged, equally and ratably, to the payment of the principal of and interest on the Subordinate Lien Bonds and Additional Subordinate Lien Bonds, if issued, and to satisfy amounts required for the payment of Separate Lien Obligations, if issued or incurred, and the pledge of the Net Revenues of the Electric Light and Power System herein affirmed and made for the payment and security of the Subordinate Lien Bonds and Separate Lien Obligations, if issued, shall constitute a lien on the Net Revenues of the Electric Light and Power System in accordance with the terms and provisions hereof, subject and subordinate only to the lien and pledge securing the payment of the Prior Lien Bonds.

(b) Waterworks and Sewer System. Subject only to the prior lien on and pledge of the Net Revenues of the Waterworks and Sewer System for the payment and security of the Prior Lien Bonds, the City hereby covenants and agrees that the Net Revenues of the Waterworks and Sewer System, with the exception of those in excess of the amounts required for the payment and security of the Subordinate Lien Bonds and the Separate Lien Obligations, shall be and are hereby irrevocably pledged, equally and ratably, to the payment of the principal of and interest on the Subordinate Lien Bonds and Additional Subordinate Lien Bonds, if issued, and to satisfy amounts required for the payment of Separate Lien Obligations now outstanding and hereafter issued or incurred, and the pledge of the Net Revenues of the Waterworks and Sewer System herein affirmed and made for the payment and security of the Subordinate Lien Bonds and Separate Lien Obligations now outstanding and hereafter issued, shall constitute a lien on the Net Revenues of the Waterworks and Sewer System in accordance with the terms and provisions hereof, subject and subordinate only to the lien and pledge securing the payment of the Prior Lien Bonds.

Rates and Charges. For the benefit of the Holders and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Subordinate Lien Bonds are outstanding, to establish and maintain rates and charges for facilities and services afforded by the Electric Light and Power System and the Waterworks and Sewer System to provide Gross Revenues in each Fiscal Year from each System sufficient:

(1) To pay the respective Maintenance and Operating Expenses thereof,

(2) To provide amounts required to establish, maintain or restore, as the case may be, a required balance in any reserve or contingency fund created for the payment and security of Separate Lien Obligations,

(3) To produce combined Net Revenues of the Systems sufficient to pay the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Prior Lien Bonds, the Subordinate Lien Bonds, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the combined Net Revenues of the Systems, and

(4) To produce combined Net Revenues of the Systems (after satisfaction of the amounts required to be paid in 2 and 3 above) equal to at least the sum of (i) 1.25 times the annual principal and interest requirements (or other similar payments) for the then outstanding Prior Lien Bonds and Separate Lien Obligations and (ii) 1.10 times the total annual principal and interest requirements (or other similar payments) for the then outstanding Subordinate Lien Bonds and all other indebtedness (except Prior Lien Bonds and Separate Lien Obligations) payable only from and secured solely by lien on and pledge of the Net Revenues of the Systems, either or both.

Electric Light and Power System Fund. The City hereby covenants and agrees that the Gross Revenues of the Electric Light and Power System shall be deposited, as collected, into a separate account maintained with a depository bank of the City and known as the "Electric Light and Power System Fund" (herein called the "Electric Fund") and such revenues of the Electric Light and Power System shall be kept separate and apart from all other funds of the City. All revenues deposited in the Electric Fund shall be pledged and appropriated to the extent required for the following uses and in the order of precedence shown:

FIRST: To the payment of all necessary and reasonable Maintenance and Operating Expenses of the Electric Light and Power System, as defined herein or required by statute to be a first charge on and claim against the Gross Revenues thereof.

SECOND: To the payment of the amounts required to be deposited in the special funds or accounts created for the payment and security of the Prior Lien Bonds.

THIRD: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to obligations for which the Reserve Fund was created and established to pay.

FOURTH: To the payment of the amounts required to be deposited in the Interest and Redemption Fund created and established for the payment of principal of and interest on the Subordinate Lien Bonds as the same becomes due and payable and the payment of Separate Lien Obligations secured by a lien on and pledge of the Net Revenues of the Electric Light and Power System.

Any Net Revenues remaining in the Electric Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Water and Sewer System Fund. The City hereby covenants and agrees that Gross Revenues of the Waterworks and Sewer System shall be deposited, as collected, into a separate account maintained with a depository bank of the City and known as the "Water and Sewer System Fund" (herein called the "Water and Sewer Fund") and such revenues of the Waterworks and Sewer System shall be kept separate and apart from all other funds of the City. All revenues deposited in the Water and Sewer Fund shall be pledged and appropriated to the extent required for the following uses and in the order of precedence shown:

FIRST: To the payment of all necessary and reasonable Maintenance and Operating Expenses of the Waterworks and Sewer System, as defined herein or required by statute to be a first charge on and claim against the Gross Revenues thereof.

SECOND: To the payment of the amounts required to be deposited in any special funds or accounts created for the payment and security of the Prior Lien Bonds.

THIRD: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to obligations for which the Reserve Fund was created and established to pay.

FOURTH: To the payment of the amounts required to be deposited in the Interest and Redemption Fund created and established for the payment of principal of and interest on the Subordinate Lien Bonds as the same becomes due and payable and the payment of Separate Lien Obligations secured by a lien on and pledge of the Net Revenues of the Waterworks and Sewer System.

Any Net Revenues remaining in the Water and Sewer Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Reserve Fund. (a) In connection with the issuance of the Prior Lien Bonds and Subordinate Lien Bonds, the City agrees and covenants to keep and maintain with its depository bank a separate and special fund known as the "Combined Pledge Revenue Bond Common Reserve Fund" (the "Reserve Fund") for the purpose of accumulating and maintaining funds as a reserve for the payment of the Prior Lien Bonds and Subordinate Lien Bonds in an amount (the "Required Reserve") equal to the average annual requirement (calculated on a calendar year basis) for the payment of principal of and interest (or other similar payments) on all outstanding Prior Lien Bonds and Subordinate Lien Bonds, as determined on (i) the date of the initial deposit of a Financial Commitment (hereinafter defined) to the Reserve Fund or (ii) the date one or more rating agencies announces the rating of the insurance company or association providing the Financial Commitment for the Reserve Fund falls below the minimum requirement noted below, whichever date is the last to occur. All funds deposited in the Reserve Fund (excluding earnings and income derived or received from deposits or investments which, subject to the limitations hereinafter specified, may be withdrawn and transferred from the Reserve Fund) shall be used solely for the payment of the principal of and interest on the Prior Lien Bonds and the Subordinate Lien Bonds on a pro rata basis, when (whether at maturity, upon mandatory redemption prior to maturity or any interest payment date) and to the extent other funds available for such purpose are insufficient, and, in addition, may be used to retire the last of the Prior Lien Bonds or Subordinate Lien Bonds outstanding.

The total amount required to be accumulated and maintained in the Reserve Fund is $106,790,235.15 (the Required Reserve), which amount is equal to or greater than the average annual requirement (calculated on a calendar year basis) for the payment of principal of and interest (or other similar payments) on all outstanding Prior Lien Bonds and Subordinate Lien Bonds as determined on the date of the initial deposit of a Financial Commitment (hereinafter defined) to the Reserve Fund.

Currently, the Required Reserve is fully funded with Financial Commitments of Financial Security Assurance Inc. in the amounts of $30,000,000 (the Initial Financial Commitment acquired) and $76,790,325.15 (an additional Financial Commitment acquired on or about August 31, 2004).

When and so long as the money and investments, or Financial Commitments, are on deposit to the credit of the Reserve Fund in an amount equal to or exceeding the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve, the City covenants and agrees to cure the deficiency in the Required Reserve within twelve (12) months from the date the Required Reserve deficiency occurred with available Net Revenues in the Electric Fund and the Water and Sewer Fund, and the City hereby covenants and agrees that, subject only to payments required for the payment of principal of and interest on the Prior Lien Bonds and the establishment and maintenance of the special funds (other than the Reserve Fund) created for the payment and security thereof, all Net Revenues remaining in the Electric Fund and the Water and Sewer Fund shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amount as required by the terms of this Ordinance and any other ordinance pertaining to obligations the payment of which are secured by the Required Reserve. During such time as the Reserve Fund contains the total Required Reserve, the City may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the "Interest and Redemption Fund" created and established for the payment and redemption of the Subordinate Lien Bonds while the same remain outstanding and, at such time as the Subordinate Lien Bonds are no longer outstanding, such surplus may be deposited in the Bond Fund.

Notwithstanding any provision contained herein to the contrary, the Required Reserve may be funded, in whole or in part, by depositing to the credit of the Reserve Fund (i) cash, (ii) investments, and (iii) one or more Financial Commitments. The term Financial Commitments means an irrevocable and unconditional policy of bond insurance or surety bond in full force and effect issued by an insurance company or association duly authorized to do business in the State of New York and the State of Texas and with financial strength meeting the requirements below. Such insurance policy or surety bond shall provide for payment thereunder of moneys when other funds available to the payment of the Prior Lien Bonds or Subordinate Lien Bonds, or both, in the interest and sinking fund maintained for the payment of the Prior Lien Bonds or Subordinate Lien Bonds, or both, is insufficient on a payment date when interest or principal, or both, is due and payable for such obligations.

The financial strength of the insurance company or association providing the Financial Commitment must be rated on the date of the deposit of the Financial Commitment to be credit of the Reserve Fund in the highest rating category by Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings and, if rated, by A.M. Best . In the event the rating of the financial strength of a provider of a Financial Commitment falls below (i) "Aa2" by Moody's Investors Service, Inc., (ii) "AA" by Standard & Poor's Ratings Services, (iii) "AA" by Fitch Ratings or (iv) if applicable, "A+" by A.M. Best, the City will be required to replace the Financial Commitment with (a) cash and Authorized Securities or (b) a substitute Financial Commitment issued by an insurance company or association that satisfies the ratings requirements summarized above in this paragraph (but in no event less than the ratings described in clauses (i), (ii), (iii) and (iv) of this sentence.).

Notwithstanding any provision herein to the contrary, the City may at any time substitute one or more Financial Commitments for the cash and securities deposited to the credit of the Reserve Fund, and following the substitution of one or more Financial Commitments for cash and securities held in the Reserve Fund, the cash and securities released from the Reserve Fund**,** net of costs incurred with respect to the initial substitution of the Financial Commitment, shall be deposited to the credit of one or more special accounts maintained on the books and records of the City and expended only to pay, discharge and defease Prior Lien Bonds and Subordinate Lien Bonds in a manner that reduces the principal amount and Maturity Amount of outstanding Prior Lien Bonds and Subordinate Lien Bonds.

(b) Initial Financial Commitment. As permitted in paragraph (a) above, the City has determined to acquire initially a Financial Commitment for the Reserve Fund with coverage in the maximum amount of $30,000,000 to fund in part the Required Reserve from Financial Security Assurance Inc., a New York domiciled insurance company (hereinafter referred to as "FSA"). In accordance with FSA's terms for the issuance of a "Municipal Bond Debt Service Reserve Insurance Policy" (the "Reserve Policy"), an Insurance Agreement by and between the City and FSA has been submitted to the City for approval and execution, and such Insurance Agreement, substantially in the form and content of Exhibit A attached hereto, is hereby approved and authorized to be executed by the City Manager and such Insurance Agreement, as executed and delivered by the City Manager, shall be deemed the Insurance Agreement herein approved by the City Council and authorized for execution.

To the extent the City should make a draw under the Reserve Policy, the City acknowledges and agrees the repayment of "Policy Costs," as defined in the Insurance Agreement, shall constitute a payment of an amount required to be deposited in the Reserve Fund to establish and maintained the Required Reserve, and insofar as the priority of uses of the revenues of (i) Electric Light and Power System and (ii) the Waterworks and Sewer System, such Policy Costs shall be entitled to the same priority of payment identified in the Prior Lien Bond Ordinances for payments required to be deposited in the Reserve Fund to establish and maintain the Required Reserve.

<u>Interest and Redemption Fund</u>s. For purposes of providing funds to pay the principal of and interest on the Prior Lien Bond or the Subordinate Lien Bonds, as the case may be, as the same becomes due and payable (whether at maturity or upon redemption), the City agrees to maintain at a depository bank of the City a separate and special account or fund known as the "City of Austin Interest and Redemption Fund" (the "Interest and Redemption Fund").

The City covenants that there shall be deposited into said Fund prior to each interest and principal payment date for the Prior Lien Bonds and for the Subordinate Lien Bonds from the Net Revenues in the Electric Fund and the Water and Sewer Fund amounts equal to one hundred per centum (100%) of the amount required to fully pay the interest on and principal then due and payable on the Prior Lien Bonds and the Subordinate Lien Bonds, as the case may be, such deposits to pay principal at maturity or redemption, as the case may be, and accrued interest to be made in substantially equal monthly installments on or before the 14th day of each month, beginning on or before the 14th day of the month. If the Net Revenues in the Electric Fund and the Water and Sewer Fund in any month are then insufficient to make the required payments into the Interest and Redemption Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Interest and Redemption Fund in the next month.

The monthly deposits to the Interest and Redemption Fund for the payment of principal and interest on the Prior Lien Bonds and the Subordinate Lien Bonds shall continue to be made as hereinabove provided until such time as (i) the total amounts on deposit in the respective Interest and Redemption Fund and Reserve Funds is equal to the amount required to pay all outstanding indebtedness (principal and interest) for which said Funds were created and established or (ii) the Prior Lien Bonds or Subordinate Lien Bonds, as the case may be, are no longer Outstanding.

<u>Investment of Certain Funds.</u> (a) Money in any Fund required to be maintained pursuant to this Ordinance may, at the option of the City, be placed in time deposits or certificates of deposit secured by obligations of the type hereinafter described, or be invested, including investments held in book-entry form, in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Interest and Redemption Fund immediately shall be credited to, and any losses debited to, the Interest and Redemption Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14 hereof, be credited to and deposited in the Interest and Redemption Fund.

All such investments with respect to the Interest and Redemption Fund and Reserve Fund shall be sold promptly when necessary to prevent any default in connection with the Subordinate Lien Bonds and, with respect to the Reserve Fund, to prevent any default in connection with the Prior Lien Bonds.

(b) Money in all Funds required to be maintained by this Ordinance, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the City.

Obligations of Inferior Lien and Pledge. The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Net Revenues of the Systems, either or both, junior and subordinate to the lien and pledge securing the payment of the Subordinate Lien Bonds, as may be authorized by the laws of the State of Texas.

Maintenance and Operation-Insurance. The City shall maintain the Systems in good condition and operate each in an efficient manner and at reasonable cost. So long as any Bonds are Outstanding, the City agrees to maintain insurance, for the benefit of the Holders of the Bonds, on the Systems of a kind and in an amount which usually would be carried by municipal corporations engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City to expend any funds derived from sources other than the operation of the Systems, but nothing herein shall be construed as preventing the City from doing so.

Sale, Lease or Disposal of System Property. To the extent and in the manner provided by law, the City can sell, exchange or otherwise dispose of property and facilities constituting part of the System at any time and from time to time, provided such sale or exchange of property or facilities does not impede the operations of the System. In the event the property, facilities or assets of the System sold or exchanged represents more than 5% of the total assets of the System, the City agrees to notify the rating agencies then rating the Prior Lien Bonds, Subordinate Lien Bonds and Separate Lien Obligations and bond insurance companies insuring the Prior Lien Bonds, Subordinate Lien Bonds and Separate Lien Obligations of such sale, exchange or disposal of property and facilities. Prior to the sale or exchange of any assets or properties representing more than 5% of the total assets of the System being completed, a written response shall be obtained from the rating agencies then rating the Prior Lien Bonds, Subordinate Lien Bonds and Separate Lien Obligations to the effect that such sale or exchange of such assets or properties in and of itself will not result in a rating category change of the ratings then assigned on such obligations. Furthermore, the City to the extent and in the manner provided by law may lease, contract, or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights to the properties and facilities of the System, provided such lease, contract, license, arrangement, easement or right does not impede or disrupt the operations of the System. The proceeds of any such sale, exchange or disposal of property or facilities shall be deposited to the credit of a special Fund or Account, and funds deposited to the credit of such Fund or Account shall be used either (i) to acquire other property necessary or desirable for the safe or efficient operation of the System, or (ii) to redeem, defease or retire Prior Lien Bonds, Subordinate Lien Bonds or Separate Lien Obligations.

Records and Accounts. The City hereby covenants and agrees that so long as any of the Bonds or any interest thereon remains Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the Waterworks and Sewer System and the Electric Light and Power System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Article 1113, V.A.T.C.S. The Holders of any Bonds or any duly authorized agent or agents of such Holders shall have the right at all reasonable times to inspect such records, accounts and data relating thereto, and to inspect the respective Systems and all properties comprising same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the Electric Light and Power System and of the Waterworks and Sewer System for such Fiscal Year.

(b) A balance sheet for the Electric Light and Power System and the Waterworks and Sewer System as of the end of such Fiscal Year.

(c) The Accountant's comments regarding the manner in which the City has carried out the requirements of this Ordinance and any other ordinance authorizing the issuance of Prior Lien Bonds or Subordinate Lien Bonds and his recommendations for any changes or improvements in the operations, records and accounts of the respective Systems.

(d) A list of insurance policies in force at the end of the Fiscal Year covering the properties of the respective Systems, setting out as to each policy the amount thereof, the risk covered, the name of the insurer and the policy's expiration date.

Expenses incurred in making an annual audit of the operations of the Systems are to be regarded as Maintenance and Operating Expenses of the respective Systems and paid on a pro rata basis or as otherwise determined by the City from available revenues in the Electric Fund and Water and Sewer Fund, either or both. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, the Texas Water Development Board, Attention: Executive Administrator, State Water Pollution Control Revolving Fund and, upon request, to the original purchaser of any series of Subordinate Lien Bonds. The audits herein required shall be made within 120 days following the close of each Fiscal Year insofar as is possible.

Deficiencies; Excess Net Revenues. (a) If on any occasion there shall not be sufficient Net Revenues of the Systems to make the required deposits into the Interest and Redemption Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Net Revenues of the Systems, or from any other sources available for such purpose.

(b) Subject to making the required deposits to (i) all special funds created for the payment and security of the Prior Lien Bonds (including the Reserve Fund) (ii) all special funds created for the payment and security of the Subordinate Lien Bonds (including the Interest and Redemption Fund) and (iii) all funds or accounts created for the benefit of Separate Lien Obligations, the excess Net Revenues of the Systems, either or both, may be used by the City for any lawful purpose.

Final Deposits; Governmental Obligations. (a) All or any of the Prior Lien Bonds or Subordinate Lien Bonds, as the case may be, shall be deemed to be paid, retired and no longer outstanding within the meaning of their respective ordinances when payment of the principal of, and redemption premium, if any, on such obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided by irrevocably depositing with, or making available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar with respect to which such deposit is made shall have been paid or the payment thereof provided for the satisfaction of the Paying Agent/Registrar. At such time as an obligation shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of this Ordinance or a lien on and pledge of the Net Revenues of the Systems, and shall be entitled to payment solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, may at the direction of the City also be invested in Government Obligations, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Government Obligations not required for the payment of the obligations, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City or deposited as directed by the City.

(c) The City covenants that no deposit will be made or accepted under clause (a)(ii) of this Section and no use made of any such deposit which would cause the obligations to be treated as arbitrage bonds within the meaning of Section 103 of the Internal Revenue Code of 1986, as amended.

(d) Notwithstanding any other provisions of the ordinances, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of the obligations, the redemption premium, if any, and interest thereon, shall be applied to and used for the payment of such obligations, the redemption premium, if any, and interest thereon and the income on such money or Government Obligations shall not be considered to be "Gross Revenues" under this Ordinance.

Remedy in Event of Default. In addition to all rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Interest and Redemption Fund or the Reserve Fund as required by the ordinances authorizing the issuance of the Prior Lien Bonds or the Subordinate Lien Bonds, as the case may be, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in such ordinances, the Holders of any of the Prior Lien Bonds or Subordinate Lien Bonds, as the case may be, shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the ordinance authorizing their issuance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

Special Obligations. The Bonds are special obligations of the City payable from the pledged Net Revenues of the Systems and the Holders shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

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APPENDIX E

FORM OF BOND COUNSEL'S OPINIONS

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Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "City of Austin, Texas, Electric Utility System Revenue Refunding and Improvement Bonds, Series 2020A," dated November 17, 2020, in the principal amount of $227,495,000 (the "Bonds"), we have examined into their issuance by the City of Austin, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on November 15 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (jointly with the Pricing Certificate, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, Ordinance No. 010118-53A adopted by the City on January 18, 2001 (the "Master Ordinance" and together with the Ordinance, the "Ordinances") and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) a Special Escrow Agreement between the City and U.S. Bank National Association (the "Escrow Agreement"), a special report (the "Report") of Robert Thomas CPA, LLC (the "Accountants"); (iii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iv) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and, together with the outstanding and unpaid "Previously Issued Electric Utility Obligations" and "Prior Subordinate Lien Obligations" (identified and defined in the Ordinances), are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues of the Electric Utility System (as defined in the Ordinances), except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207. In rendering this opinion, we have relied upon the Report by the Accountants of the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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 our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "City of Austin, Texas, Electric Utility System Revenue Refunding Bonds, Taxable Series 2020B," dated November 17, 2020, in the principal amount of $49,870,000 (the "Bonds"), we have examined into their issuance by the City of Austin, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on November 15 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (jointly with the Pricing Certificate, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, Ordinance No. 010118-53A adopted by the City on January 18, 2001 (the "Master Ordinance" and together with the Ordinance, the "Ordinances") and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to certain facts within the knowledge and control of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the State of Texas in force and effect on the date hereof, that the Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and, together with the outstanding and unpaid "Previously Issued Electric Utility Obligations" and "Prior Subordinate Lien Obligations" (identified and defined in the Ordinances), are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues of the Electric Utility System (as defined in the Ordinances), except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

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 our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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APPENDIX F

DTC BOOK-ENTRY SYSTEM

The information set forth in this Appendix F is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information set forth in this Appendix F concerning DTC has been obtained from sources that the City believes to be reliable, but none of the City, the Paying Agent/Registrar or the Underwriters take any responsibility for the accuracy, completeness or adequacy of the information in this section. Investors wishing to use the facilities of DTC are advised to confirm the continued applicability of the rules, regulations and procedures of DTC. The City will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of DTC or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

NEITHER THE CITY NOR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities 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 Bond certificate will be issued for the Bonds in their aggregate principal amount and will be deposited with DTC.

DTC 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," and together with Direct Participants, "Participants"). 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 the 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 Direct and Indirect 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 Direct or Indirect 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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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.

Redemption notices shall be sent to DTC. Subject to the provisions described in the forepart under the heading "DESCRIPTION OF THE BONDS - Redemption of the Bonds," if less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

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

Payments of principal, Redemption Price, if any, and interest 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 the 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 securities held for the accounts of customers registered in "street name," and will be the responsibility of such Participant and not of DTC, the Underwriters, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Redemption Price, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as securities 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 securities depository is not obtained, such Bond certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

Each person for whom a Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments.

NONE OF THE CITY, THE UNDERWRITERS OR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Paying Agent/Registrar to DTC only.

For every transfer and exchange of Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the City determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) a continuation of the requirement that all of the outstanding Bonds be registered in the registration books kept by the Paying Agent/Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners.

NONE OF THE CITY, THE UNDERWRITERS OR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE NINETEENTH SUPPLEMENT AND THE TWENTIETH SUPPLEMENT; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL, REDEMPTION PRICE, OR INTEREST DUE WITH RESPECT TO THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (VI) ANY OTHER MATTER.

The information in this Appendix F concerning DTC has been obtained from sources that the Underwriters believe to be reliable, but the Underwriters take no responsibility for the accuracy thereof or make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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CITY OF AUSTIN, TEXAS • ELECTRIC UTILITY SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2020A AND REVENUE REFUNDING BONDS, TAXABLE SERIES 2020B

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