OFFICIAL STATEMENT DATED APRIL 19, 2023

NEW ISSUE – Book-Entry-Only **Ratings: Moody's: "Aa3"**
S&P: "AA–"
Fitch: "AA–"
(See "OTHER RELEVANT INFORMATION – Ratings" in this document.)

Delivery of the 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 Twenty-First 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" in this document.

CITY OF AUSTIN, TEXAS

$417,615,000
ELECTRIC UTILITY SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2023

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

The bonds offered in this document are the $417,615,000 City of Austin, Texas Electric Utility System Revenue Refunding and Improvement Bonds, Series 2023 (the "Bonds"). The Bonds represent the Twenty-First series, 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. 20230323-006 (the "Twenty-First Supplement") authorizing the Bonds passed on March 23, 2023, by the City Council. The Twenty-First Supplement delegated to a designated "Pricing Officer" the authority to effect the sale of the Bonds, subject to the terms of the Twenty-First 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 and the Twenty-First Supplement for the 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 November 15, 2023, and each May 15 and November 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 Trust Company, National Association will serve as the initial paying agent/registrar (the "Paying Agent/Registrar") for the Bonds.

MATURITY SCHEDULE

See "Maturity Schedule" on page i of this document

The City reserves the right, at its option, to redeem the Bonds prior to their scheduled maturities. (See "DESCRIPTION OF THE BONDS - Redemption of the 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 Opinion" 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, Haynes and Boone, LLP.

It is expected that the Bonds will be delivered through the facilities of DTC on or about May 17, 2023 (the "Date of Initial Delivery").

BARCLAYS

ESTRADA HINOJOSA **LOOP CAPITAL MARKETS** **STIFEL**

CITY OF AUSTIN, TEXAS
$417,615,000
ELECTRIC UTILITY SYSTEM REVENUE
REFUNDING AND IMPROVEMENT BONDS, SERIES 2023

Base CUSIP No. 052414[(1)]

MATURITY SCHEDULE

$290,320,000 Serial Bonds

Maturity Date (November 15)	Principal Amount ($)	Interest Rate (%)	Initial Yield (%)		CUSIP Suffix [(1)]
2024	5,500,000	5.000	2.830		UW7
2025	5,500,000	5.000	2.640		UX5
2026	6,000,000	5.000	2.550		UY3
2027	6,000,000	5.000	2.540		UZ0
2028	22,220,000	5.000	2.550		VA4
2029	13,985,000	5.000	2.550		VB2
2030	14,695,000	5.000	2.560		VC0
2031	15,445,000	5.000	2.590		VD8
2032	16,220,000	5.000	2.640		VE6
2033	17,005,000	5.000	2.710		VF3
2034	17,865,000	5.000	2.820	(2)	VG1
2035	18,765,000	5.000	2.950	(2)	VH9
2036	19,715,000	5.000	3.120	(2)	VJ5
2037	20,710,000	5.000	3.240	(2)	VK2
2038	20,150,000	5.000	3.330	(2)	VL0
2039	21,140,000	5.000	3.420	(2)	VM8
2040	22,175,000	5.000	3.560	(2)	VN6
2041	8,630,000	5.000	3.630	(2)	VP1
2042	9,065,000	5.000	3.660	(2)	VQ9
2043	9,535,000	5.000	3.710	(2)	VR7

$127,295,000 Term Bonds

$55,530,000 Term Bond due November 15, 2048; Rate 5.000%; Initial Yield 3.910%[(2)], CUSIP 052414VS5 [(1)]

$71,765,000 Term Bond due November 15, 2053; Rate 5.250%; Initial Yield 3.940%[(2)], CUSIP 052414VT3 [(1)]

(Interest to accrue from Date of Initial Delivery)

Redemption of the Bonds

The Bonds will be subject to optional redemption and mandatory sinking fund redemption as described in "DESCRIPTION OF THE BONDS – Optional Redemption of the Bonds" and "DESCRIPTION OF THE BONDS – Mandatory Sinking Fund Redemption of the Bonds" in this document.

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(1) CUSIP numbers have been assigned to the Bonds by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the City, the Financial Advisor or the Underwriters are responsible for the selection or the correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services.

(2) Initial yield calculated to November 15, 2033, the first optional call date for the Bonds. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

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CITY OF AUSTIN

Elected Officials

		Term Expires Jan. 6
Kirk Watson	Mayor	2025
Natasha Harper-Madison	Councilmember District 1	2027
Vanessa Fuentes	Councilmember District 2	2025
José Velásquez	Councilmember District 3	2027
José "Chito" Vela	Councilmember District 4	2025
Ryan Alter	Councilmember District 5	2027
Mackenzie Kelly	Councilmember District 6	2025
Leslie Pool	Councilmember District 7	2025
Paige Ellis	Councilmember District 8	2027
Zohaib Qadri	Councilmember District 9	2027
Alison Alter	Councilmember District 10	2025

Appointed Officials

Jesús Garza[(1)]	Interim City Manager
Ed Van Eenoo	Chief Financial Officer
Diana Thomas	Deputy Chief Financial Officer
Kimberly Olivares	Deputy Chief Financial Officer
Anne Morgan	City Attorney
Myrna Rios	City Clerk

(1) On February 15, 2023, the City Council voted to remove Spencer Cronk from the position of City Manager and appointed Jesús Garza as the Interim City Manager, both effective February 16, 2023. Mr. Jesús Garza previously served as City Manager from 1994 to 2002. It is anticipated that the City will commence a search for a permanent City Manager in the near term.

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Austin and Dallas, Texas

DISCLOSURE COUNSEL FOR THE CITY
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Austin and Dallas, Texas

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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, 2019 through September 30, 2022 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 the Prior Subordinate Lien Obligations (which consist of only one series of outstanding obligations, the Subordinate Lien Revenue Refunding Bonds, Series 1998, or the "1998 Prior Lien Bonds," 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 one remaining series of Prior Subordinate Lien Obligations remains 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 Water/Wastewater Obligations.

Operating Summary of the Combined Utility Systems

	12 Months Ended 12-31-2022 (2)	Fiscal Year Ended September 30 ($000's)			
		2022	2021	2020	2019
Combined Gross Revenues	$2,353,362	$2,312,797	$1,844,585	$1,959,941	$2,031,435
Combined Maintenance and Operating Expenses	1,637,648	1,628,986	1,253,027	1,332,726	1,366,470
Combined Net Revenues	$715,714	$683,811	$591,558	$627,215	$664,965
Principal and Interest on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Obligations) (1)	$20,507	$20,964	$14,963	$21,090	$46,527
Debt Service Coverage on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Obligations) (1)	34.9x	32.62x	39.53x	29.74x	14.29x

(1) Includes only the Prior First Lien Obligations, which were fully paid and discharged on May 15, 2019, and the Prior Subordinate Lien Obligations, which consist of only one series (the 1998 Prior Lien Bonds) and 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, 2019 through September 30, 2022 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 the Prior Subordinate Lien Obligations (which consist of only one series of outstanding obligations, the 1998 Prior Lien Bonds, 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 one remaining series of Prior Subordinate Lien Obligations remains 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

	Fiscal Year Ended September 30 ($000's)				
	12-Months Ended 12-31-2022 (2)	2022	2021	2020	2019
Gross Revenues	$1,712,673	$1,683,920	$1,276,554	$1,388,841	$1,471,267
Maintenance and Operating Expenses	1,342,680	1,333,238	980,277	1,066,666	1,105,466
Net Revenues	$369,993	$350,682	$296,277	$322,175	$365,801
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)	$15,221	$15,560	$11,106	$11,052	$9,135
Net Revenues available for Parity Electric Utility Obligations	$354,772	$335,122	$285,171	$311,123	$356,666
Principal and Interest on Parity Electric Utility Obligations (2)	$143,099	$150,476	$146,025	$140,021	$82,236
Debt Service Coverage on Parity Electric Utility Obligations	2.48x	2.23x	1.95x	2.22x	4.34x

(1) Represents Austin Energy's portion of the Prior First Lien Obligations (which were fully paid and discharged on May 15, 2019), and the Prior Subordinate Lien Obligations, which consist of only one series (the 1998 Prior Lien Bonds) and which are obligations secured by a pledge of the Net Revenues of the Combined Utility Systems.
(2) Preliminary. See "DEBT SERVICE REQUIREMENTS OF THE COMBINED UTILITY SYSTEMS" and "OTHER RELEVANT INFORMATION – Independent Auditors" in this document.

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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, broker, salesman or any other person has been authorized by the City or by the underwriters of the Bonds identified on the cover page of this document (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 FactSet Research Systems Inc. and none of the City, PFM Financial Advisors LLC, or 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 OTHERWISE 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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APPENDIX A – General Information Regarding the City

APPENDIX B – Audited Financial Statements

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APPENDIX E – Form of Bond Counsel's Opinion

OFFICIAL STATEMENT

Relating to

CITY OF AUSTIN, TEXAS
$417,615,000
ELECTRIC UTILITY SYSTEM
REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2023

INTRODUCTION

This Official Statement is being furnished in connection with the proposed issuance by the City of Austin, Texas (the "City") of its $417,615,000 City of Austin, Texas Electric Utility System Revenue Refunding and Improvement Bonds, Series 2023 (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 and Ordinance No. 20230323-006 authorizing the Bonds (the "Twenty-First Supplement") passed by the City Council on March 23, 2023. The Twenty-First Supplement delegated to a designated "Pricing Officer" the authority, through the execution of a certificate stating the terms of the sale of the Bonds (the "Pricing Certificate"), to effect the sale of the Bonds, subject to the terms of the Twenty-First 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 ordinance authorizing their issuance (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 Twenty-First 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 included in this document under the caption "BOOK-ENTRY ONLY SYSTEM." 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 the City's electric utility system (defined in this document as the "Electric Utility System," "Electric Light and Power System" or "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.

As noted under "DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUES" in this document, $50,290,000 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.

WINTER STORM MARA 2023

Background and Impact of Winter Storm on Austin Energy. From January 31, 2023 through February 2, 2023, Winter Storm Mara ("Winter Storm Mara") delivered freezing temperatures and freezing rain, which resulted in up to three-quarters of an inch of ice on vegetation throughout Austin Energy's 437 square miles of service territory. The weight of the ice on the tree canopy brought downed limbs and trees on the distribution system throughout the service territory. At the height of the storm, 32% of Austin Energy's customers (173,879 customers) were without power. Unlike the 2021 Weather Event (defined below) which was an Electric Reliability Council of Texas ("ERCOT") grid emergency and State-directed event that resulted in outages to prevent a complete blackout, Winter Storm Mara was a natural disaster. Restoration of the distribution system began immediately with the deployment of more than 400 Austin Energy line workers working to clear debris and restore power. In addition, Austin Energy called upon mutual aid from three utilities and seven electrical contractors. Approximately 1,000 additional personnel and support equipment responded in restoration efforts. High winds and rain complicated initial restoration efforts, resulting in additional outages as already weakened vegetation fell on the distribution system. The restoration was completed on February 11, 2023, and all remaining mutual aid crews departed the City.

On February 4, 2023, Governor Greg Abbott issued a disaster declaration for seven Texas counties, which included the Austin Energy service territory. The Governor expanded that declaration to include sixteen additional counties on February 21, 2023. Assuming the Governor's related request for a Presidential Disaster Declaration is granted, jurisdictions in the designated counties will be eligible for the Federal Emergency Management Agency's ("FEMA") Public Assistance program, including grant funding for debris removal, emergency protective measures, roads and bridges, water control facilities, public buildings and contents, public utilities, parks and recreational and other facilities. Approval of the request would also authorize additional FEMA Hazard Mitigation Grant Program resources statewide.

Impact of Winter Storm Mara on Austin Water. Winter Storm Mara had no material impact on the water and wastewater system that is owned by the City (referred to in this document as "Austin Water", "Austin Water Utility" or "Water and Wastewater System", operating revenue or operations.

TEXAS WINTER WEATHER EVENT 2021

General. From February 14, 2021 through February 19, 2021, much of the continental United States, including Texas, experienced a severe winter storm resulting from the southern migration of a polar vortex that meteorologists have characterized as the most significant winter weather event in terms of scope and duration since monitoring of these weather phenomena began in the 1950s (such winter storm, the "2021 Weather Event"). As a result of the 2021 Weather Event, the State experienced Statewide, record-breaking cold weather. Temperatures in the City remained below freezing for 162 consecutive hours, with a low temperature of 7 degrees recorded on February 16, 2021. As the 2021 Weather Event impacted the State, ERCOT implemented what were initially expected to be rolling blackouts to conserve electricity and address energy needs across the entirety of the State; however, due to the severity of 2021 Weather Event and the corresponding increase in demand on the State electric grid, combined with limited availability of generation, widespread and prolonged power outages began at 1:00 a.m., Central time, on Monday, February 15, 2021, and continued throughout the week. Ultimately, approximately 4,000,000 residents of the State were without power for significant stretches of the week.

Impact of 2021 Weather Event on Austin Energy. Austin Energy's generation assets largely stayed online during the 2021 Weather Event. Combined with ERCOT-mandated load sheds, this resulted in Austin Energy generation output exceeding its customers' usage. Austin Energy was able to more than fully offset the unprecedented high gas prices and costs to serve its customers with corresponding revenues from the generation fleet. Austin Energy is in a net positive financial position from the effects of the 2021 Weather Event. Austin Energy estimates that over the course of the 2021 Weather Event, it accumulated positive net revenue of $101 million. Brazos Electric Cooperative Inc. reached a court-approved settlement with ERCOT in November 2022. As part of the settlement, Austin Energy opted for accelerated cash recovery of $27 million of the $42 million short pay claim. Austin Energy received $18 million in December 2022 with the remainder to be received in two phases - from the sale of assets and through 12 annual installments.

Impact of 2021 Weather Event on Austin Water. The extreme weather conditions experienced during the 2021 Weather Event, coupled with widespread power outages in the State, caused significant disruption to water service, resulting in widespread water outages and a City-wide Boil Water Notice.

On February 15 and 16, 2021, dropping temperatures continued to affect public infrastructure and private buildings, and Austin Water began to receive reports of pipe breaks. Water demand across the Austin Water service area increased from approximately 150 million gallons per day (MGD) on February 15 to a peak hourly demand of 260 MGD in the evening of February 16. Storage levels began to deplete in Southwest Austin, and conditions rapidly changed during the overnight hours of February 16. A Boil Water Notice was issued for Southwest Austin on the morning of February 17 because pressure in that portion of the distribution system dropped below the regulatory requirement. There was no indication of system-wide loss of service at that time. On February 17, 2021, water demand continued to rise to a peak hourly demand of 330 MGD, more than double levels observed in February 2020. In the early afternoon, the Ullrich Water Treatment Plant experienced a disruption to both of the electric feeds to the plant. The electrical outage was restored and plant systems were systemically restarted, restoring treatment capacity within approximately 11 hours. With the temporary reduction of water production, coupled with the extremely high water demands, system storage was depleted resulting in widespread water outages. Due to pressure dropping below the regulatory requirement, a Boil Water Notice was issued for all Austin Water customers during the evening of February 17, 2021.

System recovery efforts were focused on reducing water consumption and repairing leaks to replenish storage capacity and re-pressurize the distribution system. Initial efforts focused on restoring water to hospitals and other critical customers by isolating key transmission mains. Pressure was gradually restored to the distribution system, and the Boil Water Notice was lifted in phases throughout February 22 and 23, 2021.

Despite the significant operational impacts from the 2021 Weather Event, Austin Water experienced minimal financial impacts with $5 million of emergency response costs and $1.2 million in property damage.

Legislative Response. On June 8, 2021, the Governor signed Senate Bill 3 ("SB 3") to address the issues that arose during the 2021 Weather Event. SB 3 requires weather emergency preparedness and the identification of critical facilities in the natural gas supply chain and electric utilities. The bill makes several changes to the ERCOT market and how municipally owned utilities ("MOUs") will operate. Moreover, the bill expands the Public Utility Commission of Texas' ("PUCT") oversight over MOUs, particularly regarding customer communications during emergencies, weatherization requirements, and the allocation of load shed responsibilities. The bill does not affect a MOU's ability to set rates nor its obligation to serve its certificated service territory. Additionally, SB 3 includes provisions that could affect wholesale energy costs and operations. The bill requires the PUCT to instruct ERCOT to establish requirements to meet the reliability needs of the power region and determine the quantity and characteristics of ancillary or reliability services needed to maintain reliability during periods of low non-dispatchable generation. It also instructs ERCOT to procure ancillary or reliability services on a competitive basis during those periods of low non-dispatchable generation with appropriate qualification and performance requirements. The bill requires the PUCT to implement an emergency wholesale pricing mechanism regarding the system-wide offer cap, to take effect if the high cap is in place for 12 hours in a 24-hour period, as well as an associated ancillary services cap. The bill requires the PUCT to allow generators to be reimbursed for reasonable and verifiable operating costs, even if those costs exceed the relevant cap. The PUCT is required to review each cap at least once every five years, with the first review by December 31, 2021. Austin Energy is engaged in all associated rulemakings to implement the legislation.
The 2021 Weather Event created significant financial impacts for many ERCOT market participants. In response, the Texas Legislature passed House Bill 4492, which creates two securitization processes to be repaid through a ratepayer surcharge over a period of up to 30 years. In both processes, the PUCT issued and approved a debt obligation on October 14, 2021. The first securitization mechanism is addressed in Public Utility Regulatory Act ("PURA") Chapter 39, Subchapter M and considered in PUCT Docket 52321, and covers amounts owed to ERCOT by wholesale market participants that would have been otherwise uplifted due to short pays and replenished financial auction receipts used by ERCOT to reduce amounts that were short paid to market participants and reasonable costs incurred to implement a debt obligation order. The legislation set a cap at $800 million dollars. As a short-paid market participant, Austin Energy is included in this process. The second securitization mechanism is addressed in PURA Chapter 39, Subchapter N and considered in PUCT Docket 52322. This provision covers Reliability Deployment Price Adder charges and Ancillary Services costs above the system-wide offer cap during the 32-hour period between February 15 and February 19, 2021. This excludes any amounts securitized under PURA Chapter 41 for cooperative securitization and any amounts from defaulted entities that are no longer ERCOT market participants. This amount totals $2.1 billion plus reasonable costs. There was a one-time opt out available for this docket and Austin Energy successfully opted out because it has paid in full all invoices owed to ERCOT. Therefore, Austin Energy customers will not be subject to the payment of any securitized amounts in this docket.

SB 3 also created Section 13.1394 of the Texas Water Code ("Section 13.1394") which requires a water utility to ensure the emergency operation of its water system during a power outage that lasts longer than 24 hours at a minimum pressure of 20 pounds per square inch, or at a water pressure level approved by the Texas Commission on Environmental Quality (the "TCEQ"), as soon as safe and practicable following the occurrence of a natural disaster. Section 13.1394 also requires that a water utility adopt and submit an emergency preparedness plan ("EPP") to the TCEQ for its approval that includes a timeline for implementing the plan. The submitted plan must provide for one, or a combination, of fourteen options and approaches to provide services as required by Section 13.1394. The options provided include but are not limited to auxiliary generators; on-site power generation; designation of the water system as a critical load facility or redundant, isolated or dedicated electrical feeds; water storage capabilities; the ability to provide water through artesian flows; redundant interconnectivity between pressure zones; emergency water demand rules to maintain emergency operations and any other alternative determined by the TCEQ to be acceptable.

Water utilities were required to submit their EPP to the TCEQ by March 1, 2022. Implementation of emergency plans are required to begin by the later of July 1, 2022, or upon final approval by the TCEQ. A utility may submit a written request for an extension not to exceed 90 days. Austin Water met all compliance deadlines for submissions required by SB 3. Required information was submitted to the PUCT, Austin Water's electrical providers, and other government entities on October 20, 2021, ahead of the November 1, 2021 deadline. The EPP and implementation timeline for the City's water system were completed and submitted to TCEQ on March 1, 2022, meeting the SB 3 deadline.

SB 3 also created Section 13.151 of the Texas Water Code ("Section 13.151") which addresses billing for services provided during an extreme weather emergency. Section 13.151 defines an "extreme weather emergency" as a period when the previous day's highest temperature did not exceed 28 degrees Fahrenheit, and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Service reports. In these circumstances a retail public utility that operates under a certificate of public convenience and necessity is prohibited from imposing late fees or disconnecting service for nonpayment of bills that are due during an extreme weather emergency until after the emergency is over. The utility is also required to work with customers that request to establish a payment schedule for unpaid bills that are due during the extreme weather emergency. Section 13.414 of the Texas Water Code was amended by SB 3 to provide that a violation of Section 13.151 is subject to a civil penalty of not less than $100 nor more than $50,000 for each violation.

On January 19, 2023, the PUCT voted unanimously to adopt the Performance Credit Mechanism electric market design option (the "PCM") and a set of guiding principles for implementation to strengthen reliability, accountability, and affordability of on-demand electric generation within the ERCOT electric grid. The PCM and the guiding principles were adopted by the PUCT to meet the requirements of SB 3 passed by the 87th Legislature. The PUCT will defer implementation of all elements of the PCM until such time as the 88th Texas Legislature, currently in session, has an opportunity to review the PCM and its guiding principles and provide guidance or direction based upon the market design option's merits.

The 88th Texas Legislature convened on January 10, 2023 and will conclude on May 29, 2023 (the "88th Regular Session"). Additional bills pertaining to the 2021 Weather Event may be filed during the 88th Regular Session. The City can make no representations or predictions regarding any actions the 88th Texas Legislature has taken or may take during the 88th Regular Session or any special session that may be called thereafter.

Ongoing Litigation. On February 15 and February 16, 2021, during the 2021 Weather Event, the PUCT issued two emergency orders. These orders recognized that scarcity pricing and load shedding were in effect in ERCOT, but that market prices remained well below the maximum allowed by PUCT rules. These orders set the market price of electricity in ERCOT to the $9,000/MWh maximum allowed in PUCT rules for approximately four days. Luminant Energy subsequently sued the PUCT, claiming that the orders were procedurally invalid and exceeded the PUCT's authority.

On March 17, 2023, the Texas 3rd Court of Appeals issued an opinion reversing and remanding the two emergency orders. The court rejected the PUCT's procedural defenses and concluded that the orders violated Sec 39.001(d) of PURA directing the PUCT to use competitive methods to "the maximum extent feasible" and to "issue orders that are both practical and limited so as to impose the least impact on competition."

Litigation on this matter is expected to continue for some time. On March 23, 2023, the PUCT filed a petition for review with the Texas Supreme Court. It is not clear if the Texas Supreme Court will agree to hear the case or what action, if any, it might take. If the Texas Supreme Court either refuses to review or upholds the opinion of the Texas 3rd Court of Appeals, the case will be remanded to the PUCT to take actions consistent with the order. The PUCT would likely open proceedings on what steps to take, and all affected parties would be likely to have opportunities for input. This entire process of appeals, PUCT action, if any, and any litigation that might result from such PUCT action, can be expected to continue for some time. The City continues to monitor developments in this matter closely.

While it is impossible to predict at this point what action the Supreme Court or the PUC may take regarding this matter, the City does not currently believe there is a substantial risk that the ERCOT market would be repriced for the 2021 Weather Event.

Additionally, the 88th Texas Legislature convened on January 10, 2023 and will conclude on May 29, 2023 ("88th Regular Session"). When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's direction, each lasting no more than 30 days, and for which the Governor sets the agenda. During this 88th Regular Session, bills have been filed addressing the effects of the 2021 Winter Event and ERCOT in general. At this time, the City can make no representations or predictions regarding any actions the Legislature may take on these bills during the 88th Regular Session.

COVID-19 PANDEMIC

General. In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19" or the "Pandemic") to be a public health emergency. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. The City has not experienced any decrease in property values or unusual tax delinquencies as a result of COVID-19; however, the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Financial Impact of the COVID-19 Pandemic on Austin Energy and Austin Water. As a result of COVID-19 and the corresponding local stay-at-home mandates and social distancing guidelines, Austin Energy experienced an increase in residential consumption and a decrease in commercial consumption and demand during the Pandemic. The shifting of consumption between residential and commercial customers resulted in stable revenue that remained 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.

Austin Water maintained a strong financial condition during the COVID-19 pandemic and its operations and capital spending plans were not materially impacted due to the Pandemic. In August 2022, the City Council approved the City's budget for the fiscal year ending September 30, 2023 ("FY 2023") budget which includes an increase in service revenues of $25 million over the fiscal year ending September 30, 2022 ("FY 2022") approved amended budget, with such revenue increase attributable to customer growth. The Water and Wastewater service revenue budget was estimated to be $599 million for FY 2023. As described further below, Austin Water instituted temporary rate reductions and provided other forms of financial assistance in fiscal years 2020, 2021, 2022 and fiscal year 2023 to assist ratepayers affected by the Pandemic. Even with these temporary rate reductions, Austin Water currently projects that it will continue to maintain reserves and a debt service coverage ratio that is consistent with its financial policies, which, as recently amended, requires 180 days cash on hand and 1.75x debt service coverage. The Pandemic has not had a significant effect on Austin Water's construction activities and capital improvement plans. Austin Water is working with the City's Homeland Emergency Security Management department on potential Federal Emergency Management Agency ("FEMA") reimbursements for COVID-19 response-related expenses estimated to be $4.3 million. Austin Water has no dependence on receipt of FEMA funding for meeting any of its financial obligations.

In response to the economic impact of COVID-19, the City Council of the City approved rate reductions for certain customer classes, which took effect April 9, 2020: a 10% rate reduction of tiers 1, 2 and 3 for water volume rates and tiers 1 and 2 for wastewater volume rates. The rate reductions applied to customer rates in the residential Customer Assistance Program ("CAP") – a program that provides for lower rates for residents on low or fixed incomes – and customer rates for residential Non-CAP rates. These temporary rates were effective through October 31, 2020, after which the non-CAP rates returned to the normal rate schedule (as adopted by the City on November 1, 2019) while the 10% rate reduction for CAP Customers was extended through fiscal year 2023 (September 30, 2023).

Austin Water provided an additional $5 million contribution to the Emergency Financial Assistance Plus 1 program in FY 2020 and FY 2021 for a combined $10 million. Other methods for assistance included additional measures to halt disconnections for non-payment, waived late fees, and payment arrangements for customers in need. Disconnections were halted in April 2020 due to COVID-19 but resumed on July 16, 2021 with a phased-in approach. Overall, Austin Water experienced an increase of approximately $2 million in delinquent accounts receivable balances due to COVID-19. In advance of and since disconnects resumed, Austin Water has been working with customers to bring account balances current. As a result, Austin Water has seen an increase in payment arrangement balances and a decrease in delinquent balances as compared to September 2020 balances.

In April 2021, Austin Water implemented a Multifamily CAP program for low-income customers who do not have a dedicated water meter, but nevertheless, receive water and wastewater service from Austin Water. This program provides a $17 monthly credit on their Austin Energy (defined in this document under the caption "THE SYSTEMS") utility bill, shown as Austin Water Multi-Family CAP Program Discount. The Multifamily CAP program offers a safety net to thousands of vulnerable customers who have traditionally been ineligible for Austin Water financial assistance through the residential Customer Assistance Program because they are not directly billed for water and wastewater service.

PLAN OF FINANCING

General

The Bonds are being issued as tax-exempt bonds pursuant to the provisions of the Twenty-First Supplement (see "TAX MATTERS" in this document).

A portion of the Bonds are being issued to refund approximately $189,600,000 of the City's outstanding tax-exempt commercial paper obligations issued for the Electric Utility System (the "Refunded Notes"). The issuance of the Bonds 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). Any interest on the Refunded Notes due is expected to be paid from available revenues of the Electric Utility System.

A portion of the 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.

Proceeds of the Bonds will also be used to finance the acquisition of a new Austin Energy field service center and warehouse facility, and to pay costs of issuance.

The Bonds represent the twenty-first encumbrance 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.

Refunding of Outstanding Commercial Paper Notes

The Twenty-First Supplement provides that from the proceeds of the sale of the Bonds, with other available funds of the City, the City will deposit or cause to be deposited with U.S. Bank Trust Company, 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 Trust Company, National Association (the "Escrow Agent"). A portion of the proceeds of the sale of the 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. See "OTHER PERTINENT INFORMATION – Verification of Arithmetical and Mathematical Calculations" in this document.

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.

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SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Bonds, together with funds contributed by the City, are as follows.

	The Bonds
Sources of Funds:	
Par Amount of the Bonds	$417,615,000.00
Reoffering Premium	56,858,653.75
Total	$474,473,653.75
Uses of Funds:	
Refunding of Refunded Notes	$189,600,000.00
Deposit to Escrow Fund for Refunded Bonds	212,497,137.08
Deposit to Construction Fund	70,000,000.00
Costs of Issuance (1)	904,165.66
Underwriters' Discount	1,472,351.01
Total	$474,473,653.75

(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

Combined Utility Systems Obligations [(a)]	
Prior Subordinate Lien Obligations	$50,290,000
Parity Electric Utility Obligations [(b)]	$1,914,740,000
Parity Water/Wastewater Obligations [(c)]	$2,152,410,000
Commercial Paper and Direct Purchase Notes [(d)]	$61,800,000
General Obligation Bonds [(e)]	$1,368,700
Assumed Municipal Utility District Obligations [(f)]	$2,352,735
TOTAL	$4,182,961,435

See "SECURITY FOR THE BONDS" in this document.

(a) Prior First Lien Obligations issued by the City were fully paid and discharged on May 15, 2019. Prior Subordinate Lien Obligations consist of the 1998 Prior Lien Bonds and mature on May 15, 2025.

(b) Includes the Bonds and excludes the Refunded Bonds. The Parity Electric Utility Obligations are payable from the Net Revenues of the Electric Utility System only. See "PLAN OF FINANCING" and "SECURITY FOR THE BONDS" in this document.

(c) The Parity Water/Wastewater System Obligations are payable from the Net Revenues of the Water/Wastewater System only.

(d) Excludes the Refunded Notes. See "PLAN OF FINANCING," "COMMERCIAL PAPER NOTE PROGRAMS" and "SECURITY FOR THE BONDS" 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.

(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." See "THE CITY – Recent Annexations."

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DEBT SERVICE REQUIREMENTS OF THE COMBINED UTILITY SYSTEMS

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 Bonds (a) Principal	Electric Utility System Parity Obligations (a): The Bonds (a) Interest	Electric Utility System Parity Obligations (a): Total Electric Utility System Parity Obligations	Total Separate Lien Water & Wastewater Obligations (d)	GO Bonds & Assumed MUD Obligations (e)	Total Debt Service Payable from Revenues of the Combined Utility Systems
2023	$ 19,950,225	$ 141,914,553	$ -	$ -	$ 141,914,553	$ 165,617,839	$ 1,153,566	$ 328,636,183
2024	19,666,450	137,500,124	-	20,943,162	158,443,286	158,076,138	999,709	337,185,583
2025	15,834,863	130,818,049	5,500,000	20,922,663	157,240,711	175,293,697	808,165	349,177,436
2026	-	133,403,052	5,500,000	20,647,663	159,550,714	190,022,780	741,370	350,314,864
2027	-	147,282,078	6,000,000	20,360,163	173,642,241	194,555,378	138,385	368,336,003
2028	-	141,539,907	6,000,000	20,060,163	167,600,070	198,529,273	133,285	366,262,627
2029	-	125,591,054	22,220,000	19,354,663	167,165,717	193,687,657	139,878	360,993,251
2030	-	125,338,801	13,985,000	18,449,538	157,773,339	189,179,103	139,743	347,092,185
2031	-	125,170,410	14,695,000	17,732,538	157,597,947	155,991,507	137,753	313,727,207
2032	-	116,664,756	15,445,000	16,979,038	149,088,793	140,272,054	32,976	289,393,824
2033	-	77,357,045	16,220,000	16,187,413	109,764,458	140,306,134	3,131	250,073,723
2034	-	73,967,152	17,005,000	15,356,788	106,328,939	140,251,785	-	246,580,724
2035	-	73,825,864	17,865,000	14,485,038	106,175,902	140,053,118	-	246,229,020
2036	-	73,818,170	18,765,000	13,569,288	106,152,458	139,356,966	-	245,509,423
2037	-	73,593,537	19,715,000	12,607,288	105,915,825	137,265,792	-	243,181,617
2038	-	73,474,887	20,710,000	11,596,663	105,781,550	125,238,062	-	231,019,612
2039	-	73,820,444	20,150,000	10,575,163	104,545,607	115,160,232	-	219,705,838
2040	-	50,082,740	21,140,000	9,542,913	80,765,652	114,720,518	-	195,486,170
2041	-	49,990,005	22,175,000	8,460,038	80,625,042	102,266,883	-	182,891,925
2042	-	64,319,830	8,630,000	7,689,913	80,639,742	91,131,294	-	171,771,036
2043	-	61,704,919	9,065,000	7,247,538	78,017,456	80,442,781	-	158,460,237
2044	-	62,792,933	9,535,000	6,782,538	79,110,471	69,057,287	-	148,167,758
2045	-	62,412,945	10,025,000	6,293,538	78,731,483	45,595,965	-	124,327,447
2046	-	62,489,239	10,535,000	5,779,538	78,803,776	45,578,554	-	124,382,330
2047	-	33,372,937	11,075,000	5,239,288	49,687,225	34,068,614	-	83,755,839
2048	-	33,372,789	11,650,000	4,671,163	49,693,952	26,966,546	-	76,660,498
2049	-	33,380,615	12,245,000	4,073,788	49,699,403	26,965,176	-	76,664,578
2050	-	33,378,449	12,885,000	3,429,431	49,692,881	26,978,341	-	76,671,222
2051	-	15,042,892	13,580,000	2,734,725	31,357,617	26,440,564	-	57,798,181
2052	-	-	14,315,000	2,002,481	16,317,481	14,450,066	-	30,767,548
2053	-	-	15,085,000	1,230,731	16,315,731	7,387,393	-	23,703,124
2054	-	-	15,900,000	417,375	16,317,375	-	-	16,317,375
Total	$ 55,451,538	$ 2,407,420,176	$ 417,615,000	$ 345,422,218	$ 3,170,457,393	$ 3,410,907,495	$ 4,427,960	$ 6,641,244,386

(a) Existing debt service shown excludes debt service on Commercial Paper Obligations and the Refunded Bonds.
(b) Prior Subordinate Lien Obligations 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 revenues of Austin Water and 74.2% is paid from revenues of Austin Energy.
(c) Parity Electric Utility Obligations are secured by and payable from Net Revenues of the Electric Utility System.
(d) Water and Wastewater Separate Lien Obligations are secured by and payable solely from Net Revenues of the Water and Wastewater System.
(e) Assumed municipal utility district ("MUD") obligations and General Obligation bonds 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 the 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 $50,290,000 in aggregate principal amount of Prior Subordinate Lien Obligations outstanding, which consist of only one series (the 1998 Prior Lien Bonds), with the final maturity of the outstanding Prior Subordinate Lien Obligations occurring on May 15, 2025. No additional Prior Subordinate Lien Obligations can be issued by the City. See "SECURITY FOR THE BONDS – Issuance of Additional Prior Subordinate Lien Obligations Precluded" below. There are no Prior First Lien Obligations outstanding and no additional Prior First Lien Obligations can be issued by the City.

Parity Electric Utility Obligations . . . The Bonds are to be issued as Separate Lien Obligations of the City's Electric Utility System. The Master Ordinance and the Twenty-First Supplement (with respect to the 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 Twenty-First Supplement 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 percent (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 Ordinance

The City has agreed to establish rates and charges for the facilities and services of the Electric Utility System and the Water and Wastewater System to provide Gross Revenues in each Fiscal Year sufficient to (i) pay the Maintenance and Operating Expenses, (ii) fund the reserves required for Prior Subordinate Lien Obligations and other obligations or evidences of indebtedness payable solely from and secured solely by a lien on and pledge of the combined Net Revenues of the Electric Utility System and the Water and Wastewater System, and (iii) produce Net Revenues (after satisfaction of the amount required in (ii) above) equal to at least 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 payable solely from and secured solely by a lien on and pledge of the Net Revenues of either the Electric Utility System or the Water and Wastewater 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.

No Reserve Fund for the Bonds and Parity Electric Utility Obligations

The Master Ordinance does <u>not</u> provide for a reserve fund for the Bonds and outstanding Parity Electric Utility Obligations. The Twenty-First Supplement 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 percent (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 percent (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 percent (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 percent (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 percent (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 percent (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.

Reserve Fund for Prior Subordinate Lien Obligations

A separate reserve fund, which does not secure the Bonds, 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.

As of February 28, 2023, the amount on deposit to the credit of the common Reserve Fund securing the Prior Subordinate Lien Obligations under the Master Ordinance is $23,784,658 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.

Issuance of Additional Prior Subordinate Lien Obligations Precluded

The Master Ordinance provides that no additional revenue obligations will be issued with a lien on the Net Revenues of both the Electric Utility System and the Water and Wastewater System on a 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

Special Facilities Debt and Subordinated Debt may be incurred by the City 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 on July 28, 2022, expires in accordance with its terms on September 30, 2024. 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 on October 1, 2020, expires in accordance with its terms on September 30, 2024. The ordinance approving the Barclays credit agreement 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. See "PLAN OF FINANCING – Refunding of Outstanding Commercial Paper Notes" in this document.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of their initial delivery to the Underwriters (the "Date of Initial Delivery"). Interest on the Bonds will accrue from the Date of Initial Delivery. Interest on the Bonds will be payable on November 15, 2023, and each May 15 and November 15 until maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts and bear interest at per annum rates set forth on page i of this document. Interest to be paid on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds is payable at maturity, subject only to prior redemption of the Bonds as described in this document.

Redemption of the Bonds

Optional Redemption of the Bonds...The City reserves the right at its option to redeem the Bonds maturing on or after November 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on November 15, 2033, or any date thereafter, at the par value plus accrued interest to the date fixed for redemption.

Upon any optional redemption of the Bonds, if less than all of the Bonds are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity is to be redeemed, the Bonds, or portion of the 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 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 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 the Bonds shall be entered in the minutes of the governing body of the City.

Mandatory Sinking Fund Redemption of the Bonds...The Bonds having stated maturities of November 15, 2048 and November 15, 2053, respectively (the "Term Bonds"), shall be subject to mandatory redemption in part prior to maturity at the redemption price of par plus accrued interest to the date of redemption on November 15 in each of the years and in principal amounts as follows:

5.000% Term Bond due November 15, 2048	
Year	Principal Amount ($)
2044	10,025,000
2045	10,535,000
2046	11,075,000
2047	11,650,000
2048†	12,245,000

5.250% Term Bond due November 15, 2053	
Year	Principal Amount ($)
2049	12,885,000
2050	13,580,000
2051	14,315,000
2052	15,085,000
2053†	15,900,000

†Stated maturity.

Approximately 45 days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the 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 Term Bond not selected for prior redemption shall be paid on the date of its Stated Maturity.

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

Redemption Procedures for the Bonds

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

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 Twenty-First Supplement 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 "BOOK-ENTRY– ONLY SYSTEM" 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 Trust Company, 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 Twenty-First Supplement.

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 Dallas, 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

Neither the Master Ordinance nor the Twenty-First 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 or the Twenty-First Supplement, 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 or the Twenty-First Supplement, 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 or the Twenty-First 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 Twenty-First 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 outside of Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants contained in the Master Ordinance or the Twenty-First 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.

Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but the City has not waived sovereign immunity pursuant to Chapter 1371 in connection with the issuance of the Bonds.

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 Twenty-First Supplement), and defeasance of the Bonds, see APPENDIX C attached to this document.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Securities 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 in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered. Subject to DTC's policies and guidelines, the City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City, PFM Financial Advisors LLC, and the Underwriters each believes to be reliable, but the City, PFM Financial Advisors LLC, and the Underwriters take no responsibility for the accuracy thereof.

THE SYSTEMS

The City owns and operates an electric utility system (also referred to in this document as the "Electric Utility System," "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," "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, 2022, the Electric Utility System had approximately 1,897 full-time regular employees and the Water and Wastewater Utility had approximately 1,298 full-time regular employees.

ELECTRIC UTILITY SYSTEM
"AUSTIN ENERGY"

Management (as of April 12, 2023)

	Years at City	Additional Years of Experience	Total
General Manager			
Stuart Reilly, *Interim General Manager*	16	0	16
Deputy General Managers			
Lisa Martin, *Acting Chief Operating Officer*	12	5	17
Mark Dombroski, *Chief Financial and Administrative Officer*	8	24	32
Kerry Overton, *Chief Customer Officer*	21	11	32
Senior Vice President			
Tammy Cooper*, Regulatory, Communications & Compliance*	2	23	25
Vice Presidents			
Erika Bierschbach, *Market Operations and Resource Planning*	22	7	29
Gerardo Galvan, *Customer Care Services*	6	15	21
Monica Joyner, *Acting Customer Account Management*	9	15	26
Richard Génecé, *Customer Energy Solutions*	1	27	28
William Sweeney, *Power Production*	31	4	35
Elton Richards, *Electric System Field Operations*	3	40	43
Elaine Veselka, *Acting Electric Systems Engineer and Technical Services*	15	12	27
Russell Maenius, *Finance*	23	16	39
Greg Flay, *Technology & Data*	6	25	31

(1) On March 31, 2023, Jacqueline Sargent, who previously served as General Manager from 2016 to 2023, retired from the City, effective March 31, 2023. Stuart Reilly, who previously served as Interim Chief Operating Officer, will serve as Interim General Manager. It is anticipated that the City will commence a search for a permanent General Manager in the near term.

Service Area

The service area for Austin Energy was established by the 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, 2022	Average Monthly Number of Customers	Percent
Residential	476,722	89.83
Commercial	51,100	9.63
Industrial	113	.02
Public Street & Highway	10	.00
Governmental Authorities	2,754	.52
Total Service Area Customers	530,698	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 February 6, 2023, 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			
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		1,859.6	
Purchased Power (1)(2):			
Ecofin 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
RWE Raymond Wind Farm LLC	2020	200.0	Wind
Pattern Gulf Wind LLC	2021	170.98	Wind
Duke Energy East Blackland Solar Project 1 LLC	2021	144.0	Solar
SE Aragorn Solar LLC	2021	180.0	Solar
ENGIE 2019 ProjectCo-Tx1 LLC	2021	1.8	Solar
Total Capacity from Purchased Power		2,767.88	
Total Capacity including Purchased Power		4,627.48	

(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.
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	2018	2019	2020	2021	2022
Coal	29.4%	26.5%	18.7%	25.5%	17.9%
Natural Gas	18.7	15.6	16.6	15.8	11.5
Nuclear	25.2	25.1	24.6	25.7	24.2
Renewable Energy	37.5	38.3	41.6	61.3	77.9
Net Market Purchases/(Sales)	(10.8)	(5.5)	(1.5)	(28.3)	(31.5)
Total	100.0	100.0	100.0	100.0	100.0

* Inputs to the categories above have been updated; "Power Purchase Agreement" in prior Official Statements included bilateral and market purchases. Power Purchase 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 is targeted to be 40-70 days. Austin Energy's coal inventory share was 46 days as of December 31, 2022.

Natural Gas . . . Austin Energy utilizes a portfolio of gas contracts and multiple pipelines 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 ERCOT 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 "STRATEGIC PLANS, GOALS AND POLICIES" in this document.

Gas Generation Facilities

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

Decker Power Plant consists of 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. Decker 1 steam unit was retired in 2020 and Decker 2 steam unit was retired in 2022.

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.

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"), the Mueller Redevelopment Zone ("Mueller") and the newly completed Austin Community College ("ACC") Highland Campus. The DEC Program currently has 72 customers with over 26 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, ACC Highland Campus 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 22.5 MW shift and is projected to reach 40 MW by 2030.

Austin Energy entered into a 30-year contract with ACC on May 2, 2019 for the 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. Austin Energy designed and built a 6000-ton, unmanned Chilled Water Plant on the ACC Highland Campus. The plant includes all appurtenances associated with a chilled water plant, including pumps, chillers, plant controls, cooling towers, piping, and thermal energy storage. The ACC Highland Campus consists of 1.3 million square feet on 81 acres. The project was completed in Q1 of 2022.

Austin Energy recently completed its fourth downtown plant – DCP3 - a 10,000-ton plant located near the Seaholm redevelopment off 2nd Street and Lamar.

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 the City 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 in this document 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.

Austin Energy's financial policies require that its rates be reviewed at least every five years. On December 8, 2022, the City Council approved a system average 4.6% base rate increase, or $29.5 million, effective March 1, 2023. The City Council's affordability goals provide that (a) future rate increases should not result in system average rates exceeding a 2% annual compounded growth rate that began October 2012, and (b) Austin Energy average system rates should remain in the lower 50% among Texas electric utilities.

In addition to base rates, the City Council approved pass-through rates which include the following charges that are reviewed and updated annually and are passed through dollar-for-dollar on customers' bills:

- Power Supply Adjustment ("PSA"): recovers fuel and net power supply costs.
- Regulatory Charges: recovers Austin Energy's retail transmission expenses and other regulatory expenses, such as the Administrative Fees of ERCOT. Congestion Revenue Rights are netted against the system regulatory costs. The Regulatory Charges are set as a uniform rate across the system, as opposed to being set on a class basis. The Regulatory Charge is recovered through energy charges (kWh) for non-demand customers and demand charges (kW) for demand customers.
- Customer Assistance Program ("CAP"): funds utility bill discounts, weatherization, arrearage management and emergency financial assistance for low-income residential customers (approximately 35,000 customers through Fiscal Year 2022).
- Service Area Lighting ("SAL"): maintains and powers the streetlights and traffic signals in the City (outside-the-city customers are not assessed this fee). The SAL charge reflects a system-wide recovery approach.
- Energy Efficiency Services ("EES"): funds energy efficiency programs. The EES charge reflects a system-wide recovery approach.

Residential rates and structure: Residential base rates consist of a customer charge and tiered energy rates. Residential customers also pay the pass-through rates itemized above.

Commercial rates: Commercial rates generally include a customer charge, demand charge (based on monthly peak demand), energy charge, and the above pass-through rates.

Industrial rates: Generally, industrial rates are comprised of a customer charge, demand charge, and in some instances, an energy charge. Industrial customers pay pass-through rates for the PSA and the Regulatory Charge, and in some instances, all or part of the Community Benefit Charge.

Contract rates: 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 customers, replacing the 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.

2022 Base Rate Review: As described above, the City Council approved a $29.5 million base rate increase. The approved rates include a significant update to residential electric rate design, including an increase in the customer charge, a reduction in the number of tiers for inside City customers (from five tiers to four tiers) and a reduction in the total spread in the Energy charge rates from eight cents down to six cents. The residential class's customer charge increases from the current rate of $10 to $13, effective March 1, 2023, and has two additional increases the following Fiscal Years to $14 in Fiscal Year 2024 and $15 in Fiscal Year 2025. The residential class's energy charge will decrease to make the subsequent customer charge updates revenue neutral. The residential class is the only class receiving a significant rate redesign.

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. In FY2023, City Council delegated administrative authority to Austin Energy to adjust the PSA plus or minus 5% per month if needed to respond to power market conditions.

Typical Monthly Residential Electric Bills of Large Texas Cities

City	Monthly Electric Bill*
Houston	$ 140.87
Corpus Christi	138.35
Dallas/Fort Worth	131.70
San Antonio	125.51
Austin	**99.16**

* Average monthly residential bill for 1,000 KWh during the period October 2021 – September 2022, including fuel costs. Dallas/Fort Worth, Houston, and Corpus Christi are served by competitive retail service providers ("REPs").
Source: powertochoose.org.

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AUSTIN ENERGY'S CUSTOMER STATISTICS

Five Year Electric Customer Statistics

The table below shows service area billed customer sales for fiscal years 2018 through 2022. 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, weather including the 2021 Weather Event, and changes in consumption patterns due to the COVID-19 pandemic.

	Fiscal Year Ended September 30				
	2018	2019	2020	2021	2022
Revenue (000's)					
Residential	$ 490,443	$ 496,643	$ 499,893	$ 458,913	$ 604,330
Commercial	465,363	484,138	453,953	416,376	522,936
Industrial	178,676	187,206	178,007	156,275	214,100
Public Street & Highway	2,636	2,788	2,450	2,148	3,189
Sales to Government Authorities	72,019	73,274	60,301	64,777	80,773
Total	$ 1,209,137	$ 1,244,049	$ 1,194,603	$ 1,098,489	$ 1,425,327
MWH					
Residential	4,608,438	4,522,859	4,740,214	4,632,514	5,116,975
Commercial	4,924,929	4,937,091	4,702,026	4,653,262	4,980,367
Industrial	2,968,235	2,962,835	3,003,001	2,929,849	3,124,701
Public Street & Highway	51,673	52,087	52,817	50,389	55,941
Sales to Government Authorities	864,734	854,147	824,112	836,583	899,031
Total	13,418,009	13,329,019	13,322,171	13,102,598	14,177,016
Average Monthly Number of Customers					
Residential	433,411	443,792	454,616	467,291	476,722
Commercial	48,966	49,587	50,135	50,561	51,099
Industrial	112	114	115	112	113
Public Street & Highway	4	4	9	10	10
Sales to Government Authorities	2,711	2,761	2,785	2,783	2,754
Total	485,204	496,258	507,660	520,757	530,698
Average Monthly KWH per Customer					
Residential	886	849	869	826	894
Commercial	8,382	8,297	7,816	7,669	8,122
Industrial	2,213,449	2,168,986	2,168,232	2,175,092	2,312,880
Public Street & Highway	1,076,528	1,108,227	517,816	423,441	482,250
Sales to Government Authorities	26,584	25,781	24,661	25,048	27,205
Average Monthly Bill per Customer					
Residential	$ 94.30	$ 93.26	$ 91.63	$ 81.84	$ 105.64
Commercial	791.98	813.61	754.55	686.26	852.81
Industrial	133,240.82	137,047.14	128,524.59	116,017.21	158,475.31
Public Street & Highway	54,922.30	59,312.68	24,024.08	18,052.88	27,493.11
Sales to Government Authorities	2,213.79	2,211.65	1,804.49	1,939.50	2,444.25
Average Revenues per KWH					
Residential	$ 0.10642	$ 0.10981	$ 0.10546	$ 0.09906	$ 0.11810
Commercial	0.09449	0.09806	0.09654	0.08948	0.10500
Industrial	0.06020	0.06318	0.05928	0.05334	0.06852
Public Street & Highway	0.05102	0.05352	0.04640	0.04263	0.05701
Sales to Government Authorities	0.08328	0.08579	0.07317	0.07743	0.08984

Source: Austin Energy.

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, 2022 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 returned to their prior rates and the Regulatory Charge was recalculated and updated on November 1, 2020. The CAP returned to the standard rate of 10% effective November 1, 2021.

Transmission Rates

The PUCT has exclusive jurisdiction over rates and terms and conditions for the provision of transmission services by the City. On August 24, 2022, the PUCT approved the City's most recent wholesale transmission annual access rate of $1.24822/kW. Transmission revenues totaled $86 million in fiscal year 2022 and are expected to total approximately $92 million in fiscal year 2023. 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 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	
2013	863,956,193
2014	683,986,607
2015	637,575,000
2016	719,814,465
2017	708,313,000
2018	759,088,000
2019	775,538,662
2020	709,063,075
2021	753,287,074
2022	1,020,485,039

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

	2022		2021		2020		2019		2018	
	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh
Net kWh Generated		19,121,404,191		19,528,738,503		13,833,141,055		14,686,072,244		15,404,121,570
kWh Received from ERCOT		515,893,144		115,977,222		1,066,246,223		858,953,254		400,176,250
Less: kWh Delivered to ERCOT		(5,021,030,839)		(6,056,773,795)		(1,270,282,001)		(1,590,257,054)		(1,858,211,190)
						-				
Total kWh Delivered to Service Area		14,616,266,494		13,587,941,930		13,629,105,277		13,954,768,444		13,946,086,630
Service Area Energy Use:										
Residential	476,722	5,116,975,278	467,291	4,632,514,399	454,616	4,740,214,005	443,792	4,522,859,322	433,411	4,608,437,926
General Service (Less UT & ENW)	52,911	8,590,715,748	52,383	8,039,134,230	52,045	8,135,854,225	51,485	8,387,249,208	50,815	8,370,161,391
	529,633	13,707,691,026	519,675	12,671,648,629	506,661	12,876,068,230	495,277	12,910,108,530	484,226	12,978,599,317
Public Street Lighting	10	55,940,972	10	50,389,428	9	52,817,241	4	52,086,667	4	51,673,359
City Utility Departments (*)	304	286,500,966	310	269,822,873	294	281,553,057	294	252,419,089	295	264,127,365
Other City Departments (*)	751	126,883,036	762	110,737,070	696	111,732,472	683	114,404,714	679	112,841,653
	1,065	469,324,974	1,082	430,949,371	999	446,102,770	981	418,910,470	978	428,642,377
Total Service Area Sales	530,698	14,177,016,000	520,757	13,102,598,000	507,660	13,322,171,000	496,258	13,329,019,000	485,204	13,418,009,000
Loss and Unaccounted For		439,250,494		485,343,930		306,934,277		625,749,444		528,077,630
Total kWh Delivered to Service Area	530,698	14,616,266,494	520,757	13,587,941,930	507,660	13,629,105,277	496,258	13,954,768,444	485,204	13,946,086,630
System Peak Demand (kW)		2,953,000		2,644,000		2,810,000		2,810,000		2,878,000

*Source: Austin Energy. Figures may differ from previously reported data due to the inclusion of generation for two power purchase agreements online in Fiscal Year 2021.

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 ten-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.

In accordance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, 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, 2022, no premiums were deferred. Austin Energy has no outstanding financial hedging derivative instruments as of September 30, 2022. In the event that Austin Energy has financial derivative instruments, 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, 2022. See "APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 12a – 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 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 15-year Power Purchase Agreement with SE Aragorn, LLC, an SB Energy (formerly Intersect Power) subsidiary, for the sale and purchase of solar power generated from a planned 180 MW project in Culberson County, Texas. Commercial operations commenced on December 31, 2021.

In October 2018, Austin Energy and East Blackland Solar Project, LLC, a Duke Energy (formerly 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 commenced in July, 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. Commercial operation started in May, 2021.

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 commenced in December 2020.

In December 2019, Austin Energy and an ENGIE subsidiary entered into a 25-year Power Purchase Agreement for the purchase and sale of energy generated from a 1.8 MW rooftop solar project located at the City-owned and operated Austin-Bergstrom International Airport. Commercial operations began in May 2021.

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 September 30, 2022 are as follows:

	Number of Substations	Miles of Lines	Kilovolts
Transmission	16	633	345/138/69
Distribution	62	12,204	35/12.5/7.2
Overhead Primary		2,408	
Overhead Secondary		2,596	
Underground Primary		3,677	
Underground Secondary		3,523	

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 programs, 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 2022, Austin Energy's Electric Systems Quality Management System was recommended for continued 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. March of 2022 recertification was successfully granted.

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 2022, addresses approximately $1.13 billion of capital spending needs for fiscal years 2023-2027. 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 49% of the five-year Capital Plan will be debt funded and 51% 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 East Village substation, Southeast substation, Kramer Lane substation as well as the purchase of Austin Energy's new warehouse.

Five Year Capital Spending Plan

$ in Millions	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Distribution	$105.43	$83.05	$87.43	$72.57	$97.61	$446.09
Distribution Substation	$16.58	$22.61	$15.86	$10.23	$3.37	$68.65
Transmission	$64.93	$65.11	$84.91	$78.16	$55.73	$348.84
Total Electric Service Delivery	$186.94	$170.77	$188.20	$160.96	$156.71	$863.58
Power Production	$56.76	$40.90	$28.08	$16.36	$11.96	$154.06
Customer Service Billing & Metering	$.05	$1.00	$0	$0	$0	$1.05
Facilities, Technology & Support Services	$39.74	$55.26	$5.50	$3.60	$2.74	$106.84
Total	$283.49	$267.93	$221.78	$180.92	$171.41	$1,125.53

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 544,420 AMI meters: 488,325 2-way communicating residential meters and 56,035 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.

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.

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 quarterly strategic project updates presented to the Austin Energy Executive Team.

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

On August 12, 2019 the Electric Utility Commission of the City created the Resource Plan Working Group (the "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, approved by the City Council on March 26, 2020 (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 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 – The 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 November 2022, Austin Energy generates energy on an annualized basis equal to approximately 77% of its total customer load using carbon-free resources, which includes both renewable resources and 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 cease operation of Austin Energy's portion of the Fayette Power Project coal plant. Austin Energy will continue to recommend to the City Council the establishment of any cash reserves necessary to accomplish this goal. As an update to the plan, Austin Energy plans to continue operating its share of the Fayette Power Project beyond 2022 but minimize the scheduled generation utilizing the REACH plan.

Decker Creek Power Station – Austin Energy planned 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. As planned, Unit 1 ceased operations in September 2020 and Unit 2 ceased operations in March 2022.

REACH for Carbon Free by 2035 –Austin Energy will adopt 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:

1. 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).
2. 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.
3. 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:

1. 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.
2. 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.
3. Commit to achieving 30 MW of local thermal storage by 2027 and 40 MW of local thermal storage by 2030.
4. 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.
5. 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:

1. Supporting private-public partnerships that promote, market, and provide electric vehicle support to assist in the transition to electric transportation.
2. Support the City of Austin Fleet Services' electrification plan.

3. 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 will be used for General Fund transfers, 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 in the following order into Austin Energy's reserve funds until each reserve reaches its minimum funding level: Working Capital, Contingency Reserve, Power Supply Stabilization Reserve, and then Capital Reserve. The sum of the four reserves will be the cash equivalent of no less than 150 days of operating and maintenance expense.
- Austin Energy will 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, 2022, Austin Energy's operating cash balance was $166 million and Days Cash on Hand ("DCOH") was 117 days.
- Austin Energy will maintain a minimum quick ratio of 1.50 (current assets less inventory divided by current liabilities). The source of this information will be the City's Annual Comprehensive Financial Report ("ACFR").
- Austin Energy will maintain either bond insurance policies or surety bonds issued by highly rated ("AAA") bond insurance companies, a cash funded debt service reserve, or a combination of the foregoing for its existing revenue bond issues, in accordance with the bond covenants of the Combined Utility Systems Revenue Bonds Covenant.
- Debt service coverage of a minimum of 2.0x will be targeted for the Electric Utility System's revenue bonds. All short-term debt, including commercial paper, and non-revenue obligations will be included at 1.0x.
- The Contingency Reserve will 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 will 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 will be created and established for mitigating power supply cost volatility which causes frequent variation in the Power Supply Adjustment. The Power Supply Stabilization Reserve will 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 will be funded using net revenues after meeting other obligations and consistent with the flow of funds schedule.
- The General Fund Transfer will not exceed 12% of Austin Energy's three-year average operating revenues less power supply costs and onsite energy resource revenue, calculated using the current fiscal year estimate and the previous two fiscal years' actual revenues less power supply costs and on-site energy resource revenue from the City's ACFR.
- Electric rates will 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 will 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 September 30, 2022, the market value of the investments in the trust was approximately $243 million.
- A Non-Nuclear Plant Decommissioning Fund will 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 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 investor-owned 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. ERCOT is responsible for the management and oversight of the day-to-day operations of the transmission network and wholesale market settlement. Under PURA, the PUCT has jurisdiction over ERCOT and oversees its 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 investor-owned electric 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 retail competition. As a result, Austin Energy is the sole retail electric power provider within its service territory and retail competition is not allowed.

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. For settlement purposes, Austin Energy's generation resources have nodal energy prices and Austin Energy's service territory is identified as a load zone.

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 is mandatory and 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 is currently considering changes to the ERCOT wholesale market to address reliability and enhance stability for generator revenue. Austin Energy staff closely monitors PUCT activities and provide comments to the PUCT regarding possible market design changes.

Federal Rate Regulation

Austin Energy is not subject to the jurisdiction of 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. Austin Energy 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. The PUCT retains authority over 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

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, EPA finalized an update to the CSAPR rule. The final rule lowered the State's Phase II ozone season budgets by approximately an additional 10%. No CSAPR allowance purchases were required for CY2022 due in part to the retirement of Decker unit 2 in March 2022. A proposed update to the CSAPR rule released in early 2022 may change how allowances are allocated to utilities subject to the rule, with the final rule expected from US EPA by March 15, 2023.

National Emissions Standards for Hazardous Air Pollutants (NESHAP) for Stationary Combustion Turbines

The 40 CFR 63 Subpart YYYY regulation seeks to limit the formaldehyde emissions from stationary lean pre-mix and diffusion flame gas turbines that were installed since 2003. High levels of formaldehyde may cause cancers. The regulation became effective on March 9, 2022, and required stack testing to determine if emissions were below or above the emission limits in the Subpart. Failure to meet the limit would have required the installation of emission controls for formaldehyde. The regulation applied to the simple cycle and combined cycle units at Sand Hill. Stack testing of these units showed that the emissions of formaldehyde were below the YYYY limits and hence no additional emissions controls or testing were required.

Environmental Regulation Related to Water Discharges

Cooling Water Intake Structures ("CWIS")

Section 316(b) of the Clean Water Act establishes requirements to minimize the impact of cooling water intake structures on aquatic organisms. The EPA promulgated revised standards in 2014 that require cooling water intake structures to be designed to limit organism impingement and entrainment. 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. The CWIS requirement under Section 316(b) no longer applies to Decker with the shutdown of the steam units, as a result of which there is no cooling water drawn from Decker Lake (Walter E. Long Lake). The Nacogdoches Biomass Facility has a TPDES permit that includes Section 316(b) requirements. The requirements for the Nacogdoches Biomass Facility include impingement and entrainment studies to be done once during the life of the TPDES permit and quarterly intake velocity measurements. TCEQ has determined that the Nacogdoches Biomass Facility complies with Best Technology Available ("BTA"). There have been no issues with respect to Section 316(b) compliance at the Nacogdoches Biomass Facility. TCEQ determined that FPP complies with BTA and is also a Closed Cycle Recirculating System (CCRS). There have been no Section 316(b) compliance issues at FPP. Overall risk associated with this rule is low at this time.

Environmental Regulation Related to Hazardous Wastes and Remediation

In January 2015, the EPA 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 recycling, 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. In June 2021, the EPA approved the Texas partial CCR state permit program which allows the TCEQ to issue CCR permits and enforce permit violations. The Texas program contains all the elements of the federal rule, including requirements for location restrictions, design and operating criteria, groundwater monitoring and corrective action, closure requirements and post-closure care, recordkeeping, notification and internet posting requirements. FPP is compliant 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 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 December 31, 2022, the limit of liability under the Price-Anderson Act for licensees of nuclear power plants is $13.66 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 June 10, 2021) 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 shares $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 $51.974 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 $1.991 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 2020 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 September 30, 2022 was approximately $243 million. For Fiscal Year 2023, Austin Energy estimates that it will continue to collect approximately $5 million for nuclear 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

Fukushima

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 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.

Russian Invasion of Ukraine 2022

On February 24, 2022, Russia invaded Ukraine and subsequently the United States and its allies imposed sanctions on various goods and services provided by Russia to the world. Russia supplies approximately 14% and their ally Kazakhstan supplies approximately 35% of uranium to the United States nuclear reactor fleet. According to the Nuclear Energy Institute, Russia supplies approximately 20% of the low-enriched uranium needed to operate United States nuclear reactors. Sanctions imposed on Russian imports to the United States could raise the global cost of enriched uranium, increase generating costs, and impact reliability. However, STP does not procure any uranium or enrichment services from Russia or Kazakhstan. All STP fuel and fuel related services are supplied by North American companies.

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THE WATER AND WASTEWATER SYSTEM

Management

Name	Years at City*	Additional Years of Experience	Total
Director(1)			
Shay Ralls Roalson, P.E.	3	27	30
Assistant Directors			
Anna Bryan-Borja, CIA, *Business Services*	25	3	28
Mercedes Garcia-Lopez, P.E.,*Acting Operations*	24	8	32
Kevin Critendon, P.E., *Environmental Planning and Development Service*	11	27	38
Joseph Gonzales, CPA, *Financial Services (**)*	19	9	28
Randi Jenkins, *Customer Experience*	16	4	20
Matt Cullen, P.E., *Acting Engineering Services*	30.5	0	30.5
David Johnson, CIO, *Information Technology Services*	1	35	36
Sherri Hampton, *Employee Leadership & Development*	13	16	29

(1) Ms. Roalson was appointed permanent Director of Austin Water effective January 1, 2023.
*As of December 31, 2022.
** Length of service is not continuous.

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 548 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 PUCT is empowered to grant utilities a Certificate of Convenience and Necessity (CCN) 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. Although not required, the City has obtained water and wastewater CCNs for several specific geographic areas. The TCEQ is empowered to approve and regulate public water systems and has approved the City's water system including its sources and treatment and distribution facilities. 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, 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) *,**:

1989 – 677,900 Acre-Feet	2000 – 627,400 Acre-Feet	2011 – 670,100 Acre-Feet
1990 – 692,300 Acre-Feet	2001 – 1,164,400 Acre-Feet	2012 – 212,800 Acre-Feet
1991 – 829,700 Acre-Feet	2002 – 1,675,000Acre-Feet	2013 – 210,500 Acre-Feet
1992 – 5,418,600 Acre-Feet	2003 – 1,013,800 Acre-Feet	2014 – 219,200 Acre-Feet
1993 – 978,000 Acre-Feet	2004 – 927,900 Acre-Feet	2015 – 201,700 Acre-Feet
1994 – 708,200 Acre-Feet	2005 – 2,136,300 Acre-Feet	2016 – 1,482,200 Acre-Feet
1995 – 896,700 Acre-Feet	2006 – 553,200 Acre-Feet	2017 – 739,200 Acre-Feet
1996 – 758,300 Acre-Feet	2007 – 2,155,900 Acre-Feet	2018 – 277,600 Acre-Feet
1997 – 3,013,500 Acre-Feet	2008 – 623,200 Acre-Feet	2019 – 2,518,000 Acre-Feet
1998 – 1,313,800 Acre-Feet	2009 – 584,800 Acre-Feet	2020 – 389,000 Acre-Feet
1999 – 765,300 Acre-Feet	2010 – 798,500 Acre-Feet	2021 – 286,900 Acre-Feet
		2022 – 408,200 Acre-Feet

* Numbers may vary from prior year postings due to actual vs. estimate. Restated to report the correct actual numbers.
** Data from 1989 to 2022 is referenced from USGS Water-Year Summary Statistics.

From 1989-2022, the water year average flow was 1,056,721 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) and recreational 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, 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 3,964 miles of water mains of varying diameters, 31 major storage facilities with a storage capacity of approximately 170 million gallons, 29,721 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, clear well 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 revenue bonds.

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 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 current 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.

The City's DCP sets a trigger at certain storage levels at which the City Manager may order the implementation of different stages of conservation measures. As of June 6, 2022, Austin Water is at Stage 1. This comes after a 3-year stretch at Conservation Stage, the lowest stage of Austin's Water Conservation Code. The only change between Conservation Stage and Stage 1 is the reduction of automatic irrigation water hours. Watering is permitted only in the early morning or late evening hours when temperatures are coolest.

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 of 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 governed 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.

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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	n/a
	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
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.

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Historical Water Pumpage

The following table summarizes historical demand and maximum day water pumpage from fiscal years 2013 through 2022.

Fiscal Year	Total Pumpage (Millions of Gallons)	Percent Change	Maximum Day Pumpage (Millions of Gallons)
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	48,522	2.4%	203
2019	47,294	(2.5)%	209
2020	51,121	8.1%	215
2021	51,420	0.6%	204
2022	54,366	5.7%	228

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)
2023	54,036	223
2024	54,246	223
2025	54,895	226
2026	55,563	229
2027	56,242	232
2028	56,937	234

Source: Austin Water.

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Information Concerning Water Sales

	Fiscal Year Ended September 30									
	2018		2019		2020		2021		2022	
	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		48,520,957		47,294,234		51,153,795		51,613,623		54,327,705
Less: Sales to Other Water Utilities (1)		2,621,961		2,333,519		2,533,085		2,415,106		2,891,780
Thousand Gallons to System		45,898,996		44,960,715		48,620,710		49,198,517		51,435,925
Water Sales:										
Retail (2)	232,324	38,143,134	236,249	37,015,036	240,859	39,246,347	244,707	39,265,057	248,192	43,092,238
City Departments	621	678,923	609	665,816	601	659,012	614	758,155	634	812,618
Total Sales to Ultimate Consumer	232,945	38,822,057	236,858	37,680,852	241,460	39,905,359	245,321	40,023,212	248,826	43,904,856
Used by Water Utility		41,248		62,370		60,010		74,339		64,680
Other Unmetered Usage (3)		1,426,516		1,390,450		1,503,922		1,517,441		1,597,235
Loss and Unaccounted For (3)		5,609,175		5,827,043		7,151,419		7,583,525		5,869,154
Thousand Gallons to System		45,898,996		44,960,715		48,620,710		49,198,517		51,435,925
Maximum Daily Consumption		195,902		207,824		207,051		205,963		227,564
Average Daily Consumption		113,545		109,628		116,270		116,269		128,210

(1) Includes sales to all wholesale customers.
(2) Includes residential, multifamily, commercial, and industrial customers.
(3) Numbers may vary from prior year postings due to difference in calculation methodology. Restated to report the correct numbers.
Source: Austin Water.

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Large Water Customers

Water and Wastewater Utility
Large Water Customers
Five Year Comparative Data (2018-2022)

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

	2018		2019		2020		2021		2022	
	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue
Samsung Austin Semiconductor	2,317,298	$13,913	2,263,875	$11,016	2,381,854	$13,071	2,209,533	$12,249	2,383,134	$13,086
Travis County WCID #10	839,323	2,775	732,154	4,391	857,011	2,823	753,560	2,539	908,379	2,498
NXP USA INC (Formerly Freescale, Inc.)(1)	610,488	3,770	647,122	3,152	638,932	3,739	648,249	3,779	745,931	4,249
University of Texas (2)	777,696	5,158	728,455	2,003	600,813	3,954	520,519	3,505	650,782	3,540
Wells Branch MUD	483,764	1,520	414,951	1,082	464,917	1,467	456,577	1,445	488,547	1,270
North Austin MUD #1	416,336	1,347	373,305	1,026	404,437	1,314	400,097	1,302	461,390	1,269
Cypress Semiconductor (Formerly Spansion)	329,873	2,483	299,131	2,227	348,349	2,088	332,495	2,007	348,005	1,807
Northtown MUD	296,842	916	270,556	701	307,718	945	317,037	969	318,331	824
Austin Independent School District (3)	343,591	2,119	313,089	1,627	242,568	1,907	224,754	1,810	296,899	2,208
Mid America Apartments LP (4)	185,075	1,037	204,572	1,083	234,555	1,226	241,296	1,252	233,526	1,095
Total:	6,600,286	$35,038	6,247,210	$28,308	6,481,154	$32,534	6,104,116	$30,856	6,834,923	$31,845
Texas Facilities Commission (5)	193,194	$1,343	176,940	$1,205	182,299	$1,246	165,305	$1,161	211,715	$1,155

(1) Totals for NXP USA, Inc. include its East Austin and West Austin plant sites.
(2) Totals for University of Texas include all accounts.
(3) Totals for Austin Independent School District include all campuses and locations.
(4) 2019 was the first year that Mid America Apartments LP was a top 10 customer.
(5) The Texas Facilities Commission ("TFC") was not a top 10 water customer in 2018 - 2022; totals for TFC include all locations and data as a top 10 water user from 2017-2018.
Source: Austin Water.

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 Rollingwood, Sunset Valley, and West Lake Hills.

Facilities

As of August 1, 2022, Austin Water has two main wastewater treatment plants with a total permitted capacity of 150 mgd, one biosolids treatment and beneficial reuse facility, over 2,996 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 of 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. 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 the 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 watershed of the Brushy Creek Project. The cities of Austin, Round Rock, Leander, and Cedar Park all own joint interests in the Brushy Creek Project. 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.

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 four largest lift stations.

Name	Firm Capacity (Gallons per Minute)
Boggy Creek East	22,500
SAR Transfer	10,000
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 2013 through 2022.

Fiscal Year	Total Wastewater Flow (Millions of Gallons)	Percent Change
2013	34,813	(8.0)
2014	37,298	7.1
2015	40,711	9.2
2016	41,668	2.4
2017	37,804	(9.3)
2018	35,996	(4.8)
2019	41,992	16.7
2020	36,127	(14.0)
2021	38,706	7.1
2022	37,002	(4.4)

Source: Austin Water.

(1) 2021 water pumpage was higher than 2020 (see "WATER SYSTEM – Historical Water Pumpage") primarily due to below average rainfall for majority of the fiscal year, including a hotter, drier summer which increased irrigation demand but did not impact wastewater flows. Generally, periods of below average rainfall results in increased water demand and pumpage without significantly impacting wastewater influent levels. Conversely, periods of above average rainfall results in decreased water demand and pumpage while wastewater flows increase due to inflow and infiltration.

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)
2023	41,106
2024	41,864
2025	42,392
2026	43,034
2027	43,673
2028	44,430

Source: Austin Water.

COMBINED WATER AND WASTEWATER SYSTEM INFORMATION

State and Federal Regulatory Matters

The City is subject to the environmental laws and regulations of the State and the United States in the operation of the Water and Wastewater System, including the federal Safe Drinking Water Act (the "SDWA"), the federal Clean Water Act (the "CWA"), and the Texas Water Code. These laws and the regulations issued pursuant to these laws are subject to change, both in text and in administrative interpretation, and the City may be required to improve, expand, or modify the Water and Wastewater System to maintain compliance with regulatory requirements.

Safe Drinking Water Act…Treated drinking water provided by Austin Water is subject to the SDWA and the rules and regulations promulgated by the United States Environmental Protection Agency ("EPA") and the TCEQ under the SDWA to regulate a wide variety of contaminants that may be present in drinking water. All of Austin Water's water treatment facilities and the distribution system meet or surpass the requirements of the SDWA and the rules and regulations promulgated under the SDWA.

On January 15, 2021, the EPA published final revisions to the "Lead and Copper Rule" (the "LCR") under the SDWA. The EPA's revisions create a new "trigger level" for lead of 10 parts per billion and the lead "action level" of 15 parts per billion is unchanged from the previous rule. Extensive water sampling and analysis protocol are required, including mandatory lead testing at elementary schools and childcare facilities. Public water systems in Texas with lead test results exceeding the trigger or action levels are required to work with the State to take steps that control corrosion or replace service lines that contain lead in its distribution system. The proposed regulation also requires an inventory of any lead service lines in both the water system's distribution system and in customer systems. The effective date for the revised LCR currently is December 16, 2021 and the compliance date currently is October 16, 2024. If the EPA chooses to modify or withdraw the LCR there may be delays in the effective and compliance dates.

The City is in the process of completing a full inventory of Austin Water's service lines. In the event any lead service lines are found, the City expects to remove and replace those service lines prior to the October 16, 2024 compliance date. It is not possible at this time to determine whether any lead service lines will need to be replaced or the potential cost of replacing those service lines.

Clean Water Act and Texas Water Code…The CWA and the Texas Water Code regulate Austin Water's wastewater operations, including the collection system and the wastewater treatment plants. All discharges of pollutants into the nation's navigable waters must comply with the CWA. The CWA allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed in permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System (the "NPDES") program, a national program established by the CWA for issuing, revoking, monitoring, and enforcing wastewater discharge permits. The CWA authorized the EPA to delegate the EPA's NPDES permit responsibility to State or interstate agencies after certain prerequisites have been met by the relevant agencies. The EPA has delegated NPDES permit authority to the TCEQ, which means that the TCEQ is the lead agency for issuing CWA permits for the Wastewater System. The Wastewater System has current TPDES permits for all of its wastewater treatment facilities, issued by the TCEQ, which are also issued under authority granted to the TCEQ by the Texas Water Code. Both the EPA and the TCEQ have authority to enforce the TPDES permits. All of Austin Water's wastewater treatment plants are in material compliance with their respective discharge permits.

Future Capital Improvements for Water and Wastewater System

On August 17, 2022, City Council approved Austin Water's five-year capital spending plan for FY 2023-2027 with approximately $1.36 billion 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 $910 million additional Parity Water/Wastewater Obligations (including refunding of commercial paper issued to provide interim financing for such improvements); (2) the application of $386 million of anticipated transfers from current Water and Wastewater System revenues and amounts on hand; and (3) an estimated $69 million in low-interest loan assistance from the "TWDB. Also see "DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUE" and "DEBT SERVICE REQUIREMENTS OF THE COMBINED UTILITY SYSTEMS" in this document.

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 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 $65.6 million for projects associated with reclaimed water systems and $62.2 million for AMI, as Parity Water/Wastewater Obligations issued by the City and privately placed with TWDB. Anticipated future loan closings through TWDB include multi-year commitments for AMI in the fall of 2023, which will total an additional $18 million in loan proceeds.

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 are structured as Parity Water/Wastewater Obligations of the City privately placed with the TWDB. The City has closed all $120.83 million of awarded funding from the TWDB through multiple rounds of loan closings.

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.

Since 2017, the City has not annexed any additional MUDs. For additional information on the City's annexation program, see "THE CITY – Annexation Program," "– Recent Annexation" and "– Future Annexation" in this document.

Water Reuse Facilities

The City implemented the 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 192 metered customers.

Customer demand is highly dependent on weather conditions. In calendar year 2022, customers used 1.80 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.

Austin Water's Financial Policies

Austin Water performed a review of its financial policies in 2021 and recommended updates to its policies, effective for fiscal year 2022, for debt service coverage, capital expenditures, operating cash reserves and drinking water protection zones. After a public comment period and presentations to the City's Audit and Finance Committee and City Council, the updated financial policies were incorporated as part of the fiscal year 2022 budget. Some of the more significant financial policies for Austin Water which were reviewed and approved by the City Council during the budget process are:

- Debt service coverage of at least 1.75x shall be maintained (this internal policy does not alter the City's obligation under the City's ordinances governing the Parity Water/Wastewater Obligations).
- Capital projects should be financed through a combination of pay-as-you-go financing and debt. An equity contribution ratio of at least 35% to 50% is desirable.
- Operating cash reserves of at least 180 days of budgeted operations and maintenance expense shall be maintained.
- Capital improvement projects for new water and wastewater treatment plants, capital expansions, and growth-related projects that are located in the Drinking Water Protection Zone ("DWPZ") will be identified and submitted, as part of the annual budget process, to the Water and Wastewater Commission. The Water and Wastewater Commission will review growth-related DWPZ capital projects spending plans, obtain Commission and citizen input, review consistency with Imagine Austin Comprehensive Plan, review effect on growth within the DWPZ, and make recommendations on project approval for inclusion in Austin Water's five-year capital spending plan.

In addition to the updates of financial policies for fiscal year 2022, Austin Water continues to maintain higher internal targets for budgeting purposes of a 1.85x debt service coverage ratio and 245 days operating cash reserves.

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 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 September 30, 2022, the balance of the Water Revenue Stability Reserve Fund was $55.2 million and fully funded. No assurance can be given that the balance of the Water Revenue Stability Reserve Fund 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 in this document) govern and control.

Following the 2017 Cost of Service update, the Water and Wastewater Utility implemented a 4.8% combined rate reduction for the fiscal year ending September 30, 2018. Subsequent to the 2018 rate reduction, the Water and Wastewater Utility has focused its efforts on maintaining level debt service costs. Austin Water 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 $335 million in present value savings since 2016. As a result of on-going debt management efforts, the City Council approved a zero-percent rate increase for FY 2019 for the first time in several years. Austin Water has maintained stable financial performance with no subsequent rate increases from FY 2019-2023.

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 provide for at least 1.50 times debt service coverage through FY 2021 and, for FY 2022 and beyond, at least 1.75 times debt service coverage for the Parity Water/Wastewater Obligations by Net Revenues of the Water and Wastewater System. The Annual Comprehensive Financial Report (ACFR) recently published Austin Water's actual debt service coverage of 2.09 for Fiscal Year 2022 compared to 1.71 for Fiscal Year 2021. The approved fiscal year 2023 budget prepared by the Water and Wastewater Utility in May 2022 projects debt service coverage levels in fiscal year 2022 of 1.81 times debt service coverage, decreasing to 1.76 times debt service coverage by fiscal year 2023; the forecasted coverage levels assume that periodic rate increases will resume beginning in fiscal year 2024. No assurance can be given that these debt service coverage levels will be achieved.

On April 9, 2020, 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 were effective through October 31, 2020. The current Non-CAP rates that were effective November 1, 2019 resumed November 1, 2021. The CAP customer 10% rate reduction will remain in effect throughout FY 2022 and FY 2023 (See “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water 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, a zero-percent rate increase was proposed by Austin Water and approved by City Council on August 18, 2022, for FY 2023. Any rate increase approved by City Council as part of the fiscal year 2024 proposed budget will not take effect prior to November 1, 2023. 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 Ordinance” 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 November 1, 2022)

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

(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	$ 2.89
2,001 – 6,000 Gallons	4.81
6,001 – 11,000 Gallons	8.34
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	6.00
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 $2.60 and $5.35 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 1,000 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 November 1, 2022)

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	$	4.85
2,001 - Over Gallons		9.94
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)	$	8.52
NXP – W. William Cannon (formerly Freescale)		8.66
Samsung		7.75
Skorpio's Technology		7.74
Cypress		7.90
University of Texas		8.95

(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, 2022 were unchanged from the prior year's original approved budget.

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.

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.

The four wholesale water customers represented $66.3 million, or 2.1%, of the approximate $319.5 million annual water service revenue for fiscal year 2022.

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 several 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 several 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				
	2018	2019	2020	2021	2022
Average Monthly Bill Per Customer - Water					
Residential (1)	$49.83	$43.67	$49.92	$45.52	$53.30
Multifamily (1)	766.84	704.57	756.41	771.64	801.75
Commercial (1)	359.50	320.16	321.18	308.11	347.93
Large Volume	317,821.74	297,756.97	293,838.57	275,901.94	300,225.33
City Departments	653.60	612.03	513.13	567.15	581.43
Average Monthly Bill – Above Customers	$101.95	$90.88	$97.34	$92.31	$103.43
Sales to Other Water Utilities (2)	$47,910.10	$42,926.88	$48,396.20	$46,391.50	$52,454.64
Average Monthly Bill – All Customers	$105.44	$93.96	$100.74	$95.52	$107.01
Average Monthly Use in 1,000 Gallons – Water					
Residential (1)	5.84	5.24	5.98	5.77	6.2
Multifamily (1)	127.55	123.67	134.81	137.14	143.08
Commercial (1)	49.77	46.64	49.22	47.28	50.79
Large Volume	51,997.13	52,294.19	51,816.62	48,271.15	53,167.57
City Departments	91.59	89.69	94.03	104.37	106.79
Average Monthly Use – Above Customers	13.96	13.03	14.14	13.77	14.67
Sales to Other Water Utilities (2)	12,930.25	11,264.47	12,768.25	12,013.09	14,163.39
Average Monthly Use – All Customers	14.90	13.84	15.04	14.60	15.64
Residential (1)	$8.54	$8.33	$8.35	$7.89	$8.59
Multifamily (1)	6.01	5.70	5.61	5.63	5.6
Commercial (1)	7.22	6.86	6.52	6.52	6.85
Large Volume	6.11	5.69	5.67	5.72	5.65
City Departments	7.14	6.82	5.46	5.43	5.44
Average Revenue – Above Customers	$7.30	$6.97	$6.88	$6.70	$7.05
Sales to Other Water Utilities (2)	$3.71	$3.81	$3.79	$3.86	$3.7
Average Revenue – All Customers	$7.08	$6.79	$6.70	$6.54	$6.84

(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				
	2018	2019	2020	2021	2022
Average Monthly Bill Per Customer – Wastewater					
Residential (1)	$ 38.41	$ 35.34	$ 35.29	$ 36.74	$ 37.96
Multifamily (1)	1,175.46	1,135.09	1,268.46	1,244.10	1,331.97
Commercial (1)	431.66	413.43	335.48	354.73	376.86
Large Volume	330,416.09	299,193.33	295,026.24	283,208.25	306,821.75
City Departments	446.47	383.47	359.36	364.89	352.6
Average Monthly Bill – Above Customers	$ 96.14	$ 89.63	$ 88.01	$ 88.63	$ 93.02
Sales to Other Utilities (2)	$52,040.32	$54,713.65	$53,992.98	$55,173.11	$49,835.14
Average Monthly Bill – All Customers	$98.74	$92.32	$110.91	$111.51	$95.35
Average Monthly Use in 1,000 Gallons – Wastewater					
Residential (1)	3.79	3.53	3.68	3.71	3.79
Multifamily (1)	126.62	125.95	140.64	138.16	147.96
Commercial (1)	45.77	45.04	36.40	38.45	40.94
Large Volume	40,110.14	37,394.54	39,603.01	38,121.63	41,143.91
City Departments	47.40	41.70	40.15	40.77	39.40
Average Monthly Use – Above Customers	10.12	9.65	9.68	9.62	10.07
Sales to Other Utilities (2)	10,174.46	9,934.19	9,659.09	10,794.51	10,479.49
Average Monthly Use – All Customers	10.62	10.14	10.15	10.13	10.56
Average Revenue Per 1,000 Gallons – Wastewater					
Residential (1)	$10.14	$10.01	$9.60	$9.91	$10.01
Multifamily (1)	9.28	9.01	9.02	9.00	9.00
Commercial (1)	9.43	9.18	9.22	9.23	9.21
Large Volume	8.24	8.00	7.45	7.43	7.46
City Departments	9.42	9.20	8.95	8.95	8.95
Average Revenue – Above Customers	$9.50	$9.29	$9.09	$9.21	$9.23
Sales to Other Utilities (2)	$5.11	$5.51	$5.59	$5.11	$4.76
Average Revenue – All Customers	$9.29	$9.10	$10.93	$11.01	$9.03

(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, 2018 TO SEPTEMBER 30, 2022

(in thousands rounded)

	Fiscal Year Ended September 30				
INCOME	2022	2021	2020	2019	2018
Revenue	$2,312,797	$1,844,585	$1,959,941	$2,031,435	$1,998,556
Operating Expense	(1,628,986)	(1,253,026)	(1,332,726)	(1,366,470)	(1,334,151)
Balance Available for Debt Service	683,811	591,559	627,215	664,965	664,405
Depreciation and Amortization Expense	(416,289)	(413,388)	(413,711)	(327,840)	(290,323)
Earnings Before Interest Expense	267,522	178,171	213,504	337,125	374,082
Interest Incurred on Debt	(146,242)	(152,752)	(154,451)	(148,596)	(148,659)
Other	(7,181)	6,131	2,728	(11,113)	(13,061)
INCOME (LOSS) BEFORE TRANSFERS (1) (2) (3) (4)	$114,099	$19,288	$61,781	$177,416	$212,362
PERCENTAGES					
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expense	(70.43%)	(67.93%)	(68.00%)	(67.27%)	(66.76%)
Balance Available for Debt Service	29.57%	32.07%	32.00%	32.73%	33.24%
Depreciation and Amortization Expense	18.00%	(22.41%)	(21.11%)	(16.14%)	(14.53%)
Earnings Before Interest Expense	11.57%	9.66%	10.89%	16.60%	18.72%
Interest Incurred on Debt	(6.32%)	(8.28%)	(7.88%)	(7.31%)	(7.44%)
Other	(0.31%)	0.33%	0.14%	(0.55%)	(0.65%)
INCOME (LOSS) BEFORE TRANSFERS	4.93%	1.05%	3.15%	8.73%	10.63%

(1) Income before transfers to the General Fund and Other Funds for the 12 months ended September 30, 2022. Transfers are as follows (in thousands rounded):
Transfer to General Fund: $160,431
Transfers to Other Funds: $14,817

(2) Excludes Combined Utility Funds' deferred costs recovered in future years of $52,951 for the 12 months ended September 30, 2022 (in thousands rounded).

(3) Excludes capital contributions of $146,696 for the 12 months ended September 30, 2022 (in thousands rounded).

(4) Excludes other post-employment benefits ("OPEB") accrual of $76,737, net pension liability accrual of $1,716 and amortization of excess consideration of $13,154 for twelve months ended September 30, 2022

Source: City Financial Services Department - Financial Accounting and Reporting.

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

	Fiscal Year Ended September 30								
	2022	2021		2020		2019		2018	
REVENUE									
ELECTRIC UTILITY									
Domestic and Rural Residential	$604,376	$456,953	(1)	$495,735	(1)	$498,903	(1)	$489,267	(1)
Commercial General	820,299	636,136	(1)	690,723	(1)	746,932	(1)	715,430	(1)
Sales to Other Utilities	55,166	15,813		30,354		47,092		50,482	
Transmission	86,064	84,029		83,791		81,734		78,616	
Rent from Electric Property	7,451	10,313	(1)	10,227		7,735	(1)	6,912	(1)
Customers' Forfeited Discounts and Penalties	5,824	3,749		2,611	(1)	5,540		5,966	(1)
Miscellaneous	97,128	64,815	(1)	60,115	(1)	59,363	(1)	53,603	(1)
Total Electric Utility	$1,676,308	$1,271,808		$1,373,556		$1,447,299		$1,400,523	
WATER UTILITY									
Water Services	$322,001	$282,932		$288,337		$275,095		$290,868	
Miscellaneous Revenue	10,655	8,099		12,162		8,444		6,528	
Revenue Stability Fee	2,246	2,042		2,073		1,901		4,850	
Reserve Fund Surcharge	-	-		-		-		-	
Reclaimed Revenue	2,818	2,221		2,499		2,013		1,936	
Total Water Utility	$337,720	$295,294		$305,071		$287,453		$304,182	
WASTEWATER UTILITY									
Wastewater Services	$280,740	$264,020		$256,298		$258,349		$265,798	
Miscellaneous Revenue	7,469	7,907		4,756		5,769		5,086	
Reclaimed Revenue	-	-		-		-		-	
Total Wastewater Utility	$288,209	$ 271,927		$ 261,054		$ 264,118		$ 270,884	
Interest	$10,560	$5,556		$20,260		$32,565		$22,967	
TOTAL REVENUE	$2,312,797	$1,844,585		$1,959,941		$2,031,435		$1,998,556	

Source: City of Austin – Accounting and Financial Reporting.

(1) Inputs in the above table related to the Electric Utility System have been updated in the following categories to reflect appropriate classification of revenue: Domestic and Rural Residential, Commercial General, Rent from Electric Property, Customers' Forfeited Discounts and Penalties and Miscellaneous.

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

	Fiscal Year Ended September 30							
EXPENSE	2022	2021		2020		2019		2018
ELECTRIC UTILITY								
Production	$580,544	$255,969	(3)	$195,132	(3)	$206,631	(3)	$179,981
Joint Facility Production	187,340	183,173		167,851	(3)	190,741	(3)	218,373
System Control	16,894	15,155		19,007		21,490		26,454
Transmission and Distribution	256,097	234,774		216,225		198,816		193,291
Jobbing and Contract Work	3,409	1,907		2,098		2,222		1,625
Customer Accounting and Collection	25,528	23,456		24,224		25,457		9,515
Customer Services	28,425	26,249		23,817		24,944	(3)	27,435
Administrative and General	235,001	239,593	(3)	418,312	(3)	435,165	(3)	427,253
Total Electric Utility	$1,333,238	$980,276		$1,066,666		$1,105,466		$1,083,927
WATER UTILITY								
Operations	$83,272	$76,906		$73,672		$71,373		$68,108
Engineering Services	4,715	5,037		4,853		5,572		4,512
Water Resources Management	4,914	4,508		4,126		3,901		3,586
Environmental Affairs & Conservation	10,181	9,840		9,411		7,496		7,780
Support Services - Utility	20,503	18,098		15,794		21,899		14,168
One Stop Shop	-	-		-		-		164
Reclaimed Water Services	615	545		1,652		1,312		534
Other Operating Expenses	36,690	33,903		33,980		27,580		31,814
Total Water Utility	$160,890	$148,837		$143,488		$139,133		$130,666
WASTEWATER UTILITY								
Operations (1)	$70,282	$65,910		$66,473		$65,585		$62,412
Engineering Services	8,219	7,546		8,030		6,936		7,200
Water Resources Management	5,151	5,062		4,786		4,673		4,427
Environmental Affairs & Conservation	3,715	3,349		3,098		3,013		3,088
Support Services - Utility	18,478	16,833		15,789		21,791		13,767
One Stop Shop	-	-		-		-		-
Other Operating Expenses	29,013	25,213		24,396		19,873		28,664
Total Wastewater Utility	$134,858	$ 123,913		$ 122,572		$ 121,871		$ 119,558
TOTAL EXPENSE (2)	$ 1,628,986	$ 1,253,026		$ 1,332,736		$ 1,366,470		$1,334,151
NET REVENUE AVAILABLE FOR DEBT SERVICE	$683,811	$591,559		$627,215		$664,965		$ 664,405
Electric Customers	530,698	520,757		507,660		496,258		485,204
Water Customers	250,705	247,037		243,820		239,291		235,174
Wastewater Customers	236,768	233,637		230,127		225,940		221,862

(1) 'Treatment' and 'Pipeline Operations' line items were combined and renamed 'Operations' in FY18.
(2) Interest expense, depreciation, amortization, other non-operating items, net pension liability and OPEB accrual are not included in total expense.
(3) Inputs in the above table related to the Electric Utility System have been updated in the following categories to reflect appropriate classification of expenses: Production, Joint Facility Production, Customer Services, and Administrative and General. Total Electric Utility expenses remain unchanged.

Source: City of Austin – Accounting and Financial Reporting.

DISCUSSION OF OPERATING STATEMENT

Austin Energy Revenues

Variations in total Austin Energy revenues for the fiscal years ("FY") ended September 30, 2018 through September 30, 2022 were attributable to changes in cost of power supply and weather variations. Total power supply costs are passed through to the consumer.

Water and Wastewater System Revenues

Variations in Water and Wastewater System revenues for the period FY 2018 through FY 2022 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 Plans, Austin's Integrated Water Resource 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 FY 2018 through FY 2022 were largely attributable to changes in the cost of power supply and general inflationary increases in other expense categories.

Water and Wastewater System Expenses

Changes in Water and Wastewater System expenses for the period FY 2018 through FY 2022 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 (in thousands rounded)

	Fiscal Year Ended September 30				
	2022	2021	2020	2019	2018
Plant Cost					
Utility Systems					
Electric	$6,869,742	$6,748,786	$6,418,934	$6,179,413	$5,574,059
Water	3,318,519	3,177,882	3,077,482	2,983,187	2,903,016
Wastewater	3,082,618	2,933,872	2,812,618	2,698,343	2,616,571
Total Cost	$13,270,879	$12,860,540	$12,309,034	$11,860,943	$11,093,646
Allowance for Depreciation:					
Electric	3,843,299	3,701,521	3,451,096	3,175,348	2,978,260
Water	1,103,161	1,039,088	985,972	926,457	869,971
Wastewater	1,318,051	1,247,983	1,187,002	1,123,127	1,060,395
Total Depreciation	$6,264,511	$5,988,592	$5,624,070	$5,224,932	$4,908,626
Cost after Depreciation	$7,006,368	$6,871,948	$6,684,964	$6,636,011	$6,185,020
Equity in Utility Systems					
Utility Systems	$13,270,879	$12,860,540	$12,309,034	$11,860,943	$11,093,646
Plus: Inventories, Materials and Supplies (1)	73,186	69,912	69,575	66,269	55,025
Net Construction Assets and Unamortized Bond Issue Cost	110,842	176,999	141,133	148,739	109,641
	$13,454,907	$13,107,451	$12,519,742	$12,075,951	$11,258,312
Less:					
Allowance for Depreciation	$6,264,511	$5,988,592	$5,624,070	$5,224,932	$4,908,626
Utility Systems, Net	$7,190,396	$7,118,859	$6,895,672	$6,851,019	$6,349,686
Revenue Bonds and Other Debt Outstanding (2)	$4,631,645	$4,652,775	$4,537,293	$4,487,193	$3,979,273
Net Debt	$4,631,645	$4,652,775	$4,537,293	$4,487,193	$3,979,273
Equity in Utility Systems	$2,558,751	$2,466,084	$2,358,379	$2,363,826	$2,370,413
Percentage of Equity in Utility Systems	35.59%	34.64%	34.20%	34.50%	37.33%

(1) Does not include fuel, oil or coal inventories of approximately $18,008,000 at September 30, 2022. Consists primarily of spare parts inventory at Fayette Plant and South Texas Project.

(2) Includes Revenue Bonds and Tax and Revenue Bonds of $4,369,434 (net of discounts and inclusive of premiums); Commercial Paper of $260,500; General Obligation Bonds of $1,535; and Contractual Obligation Bonds of $176 at September 30, 2022.

Source: City of Austin – Accounting and Financial Reporting.

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.

Electric Utility System Litigation

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. On April 9, 2021, the Texas Supreme Court in Cause No. 19-0475 reversed the Court of Appeals and remanded the case in its entirety back to the trial court. On December 29, 2022, the trial court dismissed this case by agreement of the parties.

Additionally, the Electric Utility System has been served in numerous property damage lawsuits, including class action lawsuits, and one wrongful death lawsuit, relating to outages caused by the 2021 Weather Event. A number of these lawsuits were filed in early 2023, prior to the expiration of the statute of limitations for such claims (two years after the 2021 Weather Event). See "TEXAS WINTER WEATHER EVENTS" in this document. These cases are pending in the multi-district litigation proceeding in Cause No. 2021-18513 in the 215th District Court of Harris County, Texas.

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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.

Interim City Manager – Jesús Garza

Interim City Manager Jesús Garza is an experienced manager of complex organizations. Early in his career, he quickly became known for implementing strong community partnerships. Mr. Garza began his government career in the City in 1978, enjoying increasingly responsible roles. From 1988 to 1992 he served as Assistant City Manager and Deputy City Manager in Corpus Christi and then returned to Central Texas to become executive director of the Texas Water Commission. From 1994 to 2002, Mr. Garza served as the City Manager for the City. He led the City during a period of considerable economic and population expansion. His tenure included business development, downtown revitalization, and the transformation of a former Air Force Base into the Austin-Bergstrom International Airport. Mr. Garza had oversight responsibility of the city-owned Brackenridge Hospital during the time when it was named a regional Trauma Center. He also served as City's chief negotiator in the lease agreement that brought the facility, now University Medical Center Brackenridge, into the Seton Family. After retiring from the City, Mr. Garza served as Deputy General Manager for the Lower Colorado River Authority and then served as ministry market leader for Ascension Health's Texas and Arizona ministries, including the Carondelet Health Network before becoming Chief Executive Officer of the Seton Healthcare Family. Mr. Garza retired from Ascension and Seton in August 2017. Mr. Garza was named Public Administrator of the Year by the American Society for Public Administration/Centex Chapter, Public Official of the Year by Governing magazine and recently received a Lifetime Achievement award from the Greater Austin Hispanic Chamber of Commerce. He also received the distinction of being named the 2019 Austinite of Year by the Greater Austin Chamber of Commerce. Mr. Garza received his Bachelor of Science degree from The University of Texas and a Master of Public Affairs degree from the Lyndon Baines Johnson School of Public Affairs.

Chief Financial Officer – Ed Van Eenoo

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

Deputy Chief Financial Officer – Diana Thomas

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

Deputy Chief Financial Officer – Kimberly Olivares

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

Services Provided by the City

The City's major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, 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. 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, including the districts, 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.

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Annexations

The following table sets forth (in acres) the City's annual annexations since 2013.

Calendar Year	Full Purpose Acres [(1)]	Limited Purpose Acres
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
2021	92	243
2022	5,475	51

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

Recent Annexation

In 2022, the City annexed 5,526 acres at the request of property owners, of which 5,475 acres were full-purpose annexations and 51 acres were limited purpose annexations. The largest full purpose annexations were for City owned water quality protection lands, which totaled approximately 5,100 acres.

In 2020 and 2021, the City conducted full purpose annexations of greenfield land at the request of property owners. The 157 acres annexed during this time 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 that 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 included 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 included 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 and for the Police Retirement System an actuarially determined contribution model became effective in 2022. The contributions made by the City to the COAERS include amounts allocable to the City employees within Austin Energy, Austin Water, and the City's 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.

As of October 1, 2021, municipal employees contribute 8.0% and the City contributes 19.0% of payroll. Fire fighters (who are not members of the Social Security System) contribute 18.7% of payroll, and the City contributes 22.05% to the Fire Fighters Retirement Fund. As of October 1, 2021, police officers contributed 13.0% and the City contributed 21.737% of payroll to the Police Retirement System. The City will also contribute according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2020 over a 30-year period. Effective January 1, 2022, police officer contributions increased to 15.0% of payroll to the Police Retirement System and the City's contribution decreased to the actuarially determined amount of 10.1%. 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, 2021, the amortization period of the unfunded actuarial accrued liability was 33 years for the COAERS, 30 years for the Police Retirement System, and 17.5 years for the Fire Fighters Retirement Fund.

The City's net pension liability was measured as of December 31, 2021 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 to address long-term structural imbalances in the plan.

As of December 31, 2021, the COAERS reported a total net pension liability of $1.47 billion, of which $299.7 million is allocable to Austin Energy, $159.3 million is allocable to Austin Water, and $56.3 million is allocable to Aviation. The COAERS' fiduciary net position as a percentage of the total pension liability was 70.9%. The actuarial accrued liability for the COAERS as of December 31, 2021 was $5.0 billion and the funded ratio was 66.0%. As of December 31, 2020, the COAERS reported a net pension liability of $1.5 billion with a plan fiduciary net position as a percentage of the total pension liability of 68.1%. The actuarial accrued liability for the COAERS was $4.7 billion and the funded ratio was 65.3%. The COAERS had a change of the actuarial investment return assumption from 7.00% to 6.75%. There were no changes to benefit terms that affected the total pension liability for the 2021 measurement period.

The COAERS funding policy is to maintain contribution rates sufficient to cover the normal cost of the plan and to amortize any unfunded actuarial accrued liabilities over a period not to exceed 25 years. Currently, the total contribution rate is sufficient to amortize the System's unfunded liabilities in approximately 33 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, which includes a reduction in the pension multiplier. The City and COAERS are working together towards additional plan changes as discussed in more detail below.

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

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

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

Initially City contributions will increase 4% with additional City contribution increases relating to initial risk sharing valuation and legacy liability to be phased in over 3 years.

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

As of December 31, 2021, the Police Retirement System reported a net pension liability of $544.5 million for the 2021 plan year, which is a decrease from the $605.9 billion net pension liability reported for the prior 2020 plan year. The fiduciary net position as a percentage of the total pension liability increased to 66.5% for the 2021 plan year from 60.8% 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, 2021 was $1.62 billion and the funded ratio was 60.2%. The actuarial accrued liability for the Police Retirement System as of December 31, 2020 was $1.54 billion and the funded ratio was 58.6%.

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.

As of December 31, 2021, the Fire Fighters Retirement Fund reported a net pension liability of $11.8 million, with a plan fiduciary net position as a percentage of the total pension liability of 99.1%. The actuarial accrued liability for the Fire Fighters Retirement Fund was $1.31 billion and the funded ratio was 89.6%. As of December 31, 2020, the Fire Fighters Retirement Fund reported a net pension liability of $70.4 million and plan fiduciary net position as a percentage of the total pension liability of 94.3%. The actuarial accrued liability for the Fire Fighters Retirement Fund as of December 31, 2020 was $1.23 billion and the funded ratio was 87.5%.

The Fire Fighters Retirement Fund adopted a change used in the 2021 actuarial valuation. The valuation reflects the use of the most recently published mortality improvement scale by the Society of Actuaries. In addition, effective January 1, 2022, retirees received a one-time cost-of-living adjustment of 5.4%.

The financial statements for each plan are accessible on their respective websites. See “APPENDIX B – AUDITED FINANCIAL STATEMENTS – Note 10” in this document for additional information on the City’s Pension Plans. Also, see Note 7 of the City’s ACFR for their website address.

Future City Pension System Reforms. In response to the reported actuarial funding data for COAERS, which indicates that the pension system is currently significantly underfunded, the City has been working with COAERS to resolve the funding shortfalls. The City and COAERS are working collaboratively toward implementing changes during the 2023 session of the State Legislature. The potential changes include a more adaptable, actuarially determined funding model, phased increases to both City and employee contributions, and changes to the governance structure. No assurances can be provided that any such changes will be adopted by the State Legislature.

Other Postemployment Benefits (“OPEB”)

In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits (“OPEB”) to its retirees. The City’s OPEB plan is a defined-benefit single-employer plan. Allocation of City funds to pay OPEB other than pensions is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis. The City is under no obligation to pay any portion of the cost of OPEB for retirees or their dependents.

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

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

The City subsidizes between 16% and 80% of the projected medical premium for retirees and a lesser portion for dependents and surviving spouses depending on years of service at retirement. The retiree must pay the unsubsidized portion of the premium. Both the City and retirees’ estimated premiums are deposited in the Employee Benefits Fund, which pays actual claims for medical and prescription drugs and 100% of the retiree’s basic life insurance premium. The cost of coverage above the $1,000 level for life insurance premium is paid by the retiree. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium.

The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City funds its OPEB liabilities on a pay-as-you-go basis. The pay-as-you-go cost of providing medical and life benefits was $63.7 million in fiscal year 2022 and $57.6 million in fiscal year 2021.

The City commissions a biennial actuarial valuation of its OPEB liability with a roll-forward prepared in the year in which there is no formal valuation. As of the most recent December 31, 2021 biennial actuarial valuation date, the City’s total OPEB liability decreased to $4.25 billion from $4.35 billion as of the actuarial valuation (roll forward) measured as of December 31, 2020. The decrease in the total OPEB liability was the net effect of several factors. The primary factor was an updated assumption of the valuation-year per capita health costs based on claim experience through December 31, 2021, which decreased the total liability. This decrease was partially offset by liability increases caused by an actuarial experience loss which resulted from demographic changes and actual contributions/benefit payments being different than expected as well as the lowering of the discount rate from 2.12% to 2.06%.

See “APPENDIX B – AUDITED FINANCIAL STATEMENTS – Note 11 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. The Liability Reserve Fund is used to pay the cost of settled claims and the related expenses of settling these claims, administrative costs associated with fund's operations, and to establish a liability for incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately $11.8 million for claims and damages at the end of fiscal year 2022. 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.

2023 Legislative Session

On January 10, 2023, the 88th Legislature convened in general session, which is scheduled to adjourn on May 29, 2023. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may consider bills that could have a direct impact on the City and its operations. The City can make no representations or predictions concerning the substance or the effect of any legislation that may be passed in the future or how any such legislation could affect the City.

INVESTMENTS

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

Legal Investments

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

(1) obligations of the United States or its agencies and instrumentalities, including letters of credit;
(2) direct obligations of the State 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 investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this state that the investing entity selects; (ii) the broker or depository institution selected as described above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account (a) the depository institution selected as described above; (b) an entity described by Section 2257.041(d); or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3);
(9) certificates of deposit meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by a combination of cash and the FDIC or the NCUSIF, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits;
(10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in 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 United States Securities and Exchange Commission that comply with the United States Securities and Exchange Commission Rule 2a-7;

(14) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and

(15) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service.

The City may also invest bond proceeds in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if:

(i) the value of securities loaned under the program are not collateralized at less than 100%, including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool;

(ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City;

(iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; 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 NRC 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 December 31, 2022, was approximately $246 million.

The City is specifically prohibited from investing in:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and
(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

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

(1) understanding of the suitability of the investment to the financial requirements of the City;
(2) preservation and safety of principal;
(3) liquidity;
(4) marketability of each investment;
(5) diversification of the portfolio; and
(6) yield.

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

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing:

(1) the investment position of the City;
(2) that all investment officers jointly prepared and signed the report;
(3) the beginning market value and the ending value of each pooled fund group;
(4) the book value and market value of each separately listed asset at the end of the reporting period;
(5) the maturity date of each separately invested asset;
(6) the account or fund or pooled fund group for which each individual investment was acquired; and
(7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) State law.

No person may invest City funds without express written authority of the City Council or the Chief Financial Officer of the City.

Additional Provisions

Under Texas law, the City is additionally required to:

(1) annually review its adopted policies and strategies,
(2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council,
(3) require a registered representative of business organizations offering to engage in an investment transaction with the City to (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements;
(4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; and

(5) provide specific investment training for the Chief Financial Officer of the City, Treasurer and Investment Officers.

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

Current Investments

As of December 31, 2022, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	42%
U. S. Agencies	27%
Local Government Investment Pools	30%
Money Market Funds	1%

The dollar weighted average maturity for the combined City investment portfolios is 209 days. The City prices the portfolios weekly utilizing a market pricing service.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the 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 Bonds who are individuals. 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 Opinion" attached to this document.

In rendering the foregoing opinion, Bond Counsel will rely upon the representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Twenty-First Supplement after the issuance of the Bonds. The Twenty-First Supplement contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced with the Bonds by persons other than state or local governmental units, the manner in which the proceeds of the 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 Bonds to be includable in the gross income of the owners of the Bonds from the date of the issuance of the 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 Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the 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 Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the 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 Bonds. Prospective purchasers of the Bonds should be aware that the 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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the 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 Bonds. Prospective purchasers of the 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 Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such 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 Bonds described above under "TAX MATTERS – 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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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 purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. 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 a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

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.

CONTINUING DISCLOSURE OF INFORMATION

In the Twenty-First Supplement and the 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 Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of 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 – Annexations,"
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 2023 and (2) if not provided as part of the financial information and operating data, 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. 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 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 Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year is October 1 to September 30. Accordingly, it must provide updated financial information and operating data by March 31 of each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available as described above) by September 30 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 Bond 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 Twenty-First Supplement and the Pricing Certificate. None of the Bonds or the Twenty-First Supplement and the Pricing Certificate make any provision for debt service reserves or liquidity enhancement. See "SECURITY FOR THE BONDS - Bonds Not Secured by any Debt Service Reserve Fund" in this document. 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 Twenty-First Supplement.

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) above, 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 in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement. 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 Twenty-First Supplement and the Pricing Certificate for purposes of any other provision of the Twenty-First Supplement and the Pricing Certificate.

The City may amend its continuing disclosure agreement for the Bonds 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 such 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 its continuing disclosure agreement for any series of Bonds 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 such 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.

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OTHER RELEVANT INFORMATION

Ratings

The Bonds have received ratings of "Aa3" (stable outlook) from Moody's Investors Service, Inc. ("Moody's"), "AA–" (stable outlook) from S&P Global Ratings, a division of S&P Global Inc. ("S&P"), and "AA–" (stable outlook) from Fitch Ratings, Inc. ("Fitch"). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price and marketability of the Bonds. Except as provided under "CONTINUING DISCLOSURE OF INFORMATION – Disclosure Event Notices" in this document, the City will undertake no responsibility to notify the owners of the Bonds of any such revisions or withdrawal of ratings.

Registration and Qualification 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 in this document; 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 Twenty-First Supplement and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" in this document. The form of Bond Counsel's opinion is attached to this document as "APPENDIX E."

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", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION", "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 and the

Twenty-First 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 opinion of Bond Counsel will accompany the global certificate deposited with DTC in connection with the use of the Book-Entry-Only System. In addition, certain legal matters will be passed upon (i) for the Underwriters by Haynes and Boone, LLP, Underwriters' Counsel, and (ii) for the City by McCall, Parkhurst & Horton L.L.P., Disclosure Counsel. The payment of legal fees to Bond Counsel, Underwriters' Counsel, and Disclosure Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed in those opinions. In rendering a legal 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 of the Bonds. The Financial Advisor's fee for services rendered 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.

Independent Auditors

The financial data listed as 12 months ended December 31, 2022, has been derived from the unaudited internal records of the City. The City's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor the forward-looking financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may differ from the audited financial statements when they are released.

The financial statements of the City as of September 30, 2022 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.

Underwriting

The Underwriters have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the City at a purchase price of $473,001,302.74 (the $417,615,000.00 par amount of the Bonds, less an underwriting discount of $1,472,351.01, plus original issue premium of $56,858,653.75). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The 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 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 traded 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 Official Statement 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 hereof, 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

Prior to delivery of the Bonds, the Verification Agent Robert Thomas, CPA, LLC, 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 opinion with respect to the defeasance of the Refunded Bonds.

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 Twenty-First Supplement and the Pricing Certificate, as applicable, 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/ Kirk Watson
Mayor
City of Austin, Texas

ATTEST:
/s/ Myrna Rios
City Clerk
City of Austin, Texas

SCHEDULE I

SUMMARY OF REFUNDED BONDS[1]

<u>The Refunded Bonds</u>[1]

Electric Utility System Revenue Refunding Bonds, Series 2012A

Maturity		Interest Rate	Par Amount Refunded	Call Date	Call Price	CUSIP[2]
11/15/2024		5.000%	$10,805,000	6/16/2023	100.00%	052414MP1
11/15/2025		5.000%	11,310,000	6/16/2023	100.00%	052414MQ9
11/15/2026		5.000%	9,915,000	6/16/2023	100.00%	052414MR7
11/15/2027		5.000%	12,370,000	6/16/2023	100.00%	052414NB1
11/15/2028		5.000%	10,000,000	6/16/2023	100.00%	052414MS5
11/15/2028		4.000%	12,390,000	6/16/2023	100.00%	052414NH8
11/15/2029		4.000%	9,840,000	6/16/2023	100.00%	052414MT3
11/15/2030		4.000%	10,235,000	6/16/2023	100.00%	052414MU0
11/15/2031		4.000%	10,645,000	6/16/2023	100.00%	052414MV8
11/15/2032		4.000%	11,070,000	6/16/2023	100.00%	052414MW6
11/15/2037	(3)	4.000%	20,000,000	6/16/2023	100.00%	052414NC9
11/15/2037	(3)	5.000%	43,215,000	6/16/2023	100.00%	052414ND7
11/15/2040	(3)	5.000%	40,545,000	6/16/2023	100.00%	052414NG0

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(1) The refunding of any of the Refunded Bonds is contingent upon the delivery of the Bonds. See "PLAN OF FINANCING" in this document.

(2) CUSIP numbers have been assigned by FactSet Research Systems Inc. on behalf of the American Bankers Association. None of the City, the Financial Advisor or the Underwriters are responsible for the selection or the correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services.

(3) Represents a term maturity.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

General Information

The City of Austin, Texas (the "City") chartered in 1839, has a Council-Manager form of government with a Mayor who is elected at large and ten Council members who are elected by geographic district. The districts, drawn by an independent citizen's commission, are to be adjusted after each U.S. census. Following results of the 2020 Census, the Independent Citizens Redistricting Commission presented a certified map to City Council in October 2021, which was in effect for the Fall 2022 elections. The City's elected officials serve four-year staggered terms subject to a maximum of two consecutive terms. However, as a result of Proposition D which passed in May of 2021, the recently elected mayor will serve a two-year term, so that future mayoral elections will coincide with presidential elections. 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.

Austin, 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 2022 population of 981,610 according to the City's estimates. Geographically, the City consists of approximately 328 square miles in an area known as silicon hills, that lies in the Central Texas hill country region. The current estimated median household income for Austin residents is $80,412 according to Nielsen Site Reports and Austin's per capita personal income is estimated to be $77,500, an 8.6% increase over 2021.

The City ranked 13th in the *U.S. New & World Report* list of best places to live in 2022. As the City has experienced historic growth and a rising national presence, the City has grappled with housing affordability, mobility issues and maintaining its laid back culture and quirky charm. The City topped a list from SmartAsset indicating that the City attracted more millennials than any other US city last year, while several other large cities experienced a decline.

Higher education remains a significant aspect of life in the City area and is often cited by many companies as a factor in deciding to relocate to the area. More than 55% of the City residents over 25 years of age hold a bachelor's degree, which is significantly higher than the state or national rates. The City is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), a world-class center of education and research, consistently ranks in the top 10 largest public universities in the U.S. in terms of undergraduate enrollment. In the 2022 *U.S. News & World Report* Best Colleges survey, the university ranks tenth (tied) among public universities and its business programs were ranked fifth (tied) among national universities, both public and private. Also in a new global ranking, UT placed 43rd and was the highest ranked school in Texas.

Major Initiatives

Following two years of emergency response to the COVID-19 pandemic, the City remains equipped to effectively deal with changing circumstances and responsive actions necessary to maintain consistent operations. The City has a highly dedicated and exceptional workforce that is committed to creating a work environment that fosters sustainable and equitable solutions, creative thinking, and innovation throughout the organization, thereby better positioning the workforce to respond more effectively to new challenges and new opportunities.

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: (1) Grow as a compact, connected city, (2) Integrate nature into the City, (3) Provide paths to prosperity for all, (4) Develop as an affordable and healthy community, (5) Sustainably manage water, energy, and other environmental resources, and (6) 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 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* - Providing, safe and cost-effective transportation options within the City;
- *Economic Opportunity and Affordability* - having economic opportunities and resources that enable residents to thrive in the community;
- *Safety* - being safe at home, at work, and in the community;
- *Health and Environment* - enjoying a sustainable environment and a healthy life, physically and mentally;
- *Culture and Lifelong Learning* - being enriched by Austin's unique civic, cultural, ethnic, and learning opportunities; and
- *Government that Works for All* - believing that city government works effectively and collaboratively for all residents - that is equitable, ethical and innovative.

As a result of the Strategic Direction 2023 effort, the annual budget presents departmental expenditure plans and measures in alignment with these six outcomes.

Mobility – the City has become a national leader in pedestrian safety, having installed 100 pedestrian hybrid beacons through the Corridor Program Office. At 13 major intersections, a 31% reduction in crashes resulting in serious injury or death was recorded following major redesign by the Austin Transportation Department. A control group of similar intersections across the city had an overall decrease in total crashes and an 8% increase in crashes resulting in serious injuries or fatalities.

Of the $626.1 million total capital spending plan for Mobility initiatives in 2023, $266.6 million, or over 43%, is earmarked for airport projects including a new central utility plant and improvements to the centralized baggage handling system at ABIA. All of these projects fall within the AUS 2040 Master Plan. Austin Transportation and Public Works have a combined $327.6 million in capital projects for fiscal year 2023, including continuation of the Corridor Construction Program, as well as $53.9 million for bikeways, sidewalks, and trail projects.

Economic Opportunity and Affordability –The Housing and Planning Department created a Displacement Risk Dashboard to help inform decisions on where investments should be prioritized near Project Connect stations and lines to help stabilize vulnerable households. In conjunction with that project, the department awarded $20 million to 14 nonprofit organizations to reduce displacement along Project Connect corridors. Capital expenditures in the Housing and Planning Department comprise 77%, or $79.1 million, of the total capital budget for this strategic outcome. The majority of the $79.1 million comes from the 2018 Affordable Housing bonds which have now largely been expended. Also included in the capital plan is $2.3 million to support Colony Park Sustainable Community Infrastructure by initiating the development of a health and wellness center. After adoption of the fiscal year 2023 budget, voters approved a $350 million bond measure to help the City develop more affordable housing through land purchases as well as help low-income and senior homeowners repair and stay in their homes, enabling the City to continue its commitment to reach key affordable housing goal targets.

Safety – The Reimagining Public Safety (RPS) framework established in 2020 endeavors to prioritize a holistic approach to providing public safety services and community-centered crime prevention strategies to ensure that everyone in the community feels safe in their home and neighborhood. As part of the recommendations from the Reimagine Public Safety Taskforce, the Forensic Science Department was established as a stand-alone department in the fiscal year 2023 budget. Additionally, the Austin Police Department's first cadet class to attend the reimagined training academy graduated – and is the most diverse group of graduates in the department's history. The capital budget for this strategic outcome lies predominantly with Communications and Technology Management which is replacing critical wireless technology and upgrading the Greater Austin-Travis County Regional Radio System (GATRRS).

Health and Environment – As a result of weather-related emergencies, including Winter Storm Uri in 2021, the current budget has dedicated new funds to develop disaster infrastructure, including hot and cold weather centers and neighborhood resiliency hubs. The City has identified six pilot sites to serve as resilience hubs in collaboration with community partners. The pilot program will test activation protocols and help develop the first iteration of the Austin Resilience Hub Network website as well as a comprehensive toolkit for establishing other resilience hubs.

Capital expenditures for this strategic outcome lie predominantly with Austin Water, which accounts for 71.2% of the $272.6 million of planned capital Health and Environment expenditures in 2023. Austin Water will be implementing upgrades and improvements to the Walnut Creek Wastewater Treatment Plan as well as continuing Advanced Metering Infrastructure projects. The 2023 capital budget also includes $7.4 million in the Parks and Recreation Department budget for pool development at the Colony Park District Park.

Culture and Lifelong Learning – In July 2022, the City Council voted to define “live music venue” in the City code. The intent is to allow music venues to be considered arts organization, allowing them to tap into city programs and other revenue sources, thereby adding a layer of protection against displacement. This complements the Iconic Venue Fund and Cultural Trust previously established by Council.

Government that Works for All – Toward the effort of increasing the City’s ability to effectively manage and rebound from acute shocks and long-term stressors, the City hired its first Chief Resilience Officer, launching the City’s Resilience Office. The Financial Services Department supported the City’s equity and resource allocation goals through developing the financing plan for the Colony Park Sustainable community. The Colony Park tax increment reinvestment zone (TIRZ) was approved by Council in November 2022 and will support crucial infrastructure investments in the Colony Park neighborhood. In another major initiative, the Equity Office launched a Guaranteed Basic Income pilot program following City Council approval in May 2022. The $1,000 monthly payments to 135 families selected by several non-profit community partners began in September. This pilot is the first of its kind both in Austin and in Texas.

Ending Homelessness – National trends such as rising rent costs and insufficient affordable housing continue to push many into homelessness. Homelessness has been highlighted separately as a community priority with a goal of making homelessness something that is rare, brief, and nonrecurring. In 2022, over 200 people were relocated from encampments to shelters through the Homeless Encampment Assistance Link. The 2023 budget allocates $6 million in ARPA funds to continue this program. Additional ARPA funding will increase the capacity of service providers in Austin’s Homelessness Response System and address the goals of Finding Home ATX, including rehousing 3,000 Austinites over 3 years.

The Homeless Encampment Management Team, a multi-departmental group was established in August 2022 to coordinate management of public spaces occupied by homeless camps. The fiscal year 2023 budget includes $4.8 million for encampment cleanup, which will be equitably deployed through the Homeless Encampment Management tool.

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 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 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 several 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. It also results in positive bond ratings, which measures the City's ability to repay its debt.

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 department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one department to another. As demonstrated by the statements and schedules included in this 2022 ACFR, the City continues to meet its responsibility for sound financial management.

Budgetary Information

With stronger economic growth following the Pandemic, the fiscal year 2023 Budget allows for a greater focus on employee retention. City Council approved a 4% across-the-board civilian wage increase, the highest increase in more than two decades. City Council also approved an increase to the living wage from $15 per hour to $20 per hour, the largest increase in entry pay ever enacted at the City. The budget development process integrates a collaborative approach to the City's finances with business planning, performance measurement, and resident input. By organizing around City Council identified strategic outcomes, the document focuses more on the bigger picture and less on the details of departmental expenditures. Although the fiscal year 2023 budget development process remained largely remote, input was gathered and evaluated to address the issues, concerns, and priorities identified by the City's residents, employees, boards and commissions, and City Council members. The result is a budget built around the ideals of resiliency, affordability, equity, and inclusivity that dictate the operations of the City government.

The balanced fiscal year 2023 Approved Budget totals $5.0 billion and includes $1.3 billion for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services for the growing number of City residents and visitors. Budgeted revenue comes from utility charges (44%), various taxes, including property and sales tax (31%), charges for services and goods (14%), and other revenue such as interest, fees, and transfers (11%). The fiscal year 2023 budget was approved with a 7.83 cent decrease to the property tax rate, from 54.10 to 46.27 cents per $100 of taxable value. Increases in assessed values and new construction enabled this reduction. Increases in utility fees for Austin Energy, Austin Resource Recovery and the Transportation User Fee created an overall 3.8% increase to the typical homeowner in the City.

The City's largest enterprise department, Austin Energy, serves over 528,000 customers within a service territory of approximately 437 square miles in the Greater Austin area. Austin Energy's approved fiscal year 2023 budget is $1.6 billion in annual revenues, including transfers. The City Council approved an increase to the Power Supply Adjustment and Regulatory Charges in October 2022 as a result of increased costs to the utility, predominantly natural gas prices and transmission congestion costs. An increase in base rates is slated to begin in March of 2023. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources such as solar and wind.

The City's second largest enterprise department is Austin Water, which provides water and wastewater services to more than one million retail and wholesale customers spanning more than 548 square miles within the City and surrounding areas. The fiscal year 2023 budget projects revenues and transfers in of $673.3 million. Despite increased infrastructure investments, there are no planned changes to water and wastewater rates for fiscal year 2023, largely due to savings the utility was able to achieve through low-interest loan programs and refunding higher interest rate debt.

ADDITIONAL INFORMATION

Ten Largest Employers (As of September 30, 2022)

Employer	Industry	Employees	Percent of MSA Total
State Government	Government	39,306	3.15
The University of Texas at Austin	Education	29,597	2.37
HEB Grocery Stores	Grocery/Retail	20,749	1.66
City of Austin	Government	15,548	1.25
Federal Government	Government	15,000	1.20
Dell Computer Corporation	Computers	13,000	1.04
Ascension Seton	Healthcare	12,086	0.97
Amazon LLC	Retail	11,000	0.88
St. David's Healthcare Partnership	Healthcare	10,854	0.87
Austin Independent School District	Education	10,565	0.85

Source: 2022 Annual Comprehensive 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 (2)	Unemployment Rate (MSA) (4)
2013	841,649	321	1,883,901	88,950,627	46,436	47,216	5.2%
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	3.3%
2017	946,080	325	2,115,230	117,458,116	56,849	55,530	3.1%
2018	963,797	326	2,168,316	127,439,164	63,191	58,773	2.9%
2019	980,886	327	2,187,161	138,650,094	65,950	63,393	2.6%
2020	961,855	327	2,235,584	150,639,599	69,001	64.913	6.3%
2021	975,321	327	2,298,224	163,778,682	71,186	71,300	3.5%
2022	981,610	328	2,361,566(3)	178,002,458(5)	80,412	75,400(5)	2.8%
2013-2022 Change	16.63%	2.11%	25.36%	100.11%	73.17%	59.69%	

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

(1) Source: City Demographer, City of Austin, Housing and Planning Department based on full purpose area as of April 1, 2022.
(2) Source: Bureau of Economic Analysis.
(3) Source: Nielson SiteReports.
(4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30, 2022.
(5) Data not available for 2022. Figures are estimated.

City Sales Tax Collections (In Millions) (1)

1/1/2018	$18.369	1/1/2019	$18.697	1/1/2020	$20.198	1/1/2021	$19.781	1/1/2022	$26.385	1/1/2023	$29.410
2/1/2018	22.174	2/1/2019	23.474	2/1/2020	26.824	2/1/2021	25.532	2/1/2022	30.963	2/1/2023	33.666
3/1/2018	17.895	3/1/2019	19.197	3/1/2020	20.704	3/1/2021	18.927	3/1/2022	24.307	3/1/2023	27.506
4/1/2018	16.939	4/1/2019	18.499	4/1/2020	19.065	4/1/2021	17.768	4/1/2022	24.174		
5/1/2018	21.249	5/1/2019	21.771	5/1/2020	20.801	5/1/2021	26.089	5/1/2022	31.042		
6/1/2018	18.371	6/1/2019	20.966	6/1/2020	16.875	6/1/2021	23.139	6/1/2022	27.873		
7/1/2018	19.552	7/1/2019	20.275	7/1/2020	18.096	7/1/2021	23.952	7/1/2022	28.586		
8/1/2018	20.338	8/1/2019	21.556	8/1/2020	21.667	8/1/2021	26.558	8/1/2022	31.773		
9/1/2018	19.701	9/1/2019	21.797	9/1/2020	19.750	9/1/2021	25.021	9/1/2022	29.397		
10/1/2018	19.502	10/1/2019	20.080	10/1/2020	19.178	10/1/2021	25.356	10/1/2022	29.675		
11/1/2018	20.661	11/1/2019	22.017	11/1/2020	22.036	11/1/2021	28.990	11/1/2022	31.441		
12/1/2018	20.482	12/1/2019	21.463	12/1/2020	20.670	12/1/2021	25.930	12/1/2022	29.425		
	$235.23		$249.79		$246.66		$287.04		$345.12		$90.58

(1) Sales taxes are not pledged to the payment of the Obligations.
Source: City of Austin, Financial Services Department – Budget & Performance

Utility Connections

	Utility Connections		
Year	Electric (1)	Water (1)	Gas (1)
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
2020	507,660	243,820	239,063
2021	520,757	247,037	240,263
2022	530,698	250,705	240,048

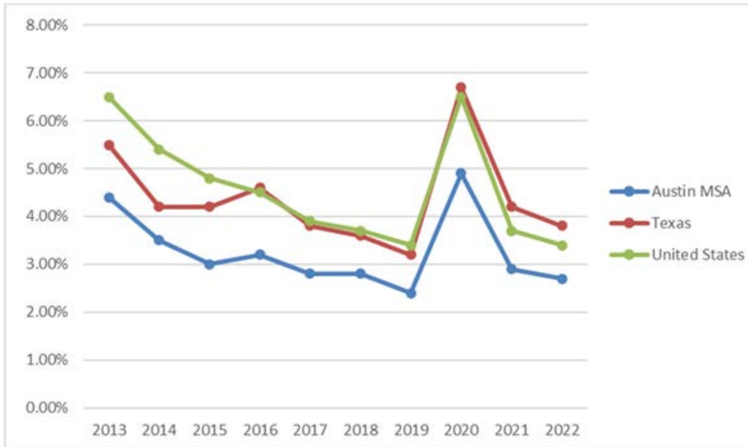
(1) Based on the City's fiscal year, which runs October 1 through September 30.
Source: Various, including the City of Austin, Texas Gas Services, Atmos Energy and CenterPoint Energy.

Employment by Industry in the Austin Metropolitan Area (1)

	2018		2019		2020		2021		2022	
		% of total		% of total		% of total		% of total		% of total
Mining, Logging, and Construction	64,500	6.00%	69,000	6.18%	71,200	6.41%	73,300	6.29%	78,900	6.19%
Manufacturing	60,700	5.64%	62,500	5.60%	65,000	5.85%	64,800	5.56%	70,400	5.53%
Trade, Transportation, and Utilities	179,700	16.71%	184,800	16.56%	195,300	17.58%	190,300	16.32%	205,200	16.11%
Information	34,700	3.23%	38,400	3.44%	40,500	3.65%	45,100	3.87%	51,900	4.07%
Financial Activities	63,100	5.87%	66,200	5.93%	69,700	6.27%	73,000	6.26%	78,200	6.14%
Professional and Business Services	187,700	17.45%	198,700	17.80%	207,400	18.67%	235,200	20.18%	272,900	21.43%
Education and Health Services	125,300	11.65%	128,900	11.55%	124,900	11.24%	133,900	11.49%	143,000	11.23%
Leisure and Hospitality	130,700	12.15%	135,600	12.15%	106,400	9.58%	119,700	10.27%	138,500	10.87%
Other Services	46,300	4.30%	47,500	4.26%	42,300	3.81%	44,800	3.84%	48,400	3.80%
Government	183,000	17.01%	184,600	16.54%	188,300	16.95%	185,600	15.92%	186,300	14.63%
Total nonfarm employment	1,075,700	100%	1,116,200	100%	1,111,000	100%	1,165,700	100%	1,273,800	100%

(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.
2013	5.2%	6.3%	7.4%
2014	4.3%	5.2%	6.2%
2015	3.4%	4.5%	5.3%
2016	3.3%	4.6%	4.9%
2017	3.2%	4.3%	4.4%
2018	3.0%	3.9%	3.9%
2019	2.7%	3.5%	3.7%
2020	6.2%	8.9%	8.1%
2021	4.8%	6.6%	6.1%
2022(1)	3.1%	4.1%	3.6%

Source: U.S. Bureau of Labor Statistics as of September 20, 2022. 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 on March 4, 2020.
(1) Reflects the June 2022 monthly unemployment rate.

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Housing Units

Rental rates in the City averaged $1.91 per square foot, with an occupancy rate of 91.9% as of July 2022, per ApartmentData.Com.

Residential Sales Data (Austin-Round Rock MSA)

Year	Number of Sales	Total Volume ($)	Average Price ($)
2013	29,914	8,563,906,606	286,284
2014	30,073	9,213,870,475	306,383
2015	31,326	10,342,187,130	330,147
2016	32,580	11,292,237,627	346,600
2017	33,842	12,376,009,278	365,700
2018	34,656	13,156,532,792	379,632
2019	37,057	14,570,169,172	393,183
2020	40,311	17,629,901,730	437,347
2021	41,413	23,397,281,957	564,974
2022	18,430	11,911,777,953	640,274

Source: Real Estate Center at Texas A&M University; data as of June 2022.

City-Wide Austin Office Occupancy Rate

Year	Occupancy Rate
2013	89.2%
2014	90.9%
2015	90.9%
2016	91.8%
2017	89.5%
2018	89.4%
2019	89.4%
2020	90.0%
2021	80.7%
2022(1)	78.9%

(1) As of June 2022.
Source: Cushman & Wakefield.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS

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CITY OF AUSTIN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, 2022, 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.

We did not audit the financial statements of Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), Austin Economic Development Corporation (AEDC), and Austin Transit Partnership Local Government Corporation (ATP), which represent 99.9%, 99.9%, and 98.7%, respectively, of the assets, net position, and revenues of the discretely presented component units as of September 30, 2022. Those statements were audited by other auditors whose reports, one of which (ACE) has an emphasis of matter paragraph related to debt service coverage requirements, has been furnished to us, and our opinion, insofar as it relates to the amounts included for ABLE, ACE, AEDC, and ATP, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the City presented its financial statements to reflect the effects of the adoption of Governmental Accounting Standards Board Statement No. 87, *Leases*, on October 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 and related notes, 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 is the responsibility of management and, 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 8, 2023

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Annual Comprehensive Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022.

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. 90, No. 92 and No. 93, No. 95, and No. 97 through No. 99.

FINANCIAL HIGHLIGHTS

Government-wide financial statements
The City's assets and deferred outflows exceeded its liabilities and deferred inflows in fiscal year 2022, resulting in $3.5 billion of net position. Net position associated with governmental activities is a deficit of approximately $744.1 million, while the net position associated with business-type activities is approximately $4.2 billion, or 121.5% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is $4.8 billion, or 138% of total net position.

The City's unrestricted net position is a deficit of $2.9 billion. Unrestricted net position for governmental activities is a deficit of $3.4 billion, while unrestricted net position for business-type activities is approximately $525.6 million, or 12.5% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of $1.2 billion and other postemployment benefits (OPEB) liability of $2.5 billion.

During fiscal year 2022, total net position for the City of Austin increased $226.3 million or 7%. Of this amount, governmental activities increased $48.3 million, or 6.1% from the previous year and business-type activities increased $178.0 million, or 4.4%.

Total revenues for the City increased $767.8 million; revenues for governmental activities increased $134.5 million; revenues for business-type activities increased $633.3 million. Total expenses for the City increased $350.1 million; expenses for governmental activities decreased $180.5 million; expenses for business-type activities increased $530.6 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 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: Austin Housing Finance Corporation (AHFC), Austin Housing Public Facility Corporation (AHPFC), Urban Renewal Agency (URA), 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, AHPFC, 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 six discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), Austin Economic Development Corporation (AEDC), Austin Transit Partnership Local Government Corporation (ATP), 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 ABLE, ACE, AEDC, ATP, 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 2022.

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

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

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of three of the City's major funds, Austin Energy™, Austin Water, 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 and Technology; 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	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 twelve 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	
	2022	2021	2022	2021	2022	2021
Current assets	$ 908,983	799,736	1,902,732	1,859,181	2,811,715	2,658,917
Capital assets	3,798,397	3,645,813	9,441,884	9,301,701	13,240,281	12,947,514
Other noncurrent assets	538,329	446,687	3,918,091	3,239,322	4,456,420	3,686,009
Total assets	5,245,709	4,892,236	15,262,707	14,400,204	20,508,416	19,292,440
Deferred outflows of resources	1,478,761	1,682,325	1,078,108	1,126,855	2,556,869	2,809,180
Current liabilities	700,975	646,081	783,178	645,355	1,484,153	1,291,436
Noncurrent liabilities	5,346,008	5,522,562	9,188,102	8,883,001	14,534,110	14,405,563
Total liabilities	6,046,983	6,168,643	9,971,280	9,528,356	16,018,263	15,696,999
Deferred inflows of resources	1,421,611	1,198,398	2,165,987	1,973,117	3,587,598	3,171,515
Net position:						
Net investment in capital assets	2,332,283	2,208,451	2,441,596	2,408,833	4,773,879	4,617,284
Restricted	341,114	265,681	1,236,318	1,107,411	1,577,432	1,373,092
Unrestricted (deficit)	(3,417,521)	(3,266,612)	525,634	509,342	(2,891,887)	(2,757,270)
Total net position	$ (744,124)	(792,480)	4,203,548	4,025,586	3,459,424	3,233,106

In the current fiscal year, total assets increased $1.2 billion and deferred outflows of the City decreased by $252.3 million. Total liabilities increased $321.2 million and deferred inflows increased by $416.1 million. Governmental-type total assets increased by $353.5 million and business-type increased by $862.5 million, while governmental-type liabilities decreased by $121.7 million and business-type increased by $442.9 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of $152.6 million as the City continues to build out projects from the 2012, 2016, and 2018 bond programs. Factors in the decrease of governmental-type liabilities of $121.7 million include a decrease in net pension liability of $142.2 million, a decrease in OPEB liability of $84.8 million, offset by an increase in bonds payable of $68.0 million, and other liabilities of $80.5 million. The decrease in the pension liability is driven mainly by favorable investment returns, whereas the decrease in the OPEB liability is primarily due to a reduction in per capita health costs based on claim experience through the end of the valuation period.

The most significant factor in the increase of business-type total assets of $862.5 million is related to the increase in Airport restricted cash of $490.3 million which is due to the proceeds of a bond issuance. Another factor is the $141.7 million increase in capital assets, of which approximately $33 million and $34 million is related to the construction of the Airport's new information technology building and Convention Center's marshalling yard and warehouse building, respectively. In addition, approximately $75 million of the increase in capital assets is related to various water and wastewater pump station improvements. The primary factors for the increase in business-type total liabilities of $442.9 million include an increase in bonds payable of $294.9 million, commercial paper of $81.9 million, and customer deposits of $81.2 million. Deferred inflows increased $192.9 million which was driven by an increase of $177.8 million in net pension and OPEB liability related deferrals.

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 $3.5 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 $4.8 billion, or 138% 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, $1.6 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 $2.9 billion of unrestricted net position. Unrestricted net position decreased $134.6 million in the current fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued
a—Net position, continued

At the end of the current fiscal year, the City reported positive balances in all three categories of net position for business-type activities. However, both governmental activities and the government as a whole, reported deficits of $3.4 billion and $2.9 billion for unrestricted net position, respectively.

b -- Changes in net position

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

	Governmental Activities		Business-Type Activities		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Program revenues:						
Charges for services	$ 146,739	126,643	3,084,992	2,461,429	3,231,731	2,588,072
Operating grants and contributions	105,901	182,566	50,859	32,377	156,760	214,943
Capital grants and contributions	77,827	99,864	165,649	150,385	243,476	250,249
General revenues:						
Property tax	978,108	937,352	--	--	978,108	937,352
Sales tax	341,620	281,784	--	--	341,620	281,784
Franchise fees and gross receipts tax	205,978	120,085	--	--	205,978	120,085
Intergovernmental	19,833	--	--	--	19,833	--
Interest and other	47,175	40,374	(20,844)	3,187	26,331	43,561
Special item - land sale	--	--	--	--	--	--
Total revenues	1,923,181	1,788,668	3,280,656	2,647,378	5,203,837	4,436,046
Program expenses:						
General government	279,333	327,126	--	--	279,333	327,126
Public safety	766,390	853,434	--	--	766,390	853,434
Transportation, planning, and sustainability	247,850	232,056	--	--	247,850	232,056
Public health	200,004	204,819	--	--	200,004	204,819
Public recreation and culture	206,004	185,110	--	--	206,004	185,110
Urban growth management	162,493	242,225	--	--	162,493	242,225
Interest on debt	70,858	68,724	--	--	70,858	68,724
Electric	--	--	1,605,171	1,256,788	1,605,171	1,256,788
Water	--	--	323,833	245,336	323,833	245,336
Wastewater	--	--	290,506	232,053	290,506	232,053
Airport	--	--	239,651	213,129	239,651	213,129
Convention	--	--	74,831	65,938	74,831	65,938
Environmental and health services	--	--	146,379	155,957	146,379	155,957
Public recreation	--	--	10,663	10,293	10,663	10,293
Urban growth management	--	--	353,553	334,450	353,553	334,450
Total expenses	1,932,932	2,113,494	3,044,587	2,513,944	4,977,519	4,627,438
Excess (deficiency) before transfers	(9,751)	(324,826)	236,069	133,434	226,318	(191,392)
Transfers	58,107	125,945	(58,107)	(125,945)	--	--
Increase (decrease) in net position	48,356	(198,881)	177,962	7,489	226,318	(191,392)
Beginning net position, as previously reported	(792,480)	(600,610)	4,025,586	4,018,097	3,233,106	3,417,487
Restatement adjustment	--	7,011	--	--	--	7,011
Beginning net position, as restated	(792,480)	(593,599)	4,025,586	4,018,097	3,233,106	3,424,498
Ending net position	$ (744,124)	(792,480)	4,203,548	4,025,586	3,459,424	3,233,106

Total net position of the City increased by $226.3 million in the current fiscal year. Governmental net position increased by $48.3 million. The increase is attributable to transfers from other funds of $58.1 million exceeding a deficiency of $9.8 million caused by expenses exceeding revenues. Business-type net position increased by $178.0 million due to revenues exceeding expenses by $236.1 million before transfers of $58.1 million to other funds.

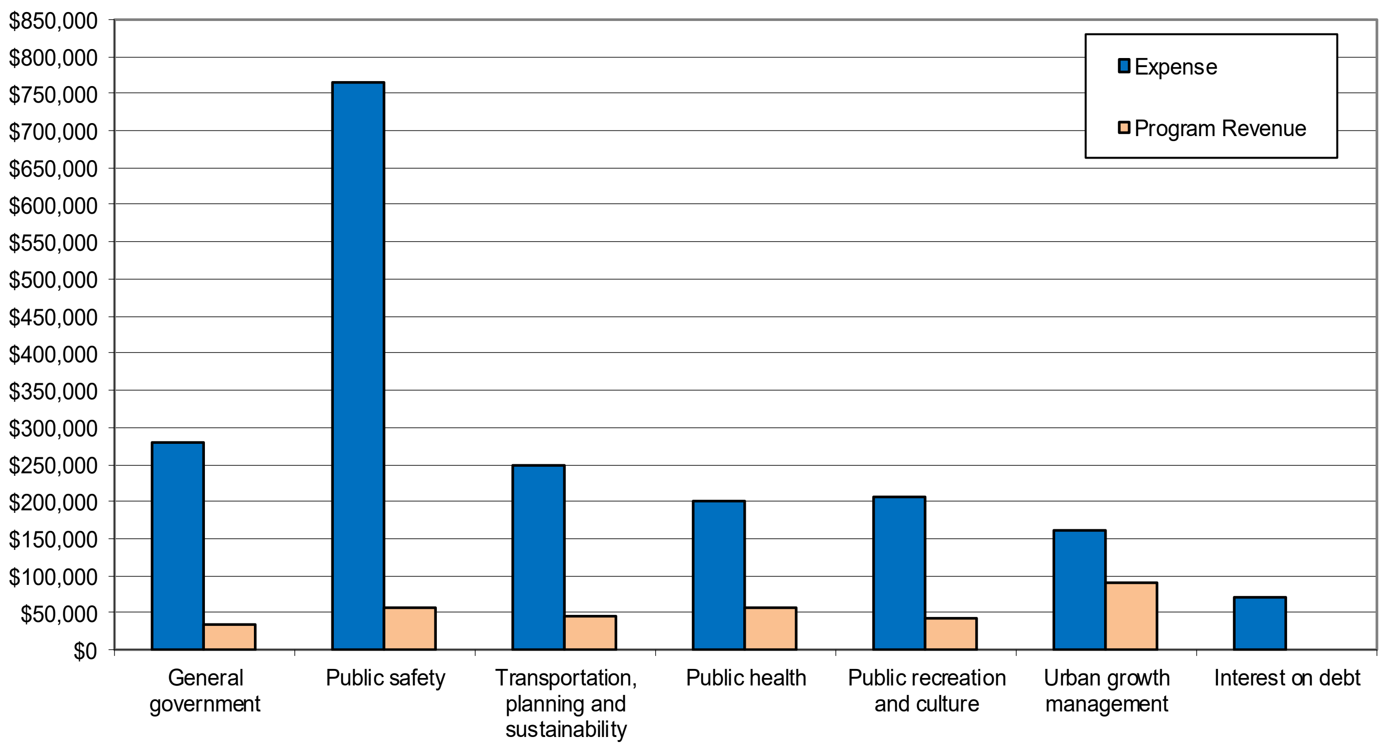
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

c -- Program revenues and expenses -- governmental activities
Governmental activities increased the City's net position by $48.3 million in fiscal year 2022, a 6.1% increase of governmental net position from the previous year. The primary reason for the change in net position is due to increased revenue as a result of improved economic activity as local businesses return to normal operations. Additional factors that contributed to the change from fiscal year 2021 to 2022 are as follows:

- Property tax revenues increased $40.8 million primarily due to an increase in assessed property values.
- Sales tax increased $59.8 million due to Austin's population and economic growth, coupled with the continued recovery from COVID-19 restrictions.
- Franchise fees and gross receipts tax increased $85.9 million due to the rebound of tourist activity following the pandemic.
- Public safety expenses decreased by $87.0 million mainly due to a $54.5 million decrease in the police pension expense.
- Urban growth management expenses decreased by $79.7 million, which corresponded with a reduction in operating grants and contributions of $76.7 million, due to a decrease in the Emergency Rental Assistance (ERA) federal assistance of $46.6 million and Coronavirus Aid, Relief, and Economic Security (CARES) Act assistance of $19.1 million.

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)

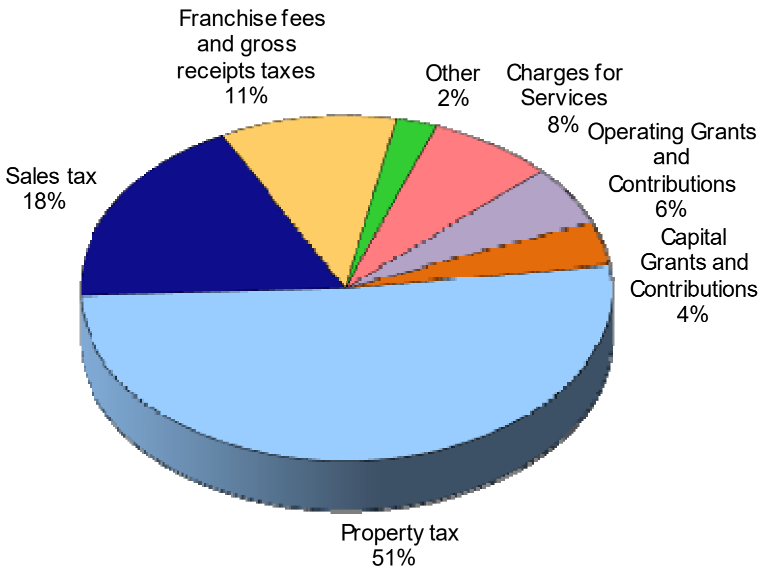


<u>FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued</u>

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 operating grants and contributions.

Government-wide Revenues by Source -- Governmental Activities



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

Business-type activities increased the City's net position by approximately $178.0 million, accounting for a 5.5% increase in the City's total net position. Key factors include:

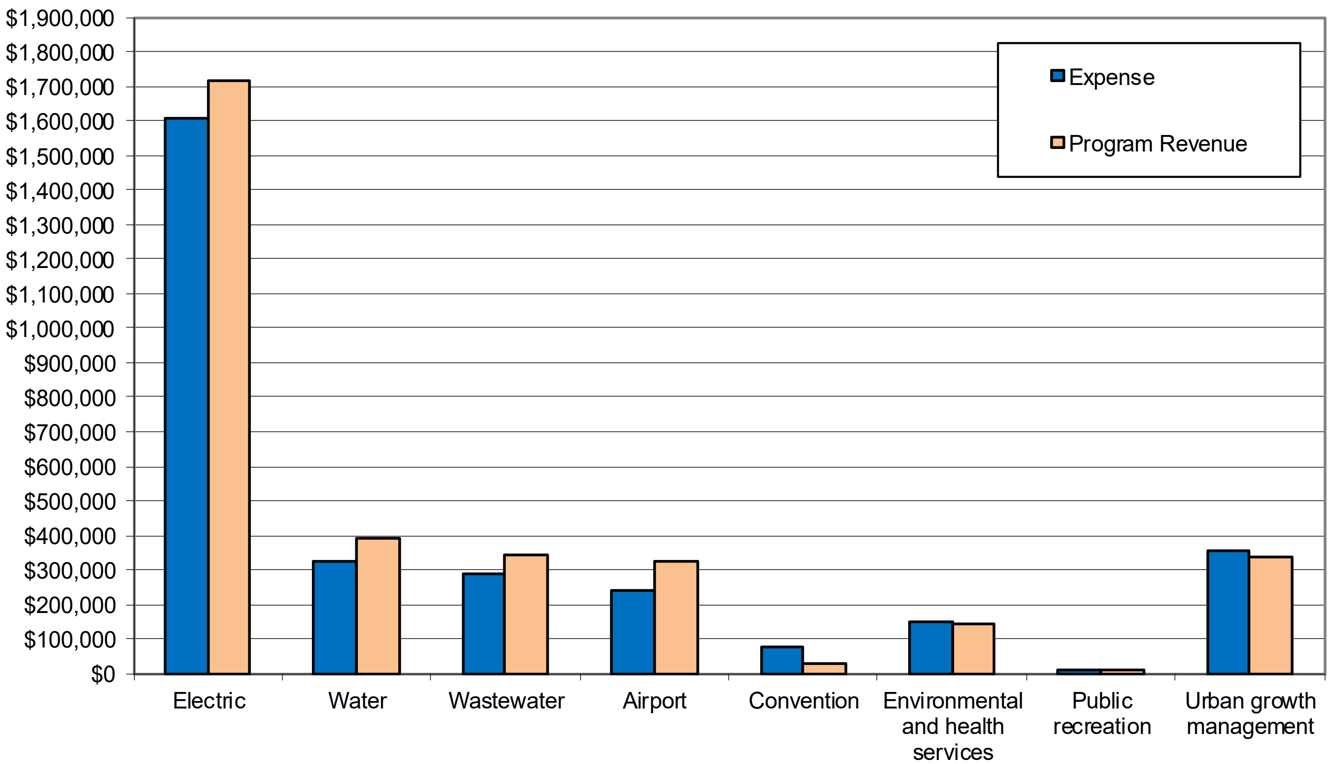
- Austin Energy net position decreased $20.8 million. This decrease can be attributed to lower base revenue due to the timing of base rate increases.
- Austin Water net position increased approximately $69.9 million. Revenues increased 13.4% due to the record heat in the summer of 2022 which resulted in higher than anticipated water demand. Expenses increased 28.7% mainly due to a regulatory accounting adjustment for costs recovered in future years.
- Airport net position increased approximately $81.0 million. Revenue increased 48.7% due to a 95% increase in passenger traffic, resulting in an increase in most revenue streams. Expenses increased 12.4%, due to an increase in operating and maintenance expenses as a result of increased passenger traffic.
- Convention Center net position increased approximately $62.6 million. Revenues increased 395% due to an increase in the number of events that occurred in fiscal year 2022 compared to fiscal year 2021. As a result of the increase in events, revenues from food and beverage concessions, parking fees, and utility service increased. Expenses increased 13.5% due to the increase in event activity. The primary drivers include food and beverage expense and temporary employee wages to keep up with the increase in events, as well as a one-time service incentive enhancement.
- Environmental and health services is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position decreased approximately $6.1 million. Revenues increased 7.3% due mainly to an increase in the base fee for residential accounts and customer growth. Expenses decreased 6.1% primarily due to a decrease in landfill closure expenses of $8.4 million from prior year related to an increase in the landfill post closure liability.

<u>FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued</u>
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 $9.3 million.
  - Development Services revenues increased by 11.1%, primarily as a result of increased revenues generated from review, permitting, and inspections associated with residential and commercial development. Expenditures increased 11.1% overall, due to the addition of 21 positions, wage adjustments, and a one-time service incentive enhancement.
  - Drainage revenues decreased 4.9% primarily due to a decrease in contributions of $12.0 million from prior year related to an decrease in land acquisition. Expenses decreased 0.8% due to the completion of Phase I of the Waterloo Greenway project.
  - Transportation revenues increased 18.2% due to increases in existing fees and adoption of new fees established in fiscal year 2022 for commercial vehicle and right-of-way permits. Expenditures increased 6.7% overall with the primary drivers being an addition of 70 positions, and an increase in wages and commodities.

As shown in the following chart, Austin Energy (electric), with expenses of $1.6 billion is the City's largest business-type activity, followed by urban growth management with $353.6 million, water with $323.8 million, wastewater with $290.5 million, airport with $239.7 million, environmental and health services with $146.4 million, convention with $74.8 million, and public recreation with $10.7 million. For the fiscal year, expenses exceeded revenues for convention, environmental and health services, and urban growth management activities.

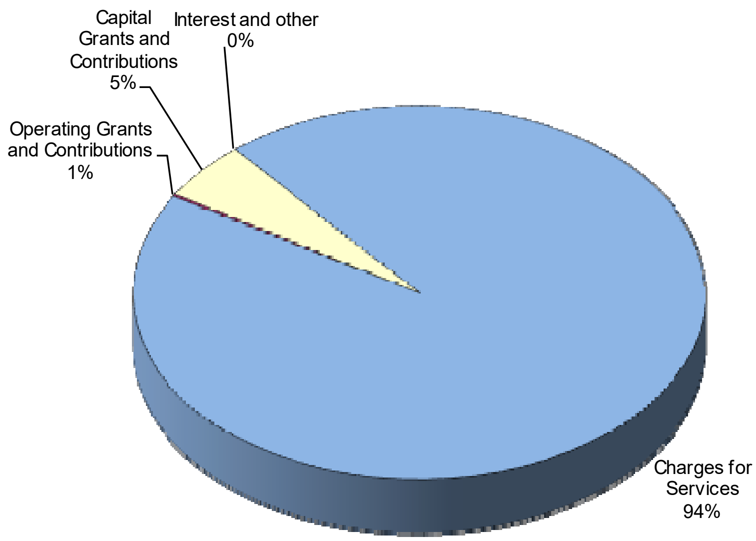
Government-wide Expenses and Program Revenues -- Business-type Activities
(Excludes General Revenues and Transfers)
(in thousands)



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, operating grants and contributions, and interest and other revenues.

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's governmental funds reported combined ending fund balances of $710.3 million, an increase of $151.0 million from the previous year. Approximately $4.1 million is nonspendable, $355.1 million is restricted, $79.5 million is committed, $273.6 million is assigned, and a deficit of $1.9 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 $3.0 million, assigned fund balance of $150.1 million, and unassigned fund balance of $188.7 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 15.9% of total General Fund expenditures of $1.2 billion, and total fund balance represents 28.8% 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 $113.4 million. The balance identified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, if the reserve exceeds six percent of total General Fund requirements, but such appropriation should not exceed one-third of the total amount in the reserve.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS, continued

a -- Governmental funds, continued

The fund balance of the General Fund increased $68.7 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased $23.3 million due primarily to an increase in assessed property values.
- Sales tax revenue increased $59.8 million due to Austin's population and economic growth and revival of activity from the pandemic.
- General government expenditures decreased by $23.6 million primarily due to a decrease in COVID-19 response expense transfers of $44.1 million, offset by an increase in expenses of $18.8 million related to information technology, wireless communications, and other support services.
- Public safety expenditures increased $45.0 million primarily due to an increase in salaries and fringe benefits of $25.6 million, which was mostly driven by higher overtime pay due to staffing shortages and one-time service enhancement payouts intended to help with employee retention and reduce turnover rates.
- Public recreation and culture expenditures increased by $18.5 million primarily due to the increase in salaries of $8.2 million as activities and programs resumed after being suspended due to COVID-19 restrictions. Additionally, the reopening of facilities increased overall operational expenditures by $5.9 million.

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 $178.0 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 2022, an amendment to the Neighborhood Housing – Housing Trust fund increased transfers out by $7,032,952 to support the Capital – Housing Trust fund.

During the year, actual-budget basis revenues were $92.7 million more than budgeted. Property taxes were $1.7 million more than budgeted due to an increase in overall assessed property values. Sales taxes were $62.7 million more than budgeted due to Austin's population and economic growth, coupled with the COVID-19 recovery. Franchise fees were $3.2 million more than budgeted due to an increase in the price of natural gas. Interest revenues were $2.1 million more than budgeted due to rising interest rates, whereas other revenues were $19.7 million more than budgeted due to higher than anticipated collections related to the Plaza Saltillo and North Burnet Gateway Housing Density Bonus Programs, coupled with FEMA reimbursements for COVID-19 vaccination, testing, and other related expenses.

Actual-budget basis expenditures were $3.1 million more than budgeted. Most departments were under budget except for EMS, which was over budget by $2.3 million, Fire, which was over budget by $1.8 million, and General City Responsibilities, which was over budget by $30.5 million. General City Responsibilities exceeded budget due to the ongoing COVID-19 response, whereas EMS and Fire exceeded budget due to increased overtime and call back pay as a result of staffing shortages. Police was under budget $7.2 million due to higher-than-expected reimbursed overtime from outside entities coupled with lower wages as the department continues to struggle with high police officer turnover. Austin Public Health was under budget $4.0 million as resources were shifted from on-going programs to the COVID-19 response. Housing and Planning was under budget $3.8 million due to projects that were budgeted in fiscal year 2022 but will be completed at a later date. Other Urban Growth Management was under budget by $8.7 million due to the postponement of various programs as a result of staff vacancies. The total budget-basis fund balance at year-end was $256.5 million.

OTHER INFORMATION, continued

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2022, total $13.2 billion (net of accumulated depreciation and amortization). Capital assets include buildings and improvements, plant and equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land and improvements, construction in progress, plant held for future use, and intangible right-to-use lease assets. The total increase in the City's capital assets for the current fiscal year was $292.8 million, with an increase of 4.2% for governmental activities and an increase of 1.5% for business-type activities. Additional information regarding the City's capital assets can be found in Note 5. Capital asset balances are as follows, as restated:

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Building and improvements	$ 928	917	2,324	2,261	3,252	3,178
Plant and equipment	82	88	2,595	2,557	2,677	2,645
Vehicles	75	77	100	103	175	180
Electric plant	--	--	2,334	2,429	2,334	2,429
Non-electric plant	--	--	241	167	241	167
Nuclear fuel	--	--	54	51	54	51
Water rights	--	--	77	78	77	78
Infrastructure	1,741	1,717	--	--	1,741	1,717
Land and improvements	540	483	815	811	1,355	1,294
Construction in progress	291	222	816	747	1,107	969
Plant held for future use	--	--	23	23	23	23
Intangible right-to-use lease assets	111	112	57	69	168	181
Other assets not depreciated	30	30	6	6	36	36
Total net capital assets	$ 3,798	3,646	9,442	9,302	13,240	12,948

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

- Governmental capital assets increased $152.6 million primarily due to additions of new facilities and improvements to existing facilities. Significant additions and improvements include acquisitions of parkland, pedestrian and cycling facility improvements, and street reconstructions funded by 2012, 2016, and 2018 bond programs. During the fiscal year, the City acquired land and improvements for the Austin Police Department mounted patrol unit. Additionally, the City closed on the purchase of a hotel to use as a shelter for family violence victims.

- Business-type activities purchased, constructed, or received capital asset contributions of $140.2 million. Asset additions included ongoing installation of advanced water metering infrastructure, improvements to the Walnut Creek Wastewater Treatment Plant, completion of an updated data center for IT services, and airfield electrical and pavement improvements at the Airport. Additionally, Austin Convention Center is constructing a new 70,000 square foot warehouse and marshalling yard.

OTHER INFORMATION, continued

c -- Debt administration
At the end of the current fiscal year, the City reported $7.9 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 9.

Outstanding Debt
General Obligation and Revenue Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds and other tax supported debt, net	$ 1,595	1,527	60	71	1,655	1,598
Commercial paper notes, net	--	--	260	179	260	179
Revenue bonds, net	--	--	5,709	5,461	5,709	5,461
Revenue notes from direct placements, net	--	--	256	198	256	198
Financed purchase obligations	16	21	--	--	16	21
Total	$ 1,611	1,548	6,285	5,909	7,896	7,457

During fiscal year 2022, the City's total outstanding debt increased by $438.7 million. The City issued new debt and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Outstanding debt for governmental activities increased by $62.7 million. The resulting net increase is a combination of the issuance of $318.6 million in new debt to be used primarily for facility improvements, water quality protection, streets and mobility, new fire stations, park improvements, capital equipment, Waller Creek Tunnel and Waller Creek District, and affordable housing, offset by the refunding portion of the issuance of $107.9 million debt payments during the year, and the cash defeasance of $570,000 of Public Improvement Refunding bonds.

- Outstanding debt for business-type activities increased by $376.0 million. The City issued $216.4 million in Water and Wastewater System revenue refunding bonds to refund commercial paper and revenue bond debt, and $71.1 of Water and Wastewater System revenue bonds to improve and extend the water and wastewater system. These issuances were offset by debt payments during the year and the cash defeasance of $73.7 million in Water and Wastewater separate lien revenue bonds. Additionally, the City issued $416.1 million of Airport System Revenue bonds for design and constructing improvements to Austin-Bergstrom International Airport.

During the year, the rating for the City's Austin Energy separate lien revenue bonds was downgraded by Fitch Ratings, Inc. and S&P Global Ratings from AA to AA-, and the rating for the City's Airport system revenue bonds received a favorable rating upgrade from S&P Global Ratings from A to A+. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2022 and 2021 were as follows:

Debt	Moody's Investors Service, Inc.		S&P Global Ratings		Fitch Ratings, Inc.	
	2022	2021	2022	2021	2022	2021
General obligation bonds and other tax supported debt	Aa1	Aa1	AAA	AAA	AA+	AA+
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)

(1) No underlying rating

OTHER INFORMATION, continued

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

Compared to the challenges faced in the prior two fiscal years, 2022 was a notably calmer year and gave the City a chance not only to rebuild- socially, economically, and financially – but to use lessons learned to respond to the weather and health events that occurred during the year. Many of the activities and events that were curtailed or cancelled during the pandemic returned and brought a significant economic boost.

Despite economic concerns, the Austin economy is expected to fare better than the nation and the state if a recession does occur. The Austin area gained 50,900 jobs from December 2021 through December 2022 with the greatest number in the leisure and hospitality and professional and business services sectors. As of December 2022, the unemployment rate for the Austin-Round Rock MSA was 2.7%, while the state unemployment rate was 3.6% and the national unemployment rate was 3.3%.

After two years of record-breaking sales, the residential market has begun to stabilize, offering buyers greater opportunity as inventory increases. Compared to 2021, the Austin metro residential market experienced an 18.3% decrease in sales and a deceleration in the growth of home prices which is the result of an increase in interest rates. Sales tax revenue increased 21.2% from the previous year, indicating the strength of the local economy. Overall, Austin is seen as well-positioned for the future and is anticipated to keep growing. The City's diverse ecosystem and "hub magnet quality" have drawn both tech companies and talent which will attract both established companies and start-ups alike.

Development of the City's fiscal year 2023 budget remained a process true to City management's unwavering commitment to openness, transparency, and public engagement. The overriding goal of the 2023 budget process was to maintain the "meat and potatoes" of City operations. This was made possible with a strong local economy and long-time fiscal prudence which enabled the City not only to avoid employee furloughs, but to use federal funding awards to improve investments in public health and safety, economic recovery and transformational community projects. 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's GO bond rating had no changes in 2022, although there were changes in the ratings for two of the enterprise departments. S&P Global Ratings raised the Austin Bergstrom International Airport's long-term rating to 'A+' from 'A', as a result of the continued robust air travel demand supported by an expanding and vibrant service area economy. Austin Energy saw a downgrade in ratings. Both S&P Global Ratings and Fitch, Inc. lowered AE's utility system revenue debt from 'AA' to 'AA-'with a stable ratings outlook, reflecting AE's elevated leverage which has been increasing during the past three years.

Growth of taxable property values within the City increased by 21.6% in 2022 for fiscal year 2023. The property tax rate for fiscal year 2023 is 46.27 cents per $100 valuation, down from 54.10 cents per $100 valuation in 2022. The tax rate consists of 36.69 cents for the General Fund and Project Connect, and 9.58 cents for debt service. The change in rates, fees, and property tax for the typical City ratepayer is $169.68 based on the increases to rates and fees for Austin Energy, Austin Resource Recovery and the Transportation User Fee. There are no changes to the Drainage Utility Fee, or Austin Water rates.

e -- Requests for Information

This financial report is designed to provide our residents, 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 Financial Services Department – Accounting & Reporting Division of the City of Austin, P.O. Box 2920, Austin, Texas 78768, or (512) 974-2600 or on the web at: https://www.austintexas.gov.

BASIC FINANCIAL STATEMENTS

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	$ 46	51	97	--
Pooled investments and cash	711,866	808,795	1,520,661	6,860
Pooled investments and cash - restricted	--	238,298	238,298	--
Total pooled investments and cash	711,866	1,047,093	1,758,959	6,860
Investments - restricted	29,658	223,191	252,849	--
Cash held by trustee	--	6,243	6,243	--
Cash held by trustee - restricted	6,510	4,988	11,498	--
Working capital advances	--	4,258	4,258	--
Property taxes receivable, net of allowance $5,774	10,649	--	10,649	--
Accounts receivable, net of allowance $438,417	133,463	275,582	409,045	3,329
Interest receivable	3,850	2,056	5,906	--
Receivables from other governments	38,963	59	39,022	--
Receivables from other governments - restricted	--	16,423	16,423	2,364
Leases receivable	721	21,783	22,504	--
Notes receivable, net of allowance $30,700	46,236	--	46,236	--
Inventories, at cost	3,347	98,882	102,229	239
Internal balances	(100,031)	100,031	--	--
Real property held for resale	4,177	--	4,177	--
Regulatory assets, net of accumulated amortization	--	55,557	55,557	--
Prepaid expenses	15,309	33,683	48,992	829
Other receivables - restricted	--	5,690	5,690	--
Other assets	4,219	7,162	11,381	--
Total current assets	908,983	1,902,732	2,811,715	13,621
Noncurrent assets:				
Cash - restricted	--	4,770	4,770	--
Pooled investments and cash - restricted	348,518	1,291,070	1,639,588	--
Due from component units - restricted	--	825	825	--
Investments	--	--	--	291,338
Investments - restricted	--	419,236	419,236	35,422
Investments held by trustee - restricted	8,234	288,261	296,495	--
Cash held by trustee - restricted	970	4,446	5,416	6,539
Interest receivable - restricted	--	1,328	1,328	--
Leases receivable	54,174	122,029	176,203	--
Depreciable capital assets, net	2,826,029	7,724,390	10,550,419	191,831
Nondepreciable capital assets	861,261	1,660,405	2,521,666	91,099
Intangible right-to-use lease assets, net	111,107	57,089	168,196	--
Regulatory assets, net of accumulated amortization	--	1,734,022	1,734,022	--
Other receivables - restricted	--	10,461	10,461	--
Other long-term assets	126,433	24,757	151,190	32
Other long-term assets - restricted	--	16,886	16,886	--
Total noncurrent assets	4,336,726	13,359,975	17,696,701	616,261
Total assets	5,245,709	15,262,707	20,508,416	629,882
DEFERRED OUTFLOWS OF RESOURCES	$ 1,478,761	1,078,108	2,556,869	11,605

(†) 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	$ 80,844	146,336	227,180	8,233
Accounts and retainage payable from restricted assets	14,263	60,536	74,799	--
Accrued payroll	16,989	12,002	28,991	288
Accrued compensated absences	81,553	39,899	121,452	--
Claims payable	34,290	1,400	35,690	--
Due to other governments	--	4,344	4,344	--
Accrued interest payable from restricted assets	2	91,138	91,140	4,706
Interest payable on other debt	2,979	776	3,755	--
Bonds payable	90,419	7,061	97,480	10,670
Bonds payable from restricted assets	31,638	210,180	241,818	--
Leases payable	14,205	11,650	25,855	--
Other postemployment benefits liability	37,249	26,512	63,761	--
Financed purchase obligations	5,417	--	5,417	--
Customer and escrow deposits payable from restricted assets	88,077	157,249	245,326	--
Accrued landfill closure and postclosure costs	--	1,060	1,060	--
Other liabilities	203,050	12,484	215,534	31,998
Other liabilities payable from restricted assets	--	551	551	--
Total current liabilities	700,975	783,178	1,484,153	55,895
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	59,613	66	59,679	--
Claims payable	38,408	2,218	40,626	--
Commercial paper notes payable, net of discount	--	260,500	260,500	--
Bonds payable, net of discount and inclusive of premium	1,473,045	5,807,566	7,280,611	217,278
Leases payable	97,609	42,765	140,374	--
Net pension liability	1,204,363	818,825	2,023,188	--
Other postemployment benefits liability	2,447,910	1,742,284	4,190,194	--
Financed purchase obligations	10,406	--	10,406	--
Accrued landfill closure and postclosure costs	--	18,369	18,369	--
Asset retirement obligations	518	473,612	474,130	--
Derivative instruments - interest rate swaps	--	3,692	3,692	--
Other liabilities	14,136	13,049	27,185	6,287
Other liabilities payable from restricted assets	--	5,156	5,156	--
Total noncurrent liabilities	5,346,008	9,188,102	14,534,110	223,565
Total liabilities	6,046,983	9,971,280	16,018,263	279,460
DEFERRED INFLOWS OF RESOURCES	1,421,611	2,165,987	3,587,598	842
NET POSITION				
Net investment in capital assets	2,332,283	2,441,596	4,773,879	70,753
Restricted for:				
Bond reserve	--	54,065	54,065	--
Capital projects	143,182	595,443	738,625	--
Debt service	31,130	132,091	163,221	22,219
Housing activities	38,981	--	38,981	65,000
Operating reserve	--	79,842	79,842	--
Passenger facility charges	--	84,772	84,772	--
Perpetual care:				
Nonexpendable	1,070	--	1,070	--
Public safety activities	14,043	--	14,043	--
Capital reserve	--	79,318	79,318	--
Contingency reserve	--	104,160	104,160	--
Power supply stabilization reserve	--	106,627	106,627	--
Tourism	76,329	--	76,329	--
Urban growth programs	29,560	--	29,560	--
Other purposes	6,819	--	6,819	--
Unrestricted (deficit)	(3,417,521)	525,634	(2,891,887)	203,213
Total net position	$ (744,124)	4,203,548	3,459,424	361,185

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

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

(In thousands)

		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	$ 279,333	30,247	90	5,379	(243,617)	--	(243,617)	--
Public safety	766,390	47,671	7,958	92	(710,669)	--	(710,669)	--
Transportation, planning, and sustainability	247,850	1,440	2,150	43,181	(201,079)	--	(201,079)	--
Public health	200,004	12,649	45,695	10	(141,650)	--	(141,650)	--
Public recreation and culture	206,004	16,789	754	26,721	(161,740)	--	(161,740)	--
Urban growth management	162,493	37,943	49,254	2,444	(72,852)	--	(72,852)	--
Interest on debt	70,858	--	--	--	(70,858)	--	(70,858)	--
Total governmental activities	1,932,932	146,739	105,901	77,827	(1,602,465)	--	(1,602,465)	--
Business-type activities								
Electric	1,605,171	1,676,308	81	40,887	--	112,105	112,105	--
Water	323,833	337,719	263	54,649	--	68,798	68,798	--
Wastewater	290,506	288,210	5,908	51,129	--	54,741	54,741	--
Airport	239,651	272,478	44,427	8,110	--	85,364	85,364	--
Convention	74,831	29,693	99	--	--	(45,039)	(45,039)	--
Environmental and health services	146,379	140,348	76	760	--	(5,195)	(5,195)	--
Public recreation	10,663	10,655	--	258	--	250	250	--
Urban growth management	353,553	329,581	5	9,856	--	(14,111)	(14,111)	--
Total business-type activities	3,044,587	3,084,992	50,859	165,649	--	256,913	256,913	--
Total primary government	$ 4,977,519	3,231,731	156,760	243,476	(1,602,465)	256,913	(1,345,552)	--
Component Units	93,558	40,503	51,299	139,604	--	--	--	137,848
General revenues:								
Property tax					978,108	--	978,108	--
Sales tax					341,620	--	341,620	--
Franchise fees and gross receipts tax					205,978	--	205,978	--
Intergovernmental					19,833	--	19,833	--
Interest and other income (loss)					47,175	(20,844)	26,331	4
Transfers-internal activities					58,107	(58,107)	--	--
Total general revenues and transfers					1,650,821	(78,951)	1,571,870	4
Net change in net position, before special and extraordinary items					48,356	177,962	226,318	137,852
Beginning net position					(792,480)	4,025,586	3,233,106	223,333
Ending net position					$ (744,124)	4,203,548	3,459,424	361,185

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 37	--	37
Pooled investments and cash	295,474	519,063	814,537
Investments - restricted	--	29,658	29,658
Cash held by trustee - restricted	--	6,670	6,670
Investments held by trustee - restricted	--	8,234	8,234
Property taxes receivable, net of allowance	8,253	2,396	10,649
Accounts receivable, net of allowance	87,007	43,795	130,802
Interest receivable	1,983	1,678	3,661
Receivables from other governments	2	38,526	38,528
Leases receivable	7,163	5,577	12,740
Notes receivable, net of allowance	157	46,079	46,236
Due from other funds	--	176,605	176,605
Advances to other funds	--	14,760	14,760
Real property held for resale	--	4,177	4,177
Prepaid items	3,000	--	3,000
Other assets	--	4,219	4,219
Total assets	403,076	901,437	1,304,513
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	24,846	44,441	69,287
Accrued payroll	13,033	201	13,234
Accrued compensated absences	1,265	--	1,265
Due to other funds	6	176,599	176,605
Unearned revenue	--	165,945	165,945
Advances from other funds	--	14,673	14,673
Deposits and other liabilities	2,894	120,482	123,376
Total liabilities	42,044	522,341	564,385
DEFERRED INFLOWS OF RESOURCES	19,197	10,603	29,800
FUND BALANCES			
Nonspendable:			
Prepaid items	3,000	--	3,000
Permanent funds	--	1,070	1,070
Restricted	--	355,070	355,070
Committed	--	79,492	79,492
Assigned	150,130	123,449	273,579
Unassigned	188,705	(190,588)	(1,883)
Total fund balances	341,835	368,493	710,328
Total liabilities, deferred inflows of resources, and fund balances	$ 403,076	901,437	1,304,513

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

to the Statement of Net Position
September 30, 2022
(In thousands)

Total fund balances - Governmental funds		$ 710,328
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	5,979,968	
Less: accumulated depreciation	(2,356,742)	
Intangible right-to-use lease assets, net	66,996	
		3,690,222
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.		
Other assets		126,433
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.		
Pensions	732,494	
Other postemployment benefits	736,903	
Loss on debt refundings	9,235	
		1,478,632
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Compensated absences	(127,118)	
Interest payable	(2,904)	
Bonds and other tax supported debt payable, net	(1,594,002)	
Leases payable	(67,715)	
Net pension liability	(1,204,363)	
Other postemployment benefits	(2,485,159)	
Financed purchase obligations	(13,708)	
Other liabilities	(14,409)	
		(5,509,378)
Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.		
Unavailable revenue		
Property taxes and interest	10,789	
Accounts and other taxes receivable	6,385	
Pensions	(943,411)	
Other postemployment benefits	(293,670)	
Deferred gain on service concession agreement	(28,900)	
Deferred gain on public-private partnership arrangement	(101,106)	
		(1,349,913)
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.		109,552
Total net position - Governmental activities		$ (744,124)

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

For the year ended September 30, 2022
(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 590,297	387,181	977,478
Sales taxes	341,620	--	341,620
Franchise fees and other taxes	46,455	159,523	205,978
Fines, forfeitures and penalties	5,039	2,759	7,798
Licenses, permits and inspections	19,044	5,676	24,720
Charges for services/goods	68,268	25,399	93,667
Intergovernmental	--	125,196	125,196
Property owners' participation and contributions	--	30,076	30,076
Lease revenue	156	283	439
Interest and other income (loss)	34,449	13,943	48,392
Total revenues	1,105,328	750,036	1,855,364
EXPENDITURES			
Current:			
General government	227,422	702	228,124
Public safety	664,389	7,881	672,270
Transportation, planning, and sustainability	--	160,371	160,371
Public health	104,700	65,309	170,009
Public recreation and culture	146,175	1,544	147,719
Urban growth management	38,570	121,745	160,315
Debt service:			
Principal	--	161,151	161,151
Interest	--	69,163	69,163
Fees and commissions	--	32	32
Lease financing principal	5,978	--	5,978
Capital outlay-capital project funds	--	274,406	274,406
Total expenditures	1,187,234	862,304	2,049,538
Deficiency of revenues under expenditures	(81,906)	(112,268)	(194,174)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	225,154	225,154
Issuance of refunding bonds	--	89,625	89,625
Bond premiums	--	47,082	47,082
Payment to refunding bond escrow agent	--	(104,026)	(104,026)
Lease proceeds	13,010	--	13,010
Transfers in	179,878	121,254	301,132
Transfers out	(42,249)	(184,598)	(226,847)
Total other financing sources (uses)	150,639	194,491	345,130
Net change in fund balances	68,733	82,223	150,956
Fund balances at beginning of year	273,102	286,270	559,372
Fund balances at end of year	$ 341,835	368,493	710,328

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

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, 2022
(In thousands)

Net change in fund balances - Governmental funds		$ 150,956
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	274,406	
Capital outlay-other funds	49,492	
Depreciation expense	(149,509)	
Amortization expense	(6,698)	
Loss on disposal of capital assets	(676)	
Capital asset transfers to business-type activities, net	(5,169)	
Other asset adjustments	(28,368)	
		133,478
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	630	
Charges for services	1,187	
Capital asset contributions	47,707	
		49,524
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	(225,154)	
Principal repayment on long-term debt	161,151	
Issuance of refunding bonds	(89,625)	
Bond premiums	(47,082)	
Payment to refunding bond escrow agent	104,026	
Lease proceeds	(13,010)	
Lease principal payments	5,978	
		(103,716)
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	(388)	
Pensions	9,580	
Other postemployment benefits	(210,763)	
Interest and other	30,019	
		(171,552)
A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.		(10,334)
Change in net position - Governmental activities		$ 48,356

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

Proprietary Funds
Statement of Net Position
September 30, 2022
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water	Airport
ASSETS			
Current assets:			
Cash	$ 16	5	3
Pooled investments and cash	165,713	250,063	21,346
Pooled investments and cash - restricted	135,258	66,879	20,389
Total pooled investments and cash	300,971	316,942	41,735
Investments - restricted	79,679	81,706	53,001
Cash held by trustee	--	6,243	--
Cash held by trustee - restricted	--	4,988	--
Working capital advances	4,258	--	--
Accounts receivable, net of allowance	169,090	72,648	1,593
Interest receivable	872	391	280
Receivables from other governments	--	59	--
Receivables from other governments - restricted	3,549	--	12,234
Leases receivable	--	204	21,162
Due from other funds	--	301	--
Inventories, at cost	89,065	2,180	2,567
Regulatory assets, net of accumulated amortization	55,557	--	--
Prepaid expenses	30,076	810	851
Other receivables - restricted	--	--	5,690
Other assets	6,000	102	942
Total current assets	739,133	486,579	140,058
Noncurrent assets:			
Cash - restricted	4,770	--	--
Pooled investments and cash - restricted	74,087	73,598	928,994
Advances to other funds	5,952	601	--
Advances to other funds - restricted	--	--	--
Due from component units - restricted	--	--	825
Investments - restricted	296,671	32,433	79,869
Investments held by trustee - restricted	242,998	45,263	--
Cash held by trustee - restricted	--	--	--
Interest receivable - restricted	184	62	928
Leases receivable	--	2,001	115,791
Depreciable capital assets, net	2,645,630	3,378,287	1,307,556
Nondepreciable capital assets	380,813	678,923	147,314
Intangible right-to-use lease assets, net	22,150	1,136	54
Regulatory assets, net of accumulated amortization	1,271,485	462,537	--
Other receivables - restricted	10,461	--	--
Other long-term assets	9,546	468	14,086
Other long-term assets - restricted	15	16,871	--
Total noncurrent assets	4,964,762	4,692,180	2,595,417
Total assets	5,703,895	5,178,759	2,735,475
DEFERRED OUTFLOWS OF RESOURCES	$ 455,793	192,190	72,529

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
ASSETS			
Current assets:			
Cash	27	51	9
Pooled investments and cash	371,673	808,795	239,218
Pooled investments and cash - restricted	15,772	238,298	--
Total pooled investments and cash	387,445	1,047,093	239,218
Investments - restricted	8,805	223,191	--
Cash held by trustee	--	6,243	--
Cash held by trustee - restricted	--	4,988	810
Working capital advances	--	4,258	--
Accounts receivable, net of allowance	32,251	275,582	2,661
Interest receivable	513	2,056	189
Receivables from other governments	--	59	435
Receivables from other governments - restricted	640	16,423	--
Leases receivable	417	21,783	403
Due from other funds	--	301	3,741
Inventories, at cost	5,070	98,882	3,347
Regulatory assets, net of accumulated amortization	--	55,557	--
Prepaid expenses	1,946	33,683	12,309
Other receivables - restricted	--	5,690	--
Other assets	118	7,162	--
Total current assets	437,232	1,803,002	263,122
Noncurrent assets:			
Cash - restricted	--	4,770	--
Pooled investments and cash - restricted	214,391	1,291,070	6,629
Advances to other funds	79	6,632	--
Advances to other funds - restricted	26	26	--
Due from component units - restricted	--	825	--
Investments - restricted	10,263	419,236	--
Investments held by trustee - restricted	--	288,261	--
Cash held by trustee - restricted	4,446	4,446	--
Interest receivable - restricted	154	1,328	--
Leases receivable	4,237	122,029	41,752
Depreciable capital assets, net	392,917	7,724,390	60,705
Nondepreciable capital assets	453,355	1,660,405	3,359
Intangible right-to-use lease assets, net	33,749	57,089	44,111
Regulatory assets, net of accumulated amortization	--	1,734,022	--
Other receivables - restricted	--	10,461	--
Other long-term assets	657	24,757	--
Other long-term assets - restricted	--	16,886	--
Total noncurrent assets	1,114,274	13,366,633	156,556
Total assets	1,551,506	15,169,635	419,678
DEFERRED OUTFLOWS OF RESOURCES	357,596	1,078,108	129

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

Proprietary Funds
Statement of Net Position
September 30, 2022
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 124,717	6,250	5,225
Accounts and retainage payable from restricted assets	14,719	31,533	11,565
Accrued payroll	4,263	2,383	835
Accrued compensated absences	14,708	7,384	3,112
Claims payable	1,308	92	--
Due to other funds	--	--	--
Due to other governments	4,337	--	7
Accrued interest payable from restricted assets	29,128	35,404	26,140
Accrued interest payable	255	76	--
Bonds payable	--	--	--
Bonds payable from restricted assets	80,233	88,352	31,725
Leases payable	8,294	211	36
Other postemployment benefits liability	7,843	5,362	2,270
Financed purchase obligations	--	--	--
Customer and escrow deposits payable from restricted assets	134,588	11,654	1,428
Accrued landfill closure and postclosure costs	--	--	--
Other liabilities	1,301	4,993	5,446
Other liabilities payable from restricted assets	551	--	--
Total current liabilities	426,245	193,694	87,789
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	--	--	--
Claims payable	10	308	1,900
Advances from other funds	--	--	--
Advances from other funds payable from restricted assets	--	5,952	--
Commercial paper notes payable, net of discount	170,500	90,000	--
Bonds payable, net of discount and inclusive of premium	1,877,517	2,325,042	1,477,155
Leases payable	10,745	982	18
Net pension liability	299,688	159,306	56,329
Other postemployment benefits liability	515,394	352,396	149,171
Accrued landfill closure and postclosure costs	--	--	--
Asset retirement obligations	472,330	1,282	--
Derivative instruments - interest rate swaps	--	2,449	--
Other liabilities	12,654	--	395
Other liabilities payable from restricted assets	710	--	--
Total noncurrent liabilities	3,359,548	2,937,717	1,684,968
Total liabilities	3,785,793	3,131,411	1,772,757
DEFERRED INFLOWS OF RESOURCES	$ 579,117	1,110,930	326,274

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

	Business-Type Activities: Nonmajor Enterprise Funds	Business-Type Activities: Total	Governmental Activities-Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	10,144	146,336	25,820
Accounts and retainage payable from restricted assets	2,719	60,536	--
Accrued payroll	4,521	12,002	3,755
Accrued compensated absences	14,695	39,899	12,036
Claims payable	--	1,400	34,290
Due to other funds	301	301	3,741
Due to other governments	--	4,344	--
Accrued interest payable from restricted assets	466	91,138	2
Accrued interest payable	445	776	75
Bonds payable	7,061	7,061	123
Bonds payable from restricted assets	9,870	210,180	--
Leases payable	3,109	11,650	8,047
Other postemployment benefits liability	11,037	26,512	--
Financed purchase obligations	--	--	2,115
Customer and escrow deposits payable from restricted assets	9,579	157,249	721
Accrued landfill closure and postclosure costs	1,060	1,060	--
Other liabilities	744	12,484	812
Other liabilities payable from restricted assets	--	551	--
Total current liabilities	75,751	783,479	91,537
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	66	66	747
Claims payable	--	2,218	38,408
Advances from other funds	793	793	--
Advances from other funds payable from restricted assets	--	5,952	--
Commercial paper notes payable, net of discount	--	260,500	--
Bonds payable, net of discount and inclusive of premium	127,852	5,807,566	977
Leases payable	31,020	42,765	36,052
Net pension liability	303,502	818,825	--
Other postemployment benefits liability	725,323	1,742,284	--
Accrued landfill closure and postclosure costs	18,369	18,369	--
Asset retirement obligations	--	473,612	518
Derivative instruments - interest rate swaps	1,243	3,692	--
Other liabilities	--	13,049	--
Other liabilities payable from restricted assets	4,446	5,156	--
Total noncurrent liabilities	1,212,614	9,194,847	76,702
Total liabilities	1,288,365	9,978,326	168,239
DEFERRED INFLOWS OF RESOURCES	149,666	2,165,987	41,898

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

Proprietary Funds
Statement of Net Position
September 30, 2022
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
NET POSITION			
Net investment in capital assets	$ 565,769	774,011	396,046
Restricted for:			
Bond reserve	30,145	11,147	5,504
Capital projects	9,837	47,753	323,610
Debt service	50,551	46,302	26,861
Operating reserve	--	55,231	18,961
Passenger facility charges	--	--	84,772
Capital reserve	68,425	--	10,000
Contingency reserve	104,160	--	--
Power supply stabilization reserve	106,627	--	--
Unrestricted	859,264	194,164	(156,781)
Total net position	$ 1,794,778	1,128,608	708,973
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	39,512	20,494	7,813
Total net position - Business-type activities	$ 1,834,290	1,149,102	716,786

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
NET POSITION			
Net investment in capital assets	705,770	2,441,596	60,861
Restricted for:			
Bond reserve	7,269	54,065	--
Capital projects	214,243	595,443	6,629
Debt service	8,377	132,091	--
Operating reserve	5,650	79,842	--
Passenger facility charges	--	84,772	--
Capital reserve	893	79,318	--
Contingency reserve	--	104,160	--
Power supply stabilization reserve	--	106,627	--
Unrestricted	(471,131)	425,516	142,180
Total net position	471,071	4,103,430	209,670
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	32,299	100,118	
Total net position - Business-type activities	503,370	4,203,548	

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, 2022
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water	Airport
OPERATING REVENUES			
Utility services	$ 1,676,308	625,718	--
User fees and rentals	--	--	211,186
Billings to departments	--	--	--
Employee contributions	--	--	--
Lease revenue		211	20,567
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,676,308	625,929	231,753
OPERATING EXPENSES			
Operating expenses before depreciation	1,393,074	327,519	142,496
Depreciation and amortization	277,445	138,844	47,757
Total operating expenses	1,670,519	466,363	190,253
Operating income (loss)	5,789	159,566	41,500
NONOPERATING REVENUES (EXPENSES)			
Interest and other income (loss)	(11,195)	(1,808)	(4,264)
Interest on revenue bonds and other debt	(68,440)	(77,550)	(46,607)
Interest expense on leases	(240)	(13)	--
Passenger facility charges	--	--	40,725
Gain (loss) on in-substance defeasance	--	(1,327)	--
Cost (recovered) to be recovered in future years	120,973	(68,022)	--
Other nonoperating revenues (expenses)	12,064	5,646	41,730
Total nonoperating revenues (expenses)	53,162	(143,074)	31,584
Income (loss) before contributions and transfers	58,951	16,492	73,084
Capital contributions	40,918	105,778	8,110
Transfers in	1,606	75	--
Transfers out	(123,359)	(51,890)	(33)
Change in net position	(21,884)	70,455	81,161
Beginning net position	1,816,662	1,058,153	627,812
Ending net position	$ 1,794,778	1,128,608	708,973
Reconciliation to government-wide Statement of Activities			
Change in net position	(21,884)	70,455	81,161
Adjustment to consolidate internal service activities	1,072	(539)	(130)
Change in net position - Business-type activities	$ (20,812)	69,916	81,031

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

	Business-Type Activities: Nonmajor Enterprise Funds	Business-Type Activities: Total	Governmental Activities-Internal Service Funds
OPERATING REVENUES			
Utility services	--	2,302,026	--
User fees and rentals	509,830	721,016	--
Billings to departments	--	--	538,257
Employee contributions	--	--	44,881
Lease revenue	447	21,225	721
Operating revenues from other governments	--	--	6,545
Other operating revenues	--	--	12,383
Total operating revenues	510,277	3,044,267	602,787
OPERATING EXPENSES			
Operating expenses before depreciation	545,221	2,408,310	578,198
Depreciation and amortization	33,301	497,347	21,633
Total operating expenses	578,522	2,905,657	599,831
Operating income (loss)	(68,245)	138,610	2,956
NONOPERATING REVENUES (EXPENSES)			
Interest and other income (loss)	(3,577)	(20,844)	(1,512)
Interest on revenue bonds and other debt	(4,854)	(197,451)	(31)
Interest expense on leases	(506)	(759)	(675)
Passenger facility charges	--	40,725	--
Gain (loss) on in-substance defeasance	41	(1,286)	--
Cost (recovered) to be recovered in future years	--	52,951	--
Other nonoperating revenues (expenses)	(1,702)	57,738	(248)
Total nonoperating revenues (expenses)	(10,598)	(68,926)	(2,466)
Income (loss) before contributions and transfers	(78,843)	69,684	490
Capital contributions	10,874	165,680	6,059
Transfers in	136,099	137,780	1,388
Transfers out	(20,453)	(195,735)	(17,718)
Change in net position	47,677	177,409	(9,781)
Beginning net position	423,394	3,926,021	219,451
Ending net position	471,071	4,103,430	209,670
Reconciliation to government-wide Statement of Activities			
Change in net position	47,677	177,409	
Adjustment to consolidate internal service activities	150	553	
Change in net position - Business-type activities	47,827	177,962	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2022
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,591,071	619,565	236,375
Cash received from other funds	29,726	9,155	--
Cash payments to suppliers for goods and services	(962,133)	(79,537)	(37,684)
Cash payments to other funds	(57,862)	(78,736)	(34,810)
Cash payments to employees for services	(251,086)	(139,673)	(52,209)
Cash payments to claimants/beneficiaries	(211)	(173)	--
Taxes collected and remitted to other governments	(42,236)	--	3
Net cash provided by operating activities	307,269	330,601	111,675
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	1,588	75	--
Transfers out	(123,354)	(51,873)	(33)
Collections from other sources	--	9,903	--
Loan repayments to other funds	--	(75)	--
Loan repayments from other funds	--	301	1
Payments to component units	--	--	(2,189)
Payments from component units	--	--	525
Collections from other governments	2,995	1,987	35,913
Net cash provided (used) by noncapital financing activities	(118,771)	(39,682)	34,217
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	93,900	90,000	--
Proceeds from the sale of revenue bonds	--	71,100	416,060
Principal paid on long-term debt	(86,958)	(61,081)	(26,225)
Principal paid on leases	(14,848)	(104)	(36)
Proceeds from the sale of capital assets	1,080	--	--
Interest paid on revenue bonds and other debt	(81,581)	(100,339)	(47,439)
Interest paid on leases	(99)	(11)	--
Interest income from leases	--	8	1,418
Passenger facility charges	--	--	39,115
Acquisition and construction of capital assets	(238,267)	(217,915)	(42,770)
Contributions from state and federal governments	--	--	8,110
Contributions in aid of construction	52,246	38,881	--
Bond issuance costs	--	(1,696)	(2,661)
Bond premiums	--	52,071	38,459
Cash paid for bond defeasance	--	(76,832)	--
Bonds issued for advanced refundings of debt	--	217,150	--
Cash paid for bond refunding escrow	--	(174,466)	--
Cash paid to payoff commercial paper	--	(102,000)	--
Cash paid for nuclear fuel inventory	(22,497)	--	--
Net cash provided (used) by capital and related financing activities	(297,024)	(265,234)	384,031

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	503,697	2,950,708	65,784
Cash received from other funds	4,136	43,017	541,998
Cash payments to suppliers for goods and services	(103,598)	(1,182,952)	(128,150)
Cash payments to other funds	(127,853)	(299,261)	(30,593)
Cash payments to employees for services	(241,721)	(684,689)	(226,213)
Cash payments to claimants/beneficiaries	--	(384)	(218,229)
Taxes collected and remitted to other governments	--	(42,233)	--
Net cash provided by operating activities	34,661	784,206	4,597
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	136,099	137,762	1,200
Transfers out	(20,361)	(195,621)	(17,718)
Collections from other sources	983	10,886	--
Loan repayments to other funds	(301)	(376)	--
Loan repayments from other funds	5	307	--
Payments to component units	--	(2,189)	--
Payments from component units	--	525	--
Collections from other governments	261	41,156	--
Net cash provided (used) by noncapital financing activities	116,686	(7,550)	(16,518)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	183,900	--
Proceeds from the sale of revenue bonds	--	487,160	--
Principal paid on long-term debt	(17,915)	(192,179)	(2,368)
Principal paid on leases	(2,741)	(17,729)	(4,786)
Proceeds from the sale of capital assets	--	1,080	--
Interest paid on revenue bonds and other debt	(5,673)	(235,032)	(34)
Interest paid on leases	(455)	(565)	(601)
Interest income from leases	59	1,485	730
Passenger facility charges	--	39,115	--
Acquisition and construction of capital assets	(56,900)	(555,852)	(6,729)
Contributions from state and federal governments	5,207	13,317	--
Contributions in aid of construction	9,436	100,563	--
Bond issuance costs	(3)	(4,360)	--
Bond premiums	747	91,277	--
Cash paid for bond defeasance	(581)	(77,413)	--
Bonds issued for advanced refundings of debt	3,068	220,218	--
Cash paid for bond refunding escrow	(3,811)	(178,277)	--
Cash paid to payoff commercial paper	--	(102,000)	--
Cash paid for nuclear fuel inventory	--	(22,497)	--
Net cash provided (used) by capital and related financing activities	(69,562)	(247,789)	(13,788)

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2022
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(404,868)	(285,001)	(103,364)
Proceeds from sale and maturities of investment securities	397,392	307,344	73,664
Interest income (loss) on investments	(2,474)	(2,746)	(7,040)
Net cash provided (used) by investing activities	(9,950)	19,597	(36,740)
Net increase (decrease) in cash and cash equivalents	(118,476)	45,282	493,183
Cash and cash equivalents, beginning	498,320	356,494	477,549
Cash and cash equivalents, ending	$ 379,844	401,776	970,732
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 5,789	159,566	41,500
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	277,445	138,844	47,757
Change in assets and liabilities:			
Increase in working capital advances	(1,571)	--	--
(Increase) decrease in accounts receivable	(17,403)	1,466	11,336
Increase in allowance for doubtful accounts	2,548	243	4
Decrease in receivables from other governments	--	--	--
Increase in leases receivable	--	(2,205)	(136,953)
Increase in due from other funds	--	--	--
Increase in inventory	(125)	(430)	(659)
(Increase) decrease in prepaid expenses and other assets	(70,598)	263	(157)
Decrease in other long-term assets	51,859	--	990
(Increase) decrease in deferred outflows	15,212	5,408	9,504
Increase in accounts payable	26,681	1,332	2,541
Decrease in accrued payroll and compensated absences	(7,238)	(3,677)	(1,077)
Increase (decrease) in claims payable	89	121	1,900
Increase in due to other funds	--	--	--
Increase (decrease) in customer deposits	80,035	1,286	13
Increase (decrease) in net pension liability	(7,855)	(1,673)	(4,789)
Increase (decrease) in other postemployment benefits liability	(7,020)	(3,426)	(8,940)
Increase (decrease) in other liabilities	14,707	--	451
Increase (decrease) in deferred inflows	(55,286)	33,483	148,254
Total adjustments	301,480	171,035	70,175
Net cash provided by operating activities	$ 307,269	330,601	111,675
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Capital assets contributed from other funds	$ --	--	--
Capital assets contributed to other funds	--	--	--
Contributed facilities	--	66,897	--
Increase in the fair value of investments	(13,677)	--	--
Amortization of bond premiums	14,048	25,275	11,300
Amortization of deferred loss on refundings	(2,028)	(4,025)	(2,902)
Gain (loss) on disposal of assets	(389)	(391)	--
Costs (recovered) to be recovered	120,973	(68,021)	--
Transfers from other funds	18	--	--
Transfers to other funds	(5)	(17)	--

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(13,674)	(806,907)	--
Proceeds from sale and maturities of investment securities	13,111	791,511	--
Interest income (loss) on investments	(3,872)	(16,132)	(2,643)
Net cash provided (used) by investing activities	(4,435)	(31,528)	(2,643)
Net increase (decrease) in cash and cash equivalents	77,350	497,339	(28,352)
Cash and cash equivalents, beginning	528,959	1,861,322	275,018
Cash and cash equivalents, ending	606,309	2,358,661	246,666
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(68,245)	138,610	2,956
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	33,301	497,347	21,633
Change in assets and liabilities:			
Increase in working capital advances	--	(1,571)	--
(Increase) decrease in accounts receivable	(2,392)	(6,993)	1,496
Increase in allowance for doubtful accounts	1,052	3,847	--
Decrease in receivables from other governments	--	--	15
Increase in leases receivable	(4,655)	(143,813)	(41,826)
Increase in due from other funds	--	--	(3,741)
Increase in inventory	(422)	(1,636)	(380)
(Increase) decrease in prepaid expenses and other assets	(881)	(71,373)	(3,961)
Decrease in other long-term assets	215	53,064	41,569
(Increase) decrease in deferred outflows	(10,321)	19,803	--
Increase in accounts payable	2,070	32,624	6,688
Decrease in accrued payroll and compensated absences	(7,058)	(19,050)	(6,053)
Increase (decrease) in claims payable	--	2,110	(13,688)
Increase in due to other funds	--	--	3,741
Increase (decrease) in customer deposits	(108)	81,226	23
Increase (decrease) in net pension liability	1,667	(12,650)	--
Increase (decrease) in other postemployment benefits liability	11,820	(7,566)	--
Increase (decrease) in other liabilities	(1,000)	14,158	(3,875)
Increase (decrease) in deferred inflows	79,618	206,069	--
Total adjustments	102,906	645,596	1,641
Net cash provided by operating activities	34,661	784,206	4,597
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Capital assets contributed from other funds	38	38	6,059
Capital assets contributed to other funds	(677)	(677)	--
Contributed facilities	--	66,897	--
Increase in the fair value of investments	--	(13,677)	--
Amortization of bond premiums	1,397	52,020	32
Amortization of deferred loss on refundings	(664)	(9,619)	(10)
Gain (loss) on disposal of assets	(2,273)	(3,053)	272
Costs (recovered) to be recovered	--	52,952	--
Transfers from other funds	--	18	188
Transfers to other funds	(92)	(114)	--

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

	Custodial
ASSETS	
Pooled investments and cash	$ 2,665
Other assets	2
Total assets	2,667
LIABILITIES	
Accounts payable	17
Due to other governments	492
Total liabilities	509
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	2,158
Total net position	$ 2,158

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

(In thousands)

	Custodial
ADDITIONS	
Contributions	$ 20
Interest and other	14
Fees collected for other governments	1,936
Miscellaneous	21
Total additions	1,991
DEDUCTIONS	
Beneficiary payments	17
Payment of fees to other governments	1,936
Administrative expenses	1
Total deductions	1,954
Change in net position	37
Beginning net position	2,121
Ending net position	$ 2,158

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 Council members 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. 90, No. 92 and No. 93, No. 95, and No. 97 through No. 99. In fiscal year 2022, the City implemented the following GASB Statements:

GASB Statement	Impact
87 – "Leases"	This statement will better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The statement introduces a single lease model that defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. A lessor recognizes a lease receivable and a deferred inflow of resources, and a lessee recognizes a lease payable and an intangible right-to-use lease asset. The adoption of GASB 87 resulted in a restatement to beginning balances of the right-to-use assets, leases payable, leases receivable, and deferred inflows of resources. For governmental activities, right-to-use assets and leases payable were restated by $111.7 million, whereas leases receivable and deferred inflows of resources were restated by $53.6 million. For business-type activities, right-to-use assets and leases payable were restated by $68.6 million, whereas leases receivable and deferred inflows of resources were restated by $156.6 million. The adaption of GASB 87 had no impact on the beginning net position.
99 – "Omnibus 2022"	This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. Certain provisions in GASB 99 are effective upon issuance, while other provisions are effective for fiscal years beginning after June 15, 2022, or 2023. The City has implemented the provisions of Statement 99 that are effective upon issuance or determined that the provision had no impact on the financial statements. The City will evaluate the impact of the other provisions in the period in which they become effective.

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.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
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
Austin Housing Public Facility Corporation (AHPFC)	AHPFC was created in March 2022 as a public facility corporation under the Texas Public Facility Corporation Act, Chapter 303 of the Texas Local Government Code. The purpose of the AHPFC is to serve as an issuer of private activity bonds to finance all or part of the cost of affordable housing developments in the City of Austin. AHPFC 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 Public Facility Corporation fund, a nonmajor special revenue fund
Urban Renewal Agency (URA)	URA was created by the City under Chapter 374 of the Texas Local Government Code. The Mayor, with consent of the City Council, appoints the board of commissioners for this agency, whose primary responsibility is to oversee the implementation and compliance of urban renewal plans adopted by the City Council. An urban renewal plan's primary purpose is to eliminate slum and blighting influence within a designated area of the city. City Council maintains the ability to impose its will on the organization. URA exclusively receives financial support/benefits from its relationship with the City. Additionally, the City is fiscally responsible for the obligations of URA, therefore URA is reported as a blended component unit of 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

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*
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 Austin Energy staff serve as officers of the corporation. Additionally, Austin Energy is fiscally responsible for the obligations of NP, therefore NP is reported as a blended component unit in the Austin Energy enterprise fund. Reporting Fund: Austin Energy, a major proprietary fund

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 Economic Development Corporation (AEDC) 301 W. 2nd Street, Ste 2030 Austin, TX 78701	AEDC is a legally separate entity created in October 2020 by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of AEDC is to engage in socially beneficial real estate and economic development within the City. City Council has appointed the entity's initial Board and maintains the ability to remove members of the Board. AEDC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City.

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

Discretely Presented Component Units	*Description of Activities, Relationship to City, and Key Inclusion Criteria*
Austin Transit Partnership Local Government Corporation (ATP) 203 Colorado Street Austin, TX 78701	ATP is a legally separate entity created in December 2020 by the City and the Capital Metropolitan Transportation Authority (Capital Metro) under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of ATP is to serve as the independent entity responsible for the implementation of the Project Connect System Plan (Project Connect). The implementation of Project Connect is comprised of the financing, design, engineering, and construction of a fixed rail and bus transit system, including customer technology, park & ride hubs, on-demand neighborhood circulators, and associated improvements to roadways, bikeways, sidewalks, and street lighting. Project Connect also includes transit-supportive anti-displacement strategies for the purpose of preventing displacement and encouraging transit-oriented affordable housing along Project Connect transit corridors. ATP's Board is jointly appointed by the City and Capital Metro. ATP is fiscally dependent on the City and in a relationship of financial benefit/burden with the City. Additionally, the nature of ATP's relationship with the City is of significance, and exclusion from the City's financial statements would be misleading.
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 10) and the City of Austin Deferred Compensation Plan are not included in the City's reporting entity since the City does not exercise substantial control over these plans.

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

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

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.

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

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

The City's fiduciary funds are presented in the fund financial statements by type (custodial). 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.

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

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

The City reports the following major governmental fund:

General Fund: The primary operating fund of the City. It is used to account for all financial resources that are not required to be accounted for in another fund. It includes the following activities: general government; public safety; 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 to expenditures 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, property owners' participation and contributions, interest income, and other intergovernmental revenues. A 1981 ordinance requires the establishment of a separate fund for each bond proposition approved in each bond election.

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

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

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

The City reports the following major enterprise funds:

Austin Energy™: Accounts for the activities of the City-owned electric utility.
Austin Water: 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 event 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 and technology 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:

Custodial Funds: Account for assets held by the City as an agent for individuals, private organizations, and other governmental units. Municipal Court service fees and unclaimed property make up the majority of assets accounted for in these funds.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
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 October 1st, the 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. The following types of special revenue funds do not have a legally adopted budget: funds whose revenue source is primarily donations or contributions from the public; funds used to account for escrow or performance deposits; funds controlled by another legal entity; and funds used to account for the repayment of certain loans. 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 department of the City. The City Council approves amendments to the budget and transfers of appropriations from one department to another. The original and final budgets for the General Fund are reported in the required supplementary information. Unencumbered appropriations for annual budgets lapse at fiscal year end.

e -- Financial Statement Elements

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

Investments -- Investments can be reported at either fair value or amortized cost. 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, 2022 (in thousands):

Governmental activities	**General Fund**	**Nonmajor Governmental Funds**	**Internal Service Funds**	**Total**
Charges for services	$ 409,488	11	2,937	412,436
Fines	11,164	--	--	11,164
Taxes	67,162	38,860	--	106,022
Other governments	--	1,142	--	1,142
Other	--	6,024	--	6,024
Allowance for doubtful accounts	(400,807)	(2,242)	(276)	(403,325)
Total	$ 87,007	43,795	2,661	133,463

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	$ 193,702	76,397	3,590	36,985	310,674
Allowance for doubtful accounts	(24,612)	(3,749)	(1,997)	(4,734)	(35,092)
Total	$ 169,090	72,648	1,593	32,251	275,582

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

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

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

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

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

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

Inventories for all funds are accounted for using the consumption method and expenditures are recorded when issued.

Leases -- Leases are defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus any applicable periods covered by any renewal options that are reasonably certain to be exercised, or options to terminate that are not reasonably certain to be exercised. Contracts that transfer ownership of the underlying asset are recognized as financed purchases in the financial statements. Leases that have a maximum term of less than 12 months are considered short-term leases. Short-term lease payments are recognized in the period of payment.

As a lessor, the City recognizes a lease receivable and a deferred inflow of resources. At the commencement of a lease, the lease receivable is recorded at the net present value of the future fixed lease payments, discounted at either the explicit interest rate in the agreement or the City's incremental borrowing rate at lease inception. The deferred inflow of resources is recognized as inflows (revenue) on a straight-line basis over the term of the lease.

As a lessee, the City recognizes a lease payable and an intangible right-to-use lease asset. At the commencement of a lease, the lease payable is recorded at the net present value of the future fixed lease payments, discounted at either the explicit interest rate in the agreement or the City's incremental borrowing rate at lease inception. The right-to-use asset is initially recorded at the amount of the lease liability plus any prepayments less lease incentives received prior to lease commencement. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

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

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 are as follows (in thousands):

	Governmental Activities	Business-Type Activities: Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	$ 27,733	25,196	131,113	814,967	218,991	1,218,000
Customer and escrow deposits	88,077	134,588	11,648	1,428	9,277	245,018
Debt service	31,638	79,679	81,706	79,699	8,806	281,528
Federal receivables	--	4,231	--	12,234	640	17,105
Housing activities	20,210	--	--	--	--	20,210
Operating reserve account	--	--	55,231	18,961	5,602	79,794
Passenger facility charge account	--	--	--	84,772	--	84,772
Perpetual care	1,070	--	--	--	--	1,070
Plant decommissioning	--	289,748	--	--	--	289,748
Public health activities	155,069	--	--	--	--	155,069
Public safety activities	3,990	--	--	--	--	3,990
Capital reserve	--	68,425	--	10,000	893	79,318
Revenue bond reserve	--	30,145	42,102	79,869	10,262	162,378
Revolving loan reserve	--	4,770	--	--	--	4,770
Contingency reserve	--	104,160	--	--	--	104,160
Power supply stabilization reserve	--	106,627	--	--	--	106,627
Tourism	42,005	--	--	--	--	42,005
Urban growth programs	10,820	--	--	--	--	10,820
Other purposes	13,278	103	--	--	--	13,381
Total	$ 393,890	847,672	321,800	1,101,930	254,471	2,919,763

Capital Assets -- Capital assets, which primarily include land and improvements, buildings and improvements, plant and equipment, vehicles, water rights, lease right-to-use, and infrastructure assets, are reported in the proprietary funds and the applicable governmental or business-type activity columns of the government-wide statement of net position; related depreciation or amortization is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of $5,000 or more and an estimated useful life of greater than one year. Assets purchased, internally generated, or constructed are capitalized at historical cost. Contributed or annexed capital assets are recorded at estimated fair value at the time received. Donated capital assets and assets received in service concession arrangements are reported at estimated acquisition value on the date of receipt. Capital outlay is recorded as an expenditure in the General Fund and other governmental funds and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred. Improvements and betterments that extend the useful lives of capital assets or increase their value are capitalized in the government-wide and proprietary statement of net position and expended in governmental funds.

The City obtains public domain capital assets (infrastructure) through capital improvement projects (CIP) construction or through annexation or developer contribution. Infrastructure assets include streets and roads, bridges, pedestrian facilities, drainage systems, and traffic signal systems acquired after September 30, 1980.

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

Capital assets, except for nuclear fuel, are depreciated or amortized using the straight-line method over the following estimated useful lives (in years):

		Business-type Activities			
Assets	**Governmental Activities**	**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 (1)	--	Other	--	--	--
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Nuclear fuel is amortized over units of production

Depreciation of assets is classified by functional component. The City considers land, arts and treasures, and library collections to be inexhaustible; therefore, these assets are reported as nondepreciable. The true value of arts and treasures is expected to be maintained over time and, thus, is not depreciated. The initial investment of library collections for each library is capitalized. All subsequent expenditures related to the maintenance of the collection (replacement of individual items) are expensed, with the overall value of the collection being maintained, and therefore, not depreciated.

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Water rights represent the amortized cost of a $100 million contract, net of accumulated amortization of $22.7 million, between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

Regulatory Assets -- In accordance with accounting for regulated operations, certain utility expenses that do not currently require funding are recorded as assets and amortized over future periods if they are intended to be recovered through future rates. These expenses include unrealized gain/loss on investments, debt issuance costs, pension, other postemployment benefits, interest, decommissioning, and pass-through rates, such as the Power Supply Adjustment charge, Community Benefit charge, and Regulatory charge. Regulatory Assets will be recovered in these future periods by setting rates sufficient to provide funds for the requirements. If regulatory assets are not recoverable in future rates, the regulatory asset will be subject to write off. Retail deregulation of electric rates in the future may affect the City's current accounting treatment of its electric utility revenues and expenses.

Other Assets -- Other assets include amounts deposited in pre-closing escrow accounts and payments made as part of advance funding agreements for Austin Water and governmental activities construction projects. In addition, the receivable related to service concession arrangements for the Airport, a major enterprise fund, is recorded as other assets.

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

Deferred Outflows (Inflows) of Resources -- Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent an acquisition of net assets that applies to future periods, similar to liabilities.

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.				
Governmental Activities	$ 107	--	--	--
Austin Energy	--	207,598	--	--
Austin Water	--	481	--	--
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 Water	--	2,449	--	--
Nonmajor Enterprise	--	1,243	--	--
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	--	7,399	--	--
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	9,257	--	--	--
Austin Energy	--	7,556	--	--
Austin Water	--	35,887	--	4,859
Airport	--	9,188	--	--
Nonmajor Enterprise	--	4,845	--	54
Leases -- The resources related to the lease arrangements that will be recognized as revenue in future years over the terms of leases between the City and the operators are reported as deferred inflows of resources.				
Governmental Activities	--	--	54,524	--
Austin Water	--	--	--	2,197
Airport	--	--	--	135,662
Nonmajor Enterprise	--	--	--	4,575
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	736,903	--	293,670	--
Austin Energy	--	159,409	--	58,366
Austin Water	--	109,677	--	39,259
Airport	--	48,432	--	19,051
Nonmajor Enterprise	--	259,079	--	82,267
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	732,494	--	943,411	--
Austin Energy	--	73,831	--	61,464
Austin Water	--	43,696	--	34,147
Airport	--	14,909	--	13,671
Nonmajor Enterprise	--	92,429	--	61,093

(Continued)

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
Public-Private Partnership Arrangements -- The resources related to the public-private partnership 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		--	--	101,106	--
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		--	--	--	459,287
Austin Water		--	--	--	1,030,468
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		--	--	28,900	--
Airport		--	--	--	157,890
Nonmajor Enterprise		--	--	--	1,677
Total	$	1,478,761	1,078,108	1,421,611	2,165,987
Totals by Fund					
Governmental Activities	$	1,478,761	--	1,421,611	--
Austin Energy		--	455,793	--	579,117
Austin Water		--	192,190	--	1,110,930
Airport		--	72,529	--	326,274
Nonmajor Enterprise		--	357,596	--	149,666
Grand Total	$	1,478,761	1,078,108	1,421,611	2,165,987

The governmental funds' statements include amounts recognized as deferred inflows of resources as a result of property taxes, other taxes, and certain revenues ($17.2 million) that are not available to liquidate current liabilities in the funds. These amounts will be recognized in the period these amounts become available.

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

Compensated Absences -- The amounts owed to employees for unpaid vacation, exception vacation, and sick leave liabilities, including the City's share of employment-related taxes, are reported on the accrual basis of accounting in the government-wide statements and in the proprietary activities of the fund financial 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 11. At September 30, 2022, the City's total OPEB liability for these retiree benefits was approximately $4.3 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 GAAP 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 9 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) -- Austin Energy is reporting AROs related to the South Texas Project and the Fayette Power Project, Austin Water 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. The associated bad debt expense is as follows (in thousands):

	Bad Debt Expense
Austin Energy	$ 7,770
Austin Water	2,222
Airport	4
Nonmajor Enterprise	3,508

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, 2022. The amount of unbilled revenue reported in accounts receivable as of September 30, 2022 was $39.3 million. Austin Water records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2022. The amount of unbilled revenue reported in accounts receivable as of September 30, 2022 was $21.8 million for water and $16.7 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. The associated discounts are as follows (in thousands):

	Discounts
Airport	$ 5,075
Nonmajor Enterprise	3,603

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.

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 $66,000 in fiscal year 2022 to a specific purpose. This amount is reviewed annually and subject to be updated 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):

		Nonmajor Governmental				
	General Fund	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Nonspendable						
Prepaid items	$ 3,000	--	--	--	--	3,000
Permanent funds	--	--	--	--	1,070	1,070
Total Nonspendable	3,000	--	--	--	1,070	4,070
Restricted						
Municipal court services	--	588	--	--	--	588
General government services	--	63	--	--	--	63
Fire special purpose	--	59	--	--	--	59
Police special purpose	--	13,984	--	--	--	13,984
Transportation, planning, and sustainability	--	239	--	--	--	239
Public health services	--	706	--	--	--	706
Library services	--	5,232	--	--	--	5,232
Parks services	--	230	--	--	--	230
Tourism programs	--	79,604	--	--	--	79,604
Affordable housing programs	--	38,981	--	--	--	38,981
Urban growth programs	--	26,046	--	--	--	26,046
Capital construction	--	--	--	157,657	--	157,657
Debt service	--	--	31,681	--	--	31,681
Total Restricted	--	165,732	31,681	157,657	--	355,070
Committed						
Tourism programs	--	116	--	--	--	116
Affordable housing programs	--	678	--	--	--	678
Urban growth programs	--	78,698	--	--	--	78,698
Total Committed	--	79,492	--	--	--	79,492
Assigned						
Municipal court services	4,601	--	--	--	--	4,601
EMS activities	1,404	--	--	--	--	1,404
Fire activities	712	--	--	--	--	712
Police activities	9,230	--	--	--	--	9,230
Public health services	30,588	--	--	--	--	30,588
Library services	3,621	--	--	--	--	3,621
Parks services	3,496	--	--	--	--	3,496
Tourism programs	--	3	--	--	--	3
Affordable housing programs	273	614	--	--	--	887
Urban growth programs	96,205	343	--	--	--	96,548
Capital construction	--	--	--	122,489	--	122,489
Total Assigned	150,130	960	--	122,489	--	273,579
Unassigned	188,705	(5,121)	--	(185,467)	--	(1,883)
Total Fund Balance	$ 341,835	241,063	31,681	94,679	1,070	710,328

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 two reserve funds; a budget stabilization reserve and an emergency reserve fund. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2022, the budget stabilization reserve reports a balance of $113.4 million, the emergency reserve maintains a balance of eight percent of total General Fund requirements, or $93.6 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 10).

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, but the City does purchase stop-loss insurance for the City's PPO, HMO, and CDHP plans.

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 17).

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 12.

f -- COVID-19 Response Funding

Emergency Rental Assistance Funding -- The City was awarded an additional $1 million in fiscal year 2022 for a total of $65.9 million from the US Department of the Treasury for the COVID-19 relief Emergency Rental Assistance Program grant. Through the end of the fiscal year, the City expended $65.2 million. The Housing and Planning Department oversees this grant which is being used to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic.

American Rescue Plan Act -- Coronavirus State and Local Fiscal Recovery Fund (SLFRF) -- The City was allocated and received $188.5 million in federal funding from SLFRF administered by the US Department of the Treasury. Through the end of the fiscal year, the City expended $27.2 million. SLFRF will provide relief services and assistance to Austin residents, creatives, non-profits, and businesses to address the needs created by this public health emergency.

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, 2022 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	$ 295,474	--
Nonmajor governmental funds	519,063	--
Austin Energy	165,713	209,345
Austin Water	250,063	140,477
Airport	21,346	949,383
Nonmajor enterprise funds	371,673	230,163
Internal service funds	239,218	6,629
Fiduciary funds	2,665	--
Subtotal pooled investments and cash	1,865,215	1,535,997
Total pooled investments and cash	$ 3,401,212	

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), Deputy Treasurer over Investment Management, Division Chief over Debt Management, representation from Accounting and Financial Reporting, 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 365 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 2022.

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). There is no federal regulatory oversight for any of the LGIPs but all must obtain and retain a AAAm or equivalent rating, each provides audited Annual Finance Reports with an opinion from an independent auditor, and each has a form of independent oversight. The State Comptroller oversees TexPool/TexPool Prime, with Federated Hermes managing the daily operations of the pool under a contract with the State Comptroller. The Texas Range Investment Program has an advisory board consisting of participants or their designees which 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 Hilltop Securities, 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, 2022, TexPool, TexPool Prime, TexasDAILY, TexStar, and Texas CLASS had a weighted average maturity of 25 days, 14 days, 21 days, 16 days, and 31 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 measure their investments at fair value.

3 – INVESTMENTS AND DEPOSITS, continued
a -- Investments, continued

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

The City has the following recurring fair value measurements as of September 30, 2022:

- U.S. Treasury securities of $2.0 billion are valued using quoted prices (unadjusted) in active markets for identical financial assets which the City can access at the measurement date (Level 1 inputs).
- U.S. Agency securities of $878.5 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).

As of September 30, 2022, the City presented Money Market Funds of $102.9 million, LGIPs of $1.33 billion valued using amortized cost, and LGIPs of $26.6 million valued using NAV.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2022 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 29,658	398,494	--	428,152
Money Market Funds	8,234	94,709	--	102,943
US Treasury Notes	--	305,474	--	305,474
US Treasury Bills	--	--	--	--
US Agency Bonds	--	117,272	--	117,272
US Agency Discounts Notes	--	14,739	--	14,739
Total non-pooled investments	37,892	930,688	--	968,580
Pooled investments:				
Local Government Investment Pools	289,604	638,584	726	928,914
US Treasury Notes	517,481	1,141,054	1,301	1,659,836
US Treasury Bills	21,590	47,605	54	69,249
US Agency Bonds	103,303	227,784	259	331,346
US Agency Discount Notes	129,438	285,414	325	415,177
Total pooled investments	1,061,416	2,340,441	2,665	3,404,522
Total investments	$ 1,099,308	3,271,129	2,665	4,373,102

Concentration of Credit Risk

At September 30, 2022, 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: Federal Farm Credit Bank ($437.9 million or 10%) and Federal Home Loan Bank ($309.1 million or 7.1%) both have discount notes of $242.4 million and $187.5 million, respectively, that will mature in less than one year.

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, 2022, 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 (days)
Operating funds					
Local Government Investment Pools	$ 289,604	638,584	726	928,914	1
US Treasury Notes	517,481	1,141,054	1,301	1,659,836	335
US Treasury Bills	21,590	47,605	54	69,249	116
US Agency Bonds	103,303	227,784	259	331,346	425
US Agency Discount Notes	129,438	285,414	325	415,177	114
Total Operating funds	1,061,416	2,340,441	2,665	3,404,522	
Debt service funds					
General Obligation Debt Service					
Local Government Investment Pools	29,658	--	--	29,658	1
Utility (1)					
Local Government Investment Pools	--	161,384	--	161,384	1
Airport					
Local Government Investment Pools	--	53,001	--	53,001	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	8,805	--	8,805	1
Total Debt service funds	29,658	223,190	--	252,848	
Debt service reserve funds					
Utility (1)					
Local Government Investment Pools	--	26,481	--	26,481	1
Money Market Funds	--	4,682	--	4,682	1
Airport					
Local Government Investment Pools	--	79,869	--	79,869	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	10,263	--	10,263	1
Total Debt service reserve funds	--	121,295	--	121,295	
Special projects/purpose funds					
Austin Energy Contingency, Power Supply, and Capital Reserve					
Local Government Investment Pools	--	35,281	--	35,281	1
US Treasury Notes	--	121,661	--	121,661	307
US Agency Bonds	--	117,272	--	117,272	714
US Agency Discount Notes	--	4,999	--	4,999	5
Total Austin Energy Contingency, Power Supply, and Capital Reserve	--	279,213	--	279,213	
Austin Energy Nuclear Decommissioning Trust Funds (NDTF)					
Money Market Funds	--	49,445	--	49,445	1
US Treasury Notes	--	183,813	--	183,813	275
US Agency Discount Notes	--	9,740	--	9,740	248
Total Austin Energy NDTF	--	242,998	--	242,998	
Special Projects - Utility Reserve (1)					
Local Government Investment Pools	--	23,410	--	23,410	1
Special Projects - Other					
Money Market Funds	8,234	40,582	--	48,816	1
Total Special projects/purpose funds	8,234	586,203	--	594,437	
Total funds	$ 1,099,308	3,271,129	2,665	4,373,102	

(1) Includes combined pledge debt service

3 – INVESTMENTS AND DEPOSITS, continued
b -- Investment Categories, continued

Credit Risk

At September 30, 2022, City funds held investments in LGIPs and Money Market Funds rated AAAm by S&P Global Ratings or AAAmmf by Fitch Ratings, Inc., short-to-medium term U.S. Agency bonds rated AA+ by S&P Global Ratings, and the remaining investments in Treasury securities, which are direct obligations of the U.S. government.

Concentration of Credit Risk

Operating Funds
At September 30, 2022, 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 ($363.3 or 10.7%)

Special Projects or Special Purpose Funds
At September 30, 2022, the Austin Energy Contingency, Power Supply, and Capital Reserve Fund held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank ($64.9 or 23.2%), Federal Home Loan Bank ($23.6 or 8.5%) and Federal Home Loan Mortgage Corporation ($24.4 or 8.7%).

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 720 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. Five years is the maximum period before maturity.

At September 30, 2022, 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 five years from the purchase date. The dollar weighted average maturity of all securities was 223 days, which was less than the threshold of 720 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 maturities.

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 Contingency, Power Supply, and Capital Reserve Fund
At September 30, 2022, 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 440 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, 2022, the dollar weighted average maturity was 219 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, 2022, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 45,418	951,186	--	996,604
Pooled investments and cash	1,063,210	2,344,398	2,665	3,410,273
Total investments and cash	1,108,628	3,295,584	2,665	4,406,877
Unrestricted cash	46	6,294	--	6,340
Restricted cash	7,480	14,204	--	21,684
Pooled investments and cash	1,063,210	2,344,398	2,665	3,410,273
Investments	37,892	930,688	--	968,580
Total	$ 1,108,628	3,295,584	2,665	4,406,877

The bank balance of the portfolio exceeds the book balance by approximately $9.1 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, 2022 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	$ 46	51	97
Restricted	--	4,770	4,770
Cash held by trustee			
Unrestricted	--	6,243	6,243
Restricted	7,480	9,434	16,914
Non-pooled cash	7,526	20,498	28,024
Pooled cash	1,794	3,957	5,751
Total deposits	$ 9,320	24,455	33,775

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, 2022.

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, 2021, upon which the 2022 levy was based, was $181,435,268,760.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2022, 99.39% of the current tax levy (October 1, 2021) 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. State law governing municipalities' authority to increase property tax rates was changed during 2019. Effective 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 requires 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 has 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 and fund Project Connect, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2022, was $0.428 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, 2022, was $0.113 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $0.572 per $100 assessed valuation and could levy approximately $1,037,809,737 in additional taxes from the assessed valuation of $181,435,268,760 before the legislative limit is reached.

5 – CAPITAL ASSETS AND INFRASTRUCTURE
a -- Capital Assets

Governmental Activities

Capital asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,414,008	53,918	(4)	1,467,922
Plant and equipment	295,395	10,948	(13,038)	293,305
Vehicles	183,857	13,952	(7,890)	189,919
Infrastructure	3,233,848	111,395	(1)	3,345,242
Total depreciable capital assets	5,127,108	190,213	(20,933)	5,296,388
Less accumulated depreciation for				
Building and improvements	(497,444)	(42,078)	--	(539,522)
Plant and equipment	(207,005)	(17,389)	12,891	(211,503)
Vehicles	(106,697)	(15,854)	7,363	(115,188)
Infrastructure	(1,517,069)	(87,077)	--	(1,604,146)
Total accumulated depreciation	(2,328,215)	(162,398) (2)	20,254	(2,470,359)
Depreciable capital assets, net	2,798,893	27,815	(679)	2,826,029
Nondepreciable capital assets				
Land and improvements	482,616	57,333	(324)	539,625
Arts and treasures	11,958	310	--	12,268
Library collections	18,167	--	--	18,167
Construction in progress	222,469	210,162	(141,430)	291,201
Total nondepreciable assets	735,210	267,805	(141,754)	861,261
Total capital assets	$ 3,534,103	295,620	(142,433)	3,687,290

(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	$ 8,477
Public safety	18,775
Transportation, planning and sustainability	67,529
Public health	2,091
Public recreation and culture	27,339
Urban growth management	25,298
Internal service funds	12,889
Total increases in accumulated depreciation/amortization	$ 162,398

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued
a -- Capital Assets, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 3,318,498	141,768	(22)	3,460,244
Plant and equipment	4,542,875	160,758	(2,809)	4,700,824
Vehicles	276,368	18,631	(24,759)	270,240
Electric plant	6,005,753	155,475	(120,237)	6,040,991
Non-electric plant	268,061	86,944	(1,921)	353,084
Nuclear fuel	459,265	22,497	--	481,762
Water rights	100,000	--	--	100,000
Total depreciable capital assets	14,970,820	586,073	(149,748)	15,407,145
Less accumulated depreciation/amortization for				
Building and improvements	(1,057,704)	(78,428)	--	(1,136,132)
Plant and equipment	(1,986,173)	(120,710)	925	(2,105,958)
Vehicles	(173,447)	(19,717)	22,357	(170,807)
Electric plant	(3,576,590)	(250,380)	120,201	(3,706,769)
Non-electric plant	(101,081)	(12,426)	1,520	(111,987)
Nuclear fuel	(408,602)	(19,784)	--	(428,386)
Water rights	(21,728)	(988)	--	(22,716)
Total accumulated depreciation/amortization	(7,325,325)	(502,433) (2)	145,003	(7,682,755)
Depreciable capital assets, net	7,645,495	83,640	(4,745)	7,724,390
Nondepreciable capital assets				
Land and improvements	811,009	4,748	(494)	815,263
Arts and treasures	6,175	159	--	6,334
Construction in progress	747,283	545,065	(476,135)	816,213
Plant held for future use	23,115	--	(520)	22,595
Total nondepreciable assets	1,587,582	549,972	(477,149)	1,660,405
Total capital assets	$ 9,233,077	633,612	(481,894)	9,384,795

(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	$ 266,065
Water	66,175
Wastewater	72,508
Airport	47,721
Convention	9,008
Environmental and health services	9,867
Public recreation	642
Urban growth management	10,663
Total business-type activities depreciation expense	482,649
Current year amortization included in operating expense	19,784
Total increases in accumulated depreciation/amortization	$ 502,433

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued
a -- Capital Assets, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Vehicles	$ 42,088	1,957	(2,568)	41,477
Electric plant	6,005,753	155,475	(120,237)	6,040,991
Non-electric plant	268,061	86,944	(1,921)	353,084
Nuclear fuel	459,265	22,497	--	481,762
Total depreciable capital assets	6,775,167	266,873	(124,726)	6,917,314
Less accumulated depreciation/amortization for				
Vehicles	(23,850)	(3,259)	2,567	(24,542)
Electric plant	(3,576,590)	(250,380)	120,201	(3,706,769)
Non-electric plant	(101,081)	(12,426)	1,520	(111,987)
Nuclear fuel	(408,602)	(19,784)	--	(428,386)
Total accumulated depreciation/amortization	(4,110,123)	(285,849) (1)	124,288	(4,271,684)
Depreciable capital assets, net	2,665,044	(18,976)	(438)	2,645,630
Nondepreciable capital assets				
Land and improvements	76,454	1,413	--	77,867
Construction in progress	282,652	242,153	(244,454)	280,351
Plant held for future use	23,115	--	(520)	22,595
Total nondepreciable assets	382,221	243,566	(244,974)	380,813
Total capital assets	$ 3,047,265	224,590	(245,412)	3,026,443

(1) Components of accumulated depreciation/amortization increases:	
Current year depreciation	$ 266,065
Current year amortization included in operating expense	19,784
Total increases in accumulated depreciation/amortization	$ 285,849

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued
a -- Capital Assets, continued

Business-type Activities: Austin Water

Capital asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases		Decreases	Ending Balance
Depreciable capital assets					
Building and improvements	$ 1,249,249	50,252		--	1,299,501
Plant and equipment	4,244,529	131,452		(2,290)	4,373,691
Vehicles	47,511	4,571		(3,059)	49,023
Water rights	100,000	--		--	100,000
Total depreciable capital assets	5,641,289	186,275		(5,349)	5,822,215
Less accumulated depreciation/amortization for					
Building and improvements	(405,081)	(26,274)		--	(431,355)
Plant and equipment	(1,850,627)	(108,479)		533	(1,958,573)
Vehicles	(31,362)	(2,942)		3,020	(31,284)
Water rights	(21,728)	(988)		--	(22,716)
Total accumulated depreciation/amortization	(2,308,798)	(138,683)	(1)	3,553	(2,443,928)
Depreciable capital assets, net	3,332,491	47,592		(1,796)	3,378,287
Nondepreciable capital assets					
Land and improvements	231,506	219		--	231,725
Arts and treasures	111	--		--	111
Construction in progress	338,847	221,803		(113,563)	447,087
Total nondepreciable assets	570,464	222,022		(113,563)	678,923
Total capital assets	$ 3,902,955	269,614		(115,359)	4,057,210

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	$ 65,187
Wastewater	72,508
Current year amortization	
Water	988
Total increases in accumulated depreciation/amortization	$ 138,683

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued
a -- Capital Assets, continued

Business-type Activities: Airport

Capital asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,718,795	53,814	--	1,772,609
Plant and equipment	48,351	3,121	(312)	51,160
Vehicles	18,690	1,414	--	20,104
Total depreciable capital assets	1,785,836	58,349	(312)	1,843,873
Less accumulated depreciation for				
Building and improvements	(455,294)	(43,223)	--	(498,517)
Plant and equipment	(21,669)	(3,047)	275	(24,441)
Vehicles	(11,908)	(1,451)	--	(13,359)
Total accumulated depreciation	(488,871)	(47,721) (1)	275	(536,317)
Depreciable capital assets, net	1,296,965	10,628	(37)	1,307,556
Nondepreciable capital assets				
Land and improvements	96,381	--	--	96,381
Arts and treasures	5,452	159	--	5,611
Construction in progress	53,462	47,272	(55,412)	45,322
Total nondepreciable assets	155,295	47,431	(55,412)	147,314
Total capital assets	$ 1,452,260	58,059	(55,449)	1,454,870

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 47,721

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued
a -- Capital Assets, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 350,454	37,702	(22)	388,134
Plant and equipment	249,995	26,185	(207)	275,973
Vehicles	168,079	10,689	(19,132)	159,636
Total depreciable capital assets	768,528	74,576	(19,361)	823,743
Less accumulated depreciation for				
Building and improvements	(197,329)	(8,931)	--	(206,260)
Plant and equipment	(113,877)	(9,184)	117	(122,944)
Vehicles	(106,327)	(12,065)	16,770	(101,622)
Total accumulated depreciation	(417,533)	(30,180) (2)	16,887	(430,826)
Depreciable capital assets, net	350,995	44,396	(2,474)	392,917
Nondepreciable capital assets				
Land and improvements	406,668	3,116	(494)	409,290
Arts and treasures	612	--	--	612
Construction in progress	72,322	33,837	(62,706)	43,453
Total nondepreciable assets	479,602	36,953	(63,200)	453,355
Total capital assets	$ 830,597	81,349	(65,674)	846,272

(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	$ 9,008
Environmental and health services	9,867
Public recreation	642
Urban growth management	10,663
Total increases in accumulated depreciation/amortization	$ 30,180

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued
b -- Right-to-Use Assets

Governmental Activities

Lease right-to-use asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases		Decreases	Ending Balance
Intangible right-to-use lease assets					
Buildings	$ 108,041	--		--	108,041
Infrastructure	1,727	--		--	1,727
Land	487	13,010		--	13,497
Computer Equipment	1,455	1,418		--	2,873
Total leased assets	111,710	14,428		--	126,138
Less accumulated amortization for:					
Buildings	--	(13,488)		--	(13,488)
Infrastructure	--	(171)		--	(171)
Land	--	(144)		--	(144)
Computer Equipment	--	(1,228)		--	(1,228)
Total accumulated amortization	--	(15,031)	(1)	--	(15,031)
Governmental activities, net	$ 111,710	(603)		--	111,107

(1) Components of accumulated amortization increases:

Governmental Activities:	
General government	$ 8,014
Public safety	737
Transportation, planning and sustainability	2,046
Public health	2,745
Public recreation and culture	137
Urban growth management	1,352
Total increases in accumulated amortization	$ 15,031

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued
b -- Right-to-Use Assets, continued

Business-type Activities: Total

Lease right-to-use asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases		Decreases	Ending Balance
Intangible right-to-use lease assets					
Buildings	$ 48,126	--		--	48,126
Land	541	--		--	541
Equipment	2,164	1,757		--	3,921
Vehicles	13,572	1,955		--	15,528
Computer Equipment	4,221	--		--	4,221
Total leased assets	68,624	3,712		--	72,337
Less accumulated amortization for:					
Buildings	--	(6,966)		--	(6,966)
Land	--	(47)		--	(47)
Equipment	--	(688)		--	(688)
Vehicles	--	(5,625)		--	(5,625)
Computer Equipment	--	(1,922)		--	(1,922)
Total accumulated amortization	--	(15,248)	(1)	--	(15,248)
Business-type activities, net	$ 68,624	(11,536)		--	57,089

(1) Components of accumulated amortization increases:

Business-type Activities:	
Electric	$ 11,930
Water	114
Wastewater	47
Airport	36
Convention	79
Environmental and health services	906
Public recreation	97
Urban growth management	2,039
Total business-type activities accumulated amortization	$ 15,248

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued
b -- Right-to-Use Assets, continued

Business-type Activities: Austin Energy

Lease right-to-use asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use lease assets				
Buildings	$ 12,616	--	--	12,616
Land	541	--	--	541
Equipment	1,539	--	--	1,539
Vehicles	13,572	1,590	--	15,163
Computer Equipment	4,221	--	--	4,221
Total leased assets	32,489	1,590	--	34,080
Less accumulated amortization for:				
Buildings	--	(3,907)	--	(3,907)
Land	--	(47)	--	(47)
Equipment	--	(430)	--	(430)
Vehicles	--	(5,624)	--	(5,624)
Computer Equipment	--	(1,922)	--	(1,922)
Total accumulated amortization	--	(11,930) (1)	--	(11,930)
Intangible right-to-use lease assets, net	$ 32,489	(10,340)	--	22,150

(1) Components of accumulated amortization increases:

Current year accumulated amortization	$ 11,930

Business-type Activities: Austin Water

Lease right-to-use asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use lease assets				
Buildings	$ 985	--	--	985
Equipment	--	312	--	312
Total leased assets	985	312	--	1,297
Less accumulated amortization for:				
Buildings	--	(114)	--	(114)
Equipment	--	(47)	--	(47)
Total accumulated amortization	--	(161) (1)	--	(161)
Intangible right-to-use lease assets, net	$ 985	151	--	1,136

(1) Components of accumulated amortization increases:

Current year accumulated amortization	
Water	$ 114
Wastewater	47
Total increases in accumulated amortization	$ 161

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued
b -- Right-to-Use Assets, continued

Business-type Activities: Airport

Lease right-to-use asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases		Decreases	Ending Balance
Intangible right-to-use lease assets					
Equipment	$ 90	--		--	90
Total leased assets	90	--		--	90
Less accumulated amortization for:					
Equipment	--	(36)		--	(36)
Total accumulated amortization	--	(36)	(1)	--	(36)
Intangible right-to-use lease assets, net	$ 90	(36)		--	54

(1) Components of accumulated amortization increases:	
Current year accumulated amortization	$ 36

Business-type Activities: Nonmajor Enterprise Funds

Lease right-to-use asset activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Increases		Decreases	Ending Balance
Intangible right-to-use lease assets					
Buildings	$ 34,525	--		--	34,525
Equipment	535	1,445		--	1,980
Vehicles	--	365		--	365
Total leased assets	35,060	1,810		--	36,870
Less accumulated amortization for:					
Buildings	--	(2,945)		--	(2,945)
Equipment	--	(175)		--	(175)
Vehicles	--	(1)		--	(1)
Total accumulated amortization	--	(3,121)	(1)	--	(3,121)
Intangible right-to-use lease assets, net	$ 35,060	(1,311)		--	33,749

(1) Components of accumulated amortization increases:	
Convention	$ 79
Environmental and health services	906
Public recreation	97
Urban growth management	2,039
Total nonmajor enterprise activities accumulated amortization	$ 3,121

6 – SERVICE CONCESSION ARRANGEMENTS

The City has recorded net capital assets of $179.2 million, other assets of $15.8 million and deferred inflows of $188.5 million derived from six 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.

In 1991, the City entered into an agreement with the Friends of Umlauf Garden, Inc. to manage and operate the Umlauf Sculpture Garden and Museum. The agreement was 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. The original agreement had a term which ended in November 2021, however, the Umlauf Sculpture Garden and Museum will continue to operate the facility under a separately negotiated management and operating agreement.

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 2014, the City entered a joint design, development, management and operation agreement with Waller Creek Local Government Corporation and the Waterloo Greenway Conservancy (WGC). The agreement established the roles and responsibilities of each entity regarding the development and operation of the Waller Creek District. The WGC contributed funding to Waller Creek District facilities that will be owned by the City. The WGC will operate the facilities for an initial term of 20 years, with options to extend through 2113.

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, 2022, the unamortized balance was $7.9 million and is presented in other assets. The related deferred inflow balance is $10 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 19 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 next five years beginning October 1, 2021, is $10,000. The present value of the future payments was $9.2 million at lease inception. As of September 30, 2022, the unamortized balance was $7.1 million and is presented in other assets. The related deferred inflow balance is $7.9 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.

In 2019, the City entered into a Management and Operation Agreement with Pecan Grove Golf Partners (Pecan) to develop and manage the Butler Pitch and Putt Golf Course. The lease has a 10-year term which began in July 2019. Pecan pays a minimum monthly flat fee and an annual percentage rate in exchange for the right to operate the facilities, as defined in the management and operation agreement. In the beginning, the monthly flat fee was $2,700 until renovations were completed and thereafter the fee was increased to $10,417. The present value of the future rent payments was $991 thousand at lease inception. As of September 30, 2022, the unamortized balance was $775 thousand and is presented in other assets. The related deferred inflow balance is $669 thousand. The operator completed the renovations in fiscal year 2021 and construction costs totaled $1.2 million. The City has recorded the asset with a corresponding deferred inflow of resources to be amortized over the remaining 8-year term of the master lease agreement.

6 – SERVICE CONCESSION ARRANGEMENTS, continued

As of September 30, 2022, 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	--	1,748	58	1,806	531
YMCA Northeast Recreation Center		1,333	--	294	34	328	1,005
Waterloo Park and Amphitheater		27,515	1,219	151	945	1,096	27,638
Total Governmental Activities		31,185	1,219	2,193	1,037	3,230	29,174
Business-type Activities:							
CONRAC facility		152,496	--	22,811	3,814	26,625	125,871
Bark and Zoom facility		27,098	--	3,345	679	4,024	23,074
Butler Putt and Pitch facility		--	1,152	--	29	29	1,123
Total Business-type Activities		179,594	1,152	26,156	4,522	30,678	150,068

		Beginning Deferred Inflows	Current Year Additions	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
Governmental Activities:							
Umlauf Sculpture Garden		6	--	2,331	6	2,337	--
YMCA Northeast Recreation Center		589	--	744	67	811	522
Waterloo Park and Amphitheater		27,465	1,219	50	306	356	28,378
Total Governmental Activities		28,060	1,219	3,125	379	3,504	28,900
Business-type Activities:							
CONRAC facility		122,028	--	30,468	5,083	35,551	116,945
CONRAC base rent agreement		10,432	--	2,609	435	3,044	9,997
Bark and Zoom facility		23,753	--	3,345	679	4,024	23,074
Bark and Zoom base rent agreement		8,106	--	1,158	232	1,390	7,874
Butler Putt and Pitch facility		--	1,152	--	144	144	1,008
Butler Putt and Pitch base rent agreement		--	991	--	322	322	669
Total Business-type Activities	$	164,319	2,143	37,580	6,895	44,475	159,567

7 – PUBLIC-PRIVATE PARTNERSHIP ARRANGEMENTS

In 2018, the City entered into a Lease and Development agreement with Austin Stadco LLC, doing business as Austin FC, for the construction of the Q2 Stadium. As a result of this agreement, the City recognized other long-term asset balances in the governmental activities' column of the statement of net position. A balance in the amount of $104 million is recorded for the estimated carrying value of stadium capital assets at the end of the contract term. An additional balance related to the discounted value of future installment payments is recorded in the amount $4.5 million. The related deferred inflow is amortized on a straight-line basis over the term of the agreement and resulted in the recognition of $5.4 million of governmental activities revenue in fiscal year 2022. As of September 30, 2022, the deferred inflow balance was $101.1 million.

The City uses an imputed interest rate of 5% to discount the future payments. As the transferor in this arrangement, the City retains ownership rights to assets associated with the Q2 stadium, which will be operated by Austin FC, for a minimum term of 20 years with options to extend through 2071.

8 – LEASES

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset for a minimum of one year in an exchange or exchange-like transaction. The City has entered into various leasing arrangements as both lessee and lessor.

a -- City as Lessor

As lessor, the City has entered into numerous leases of City-owned land, buildings, and infrastructure. These leases have annual interest rates ranging from 0.213% to 4.116%. The terms end between October 2022 and August 2101 with varying extension options. Lease receivables are reported for governmental activities, and Austin Energy, Austin Water, Airport, and nonmajor enterprise funds.

In October 1981, the City entered into a 99-year ground lease for land located in downtown Austin. As of September 30, 2022, the lease receivable associated with this lease was $41.8 million, or 76.2% of the governmental activities leases receivable balance.

The City has entered into certain lease agreements as the lessor of land, terminal space, cargo facilities, and other structures to concessionaires serving the Airport. The concession agreements provide for both fixed and variable payments and do not meet the criteria of regulated leases. About half of the City's leases and two-thirds of the City's leases receivable balance arise from Airport operations.

The present value of lease payments expected to be received during the lease term is recorded as a lease receivable and is deferred until received. Lease receivable activity for the year ended September 30, 2022, is as follows (in thousands):

Leases Receivable	October 1, 2021	Additions	Reductions	September 30, 2022
Governmental activities	$ 53,575	2,107	(787)	54,895
Business-type activities				
Austin Water	2,167	239	(201)	2,205
Airport	149,926	6,302	(19,275)	136,953
Nonmajor enterprise	4,519	503	(368)	4,654
Business-type activities total	156,612	7,044	(19,844)	143,812
Total leases receivable	$ 210,187	9,151	(20,631)	198,707

For the year ended September 30, 2022, lease inflows are as follows (in thousands):

Description	Lease Revenue	Lease Interest Income	Total
Governmental activities			
General Fund	$ 156	80	236
Nonmajor governmental	283	56	339
Governmental activities total	439	136	575
Business-type activities			
Austin Water	211	32	243
Airport	20,567	1,541	22,108
Nonmajor enterprise	447	64	511
Business-type activities total	21,225	1,637	22,862
Total all activities	$ 21,664	1,773	23,437

8 – LEASES, continued
a -- City as Lessor, continued

The City also received variable lease revenues during the year that are not included in lease inflows or in the measurement of the lease receivable. Variable lease revenues for the year ended September 30, 2022, are as follows (in thousands):

Description	Governmental Activities	Business-Type Activities	Total
Sales-based	$ 200	12,351	12,551
Utilities	4	--	4
Total variable payments	$ 204	12,351	12,555

Principal and interest to maturity for the lease receivable as of September 30, 2022, are as follows (in thousands):

Fiscal Year Ended September 30	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2023	$ 721	1,039	21,783	1,502	25,045
2024	764	1,012	20,778	1,319	23,873
2025	783	998	19,363	1,132	22,276
2026	804	983	19,568	948	22,303
2027	828	968	19,376	762	21,934
2028 - 2032	4,444	4,604	21,932	2,411	33,391
2033 - 2037	4,804	4,178	9,924	1,416	20,322
2038 - 2042	3,832	3,761	6,301	677	14,571
2043 - 2047	3,657	3,407	3,229	268	10,561
2048 - 2052	4,073	3,045	392	129	7,639
2053 - 2057	4,535	2,642	431	90	7,698
2058 - 2062	5,048	2,193	473	48	7,762
2063 - 2067	5,619	1,694	262	7	7,582
2068 - 2072	5,806	1,150	--	--	6,956
2073 - 2077	5,572	605	--	--	6,177
2078 - 2082	3,483	114	--	--	3,597
2083 - 2087	30	10	--	--	40
2088 - 2092	33	8	--	--	41
2093 - 2097	36	4	--	--	40
2098 - 2101	23	1	--	--	24
Total	$ 54,895	32,416	143,812	10,709	241,832

8 – LEASES, continued
b -- City as Lessee

As lessee, the City leases buildings, equipment, land, infrastructure, vehicles, and computer equipment to support its operations. These leases have annual interest rates ranging from 0.213% to 5.23%. For the fiscal year ended September 30, 2022, the City's governmental and business-type activities reported interest expenses of $1.6 million and $759 thousand, respectively. The terms end between October 2022 and February 2103, with varying extension options. The majority of the leases are for buildings and heavy equipment. The present value of lease payments expected to be made during the lease term is recorded as a lease liability and the associated asset is recognized as an intangible right-to-use lease asset. Information on lease assets by major class and related accumulated amortization information can be found in Note 5. Lease payable activity for the year ended September 30, 2022, is as follows (in thousands):

Leases Payable	October 1, 2021	Additions	Reductions	September 30, 2022
Governmental activities	$ 111,710	14,426	(14,322)	111,814
Business-type activities				
Austin Energy	32,489	1,595	(15,045)	19,039
Austin Water	985	312	(104)	1,193
Airport	90	--	(36)	54
Nonmajor enterprise	35,060	1,810	(2,741)	34,129
Business-type activities total	68,624	3,717	(17,926)	54,415
Total leases payable	$ 180,334	18,143	(32,248)	166,229

The City also made variable lease payments during the year that are not included in the measurement of the lease liability. Variable lease payments for the year ended September 30, 2022, were as follows (in thousands):

Description	Governmental Activities	Business-Type Activities	Total
Operating expenses	$ 5,715	3,006	8,721
Property taxes	--	30	30
Rental credits	(4)	(2)	(6)
Utilities	108	1	109
Total variable payments	$ 5,819	3,035	8,854

As of September 30, 2022, future annual lease commitments include the following (in thousands):

Fiscal Year Ended September 30	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2023	$ 14,205	1,348	11,650	797	28,000
2024	11,778	1,673	7,030	695	21,176
2025	7,297	1,347	5,894	602	15,140
2026	3,961	1,282	3,690	514	9,447
2027	3,831	1,223	2,885	456	8,395
2028 - 2032	19,054	5,206	11,821	1,555	37,636
2033 - 2037	17,306	3,737	7,535	654	29,232
2038 - 2042	10,922	2,408	3,910	93	17,333
2043 - 2047	799	2,078	--	--	2,877
2048 - 2052	1,004	1,995	--	--	2,999
2053 - 2057	1,240	1,891	--	--	3,131
2058 - 2062	1,513	1,765	--	--	3,278
2063 - 2067	1,828	1,613	--	--	3,441
2068 - 2072	2,190	1,431	--	--	3,621
2073 - 2077	2,604	1,215	--	--	3,819
2078 - 2082	2,379	971	--	--	3,350
2083 - 2087	1,753	808	--	--	2,561
2088 - 2092	2,188	640	--	--	2,828
2093 - 2097	2,691	432	--	--	3,123
2098 - 2102	3,271	176	--	--	3,447
Total	$ 111,814	33,239	54,415	5,366	204,834

8 – LEASES, continued
c -- Regulated Leases

The City has various aeronautical leasing agreements which are not included in the measurement of lease receivables, or within deferred inflows of resources, as they meet the definition of a regulated lease. These airline agreements are generally aeronautical in nature and are subject to certain regulations set forth by the Federal Aviation Administration. The Airport's Airline Use and Lease Agreement governs airline use of the main terminal building on a preferential use basis. Separate leases with cargo terminal operators, general aviation operators, and hangar leases are maintained on an exclusive use basis. The current Airline Use and Lease Agreement is set to expire on September 30, 2023. In fiscal year 2022, Airport recognized user fees and rental revenue of $100.4 million related to regulated leases. Future minimum payments through the September 30, 2023 expiration of the current Airline Use and Lease Agreement is expected to be $111.6 million.

9 – 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. Balances at September 30, 2022, were as follows (in thousands):

Description	October 1, 2021	Increases	Decreases	September 30, 2022	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	$ 1,098,303	264,953	(218,081)	1,145,175	89,576
Certificates of obligation, net	328,343	64,834	(53,868)	339,309	14,323
Contractual obligations, net	100,471	32,074	(21,927)	110,618	18,158
General obligation bonds and other tax supported debt total	1,527,117	361,861	(293,876)	1,595,102	122,057
Financed purchase obligations	21,087	2,115	(7,379)	15,823	5,417
Net debt	1,548,204	363,976	(301,255)	1,610,925	127,474
Other long-term obligations					
Accrued compensated absences	141,033	7,985	(7,852)	141,166	81,553
Claims payable	86,386	204,541	(218,229)	72,698	34,290
Net pension liability	1,346,529	8,996	(151,162)	1,204,363	--
Other postemployment benefits	2,570,005	361,189	(446,035)	2,485,159	37,249
Asset retirement obligations	518	--	--	518	--
Other liabilities	219,841	198,701	(1,465)	417,077	305,332
Governmental activities total	5,912,516	1,145,388	(1,125,998)	5,931,906	585,898
Total business-type activities					
General obligation bonds, net	17,868	4,799	(4,609)	18,058	2,624
Certificates of obligation, net	32,049	--	(6,459)	25,590	1,421
Contractual obligations, net	16,842	--	(4,311)	12,531	3,117
Other tax supported debt, net	4,520	--	(845)	3,675	885
General obligation bonds and other tax supported debt total	71,279	4,799	(16,224)	59,854	8,047
Commercial paper notes, net	178,600	183,900	(102,000)	260,500	--
Revenue bonds, net	5,460,516	722,783	(474,627)	5,708,672	193,264
Revenue notes from direct placements, net	198,150	71,101	(12,970)	256,281	15,930
Net debt	5,908,545	982,583	(605,821)	6,285,307	217,241
Other long-term obligations					
Accrued compensated absences	39,467	6,166	(5,668)	39,965	39,899
Claims payable	1,509	2,492	(383)	3,618	1,400
Net pension liability	831,474	297,165	(309,814)	818,825	--
Other postemployment benefits	1,776,362	315,408	(322,974)	1,768,796	26,512
Accrued landfill closure and postclosure costs	19,799	1,103	(1,473)	19,429	1,060
Asset retirement obligations	437,881	35,731	--	473,612	--
Other liabilities	133,025	145,525	(35,646)	242,904	181,934
Business-type activities total	9,148,062	1,786,173	(1,281,779)	9,652,456	468,046
Total liabilities (1)	$ 15,060,578	2,931,561	(2,407,777)	15,584,362	1,053,944

(1) This schedule excludes select short-term liabilities of $115,077 for governmental activities. For business-type activities, it excludes select short-term liablities of $315,132, and derivative instruments of $3,692.

9 – DEBT AND NON-DEBT LIABILITIES, continued

a -- Long-Term Liabilities, continued

Description	October 1, 2021	Increases	Decreases	September 30, 2022	Amounts Due Within One Year
Business-type activities:					
Electric activities					
Commercial paper notes, net	$ 76,600	93,900	--	170,500	--
Revenue bonds, net	2,058,226	--	(100,476)	1,957,750	80,233
Net debt	2,134,826	93,900	(100,476)	2,128,250	80,233
Other long-term obligations					
Accrued compensated absences	14,727	2,342	(2,361)	14,708	14,708
Claims payable	1,229	300	(211)	1,318	1,308
Net pension liability	307,542	102,847	(110,701)	299,688	--
Other postemployment benefits	530,257	83,220	(90,240)	523,237	7,843
Asset retirement obligations	436,599	35,731	--	472,330	--
Other liabilities	103,936	99,092	(34,185)	168,843	144,734
Electric activities total	3,529,116	417,432	(338,174)	3,608,374	248,826
Water and Wastewater activities					
General obligation bonds, net	547	957	(282)	1,222	215
Certificates of obligation bonds, net	1,297	--	(985)	312	29
Contractual obligations, net	604	--	(428)	176	175
Other tax supported debt, net	2,894	--	(541)	2,353	567
General obligation bonds and other tax supported debt total	5,342	957	(2,236)	4,063	986
Commercial paper notes, net	102,000	90,000	(102,000)	90,000	--
Revenue bonds, net	2,271,792	268,264	(333,606)	2,206,450	78,261
Revenue notes from direct placements, net	138,060	71,101	(6,280)	202,881	9,105
Net debt	2,517,194	430,322	(444,122)	2,503,394	88,352
Other long-term obligations					
Accrued compensated absences	7,361	869	(846)	7,384	7,384
Claims payable	280	292	(172)	400	92
Net pension liability	160,979	54,429	(56,102)	159,306	--
Other postemployment benefits	361,183	58,423	(61,848)	357,758	5,362
Asset retirement obligations	1,282	--	--	1,282	--
Other liabilities	11,219	6,621	--	17,840	16,858
Water and Wastewater activities total	3,059,498	550,956	(563,090)	3,047,364	118,048
Airport activities					
General obligation bonds, net	1	--	(1)	--	--
General obligation bonds and other tax supported debt total	1	--	(1)	--	--
Revenue bonds, net	1,052,616	454,519	(32,995)	1,474,140	27,095
Revenue notes from direct placements, net	39,270	--	(4,530)	34,740	4,630
Net debt	1,091,887	454,519	(37,526)	1,508,880	31,725
Other long-term obligations					
Accrued compensated absences	2,971	285	(144)	3,112	3,112
Claims payable	--	1,900	--	1,900	--
Net pension liability	61,118	19,040	(23,829)	56,329	--
Other postemployment benefits	160,381	21,932	(30,872)	151,441	2,270
Other liabilities	6,808	1,237	(722)	7,323	6,910
Airport activities total	1,323,165	498,913	(93,093)	1,728,985	44,017
Nonmajor enterprise activities					
General obligation bonds, net	17,320	3,842	(4,326)	16,836	2,409
Certificates of obligation, net	30,752	--	(5,474)	25,278	1,392
Contractual obligations	16,238	--	(3,883)	12,355	2,942
Other tax supported debt, net	1,626	--	(304)	1,322	318
General obligation bonds and other tax supported debt total	65,936	3,842	(13,987)	55,791	7,061
Revenue bonds, net	77,882	--	(7,550)	70,332	7,675
Revenue notes from direct placements, net	20,820	--	(2,160)	18,660	2,195
Net debt	164,638	3,842	(23,697)	144,783	16,931
Other long-term obligations					
Accrued compensated absences	14,408	2,670	(2,317)	14,761	14,695
Net pension liability	301,835	120,849	(119,182)	303,502	--
Other postemployment benefits	724,541	151,833	(140,014)	736,360	11,037
Accrued landfill closure and postclosure costs	19,799	1,103	(1,473)	19,429	1,060
Other liabilities	11,062	38,575	(739)	48,898	13,432
Nonmajor enterprise activities total	$ 1,236,283	318,872	(287,422)	1,267,733	57,155

9 – 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, 2022, 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 - 2006	2006	$ 7,995	3,675	393	(1)(3)	4.25%	9/1/2023-2026
Mueller Contractual Obligation - 2006	2006	12,000	3,565	412	(1)(4)	4.00 - 5.00%	9/1/2023-2026
Public Improvement - 2009B	2009	78,460	46,680	9,637	(1)	4.75 - 5.31%	9/1/2023-2029
Mueller Contractual Obligation - 2009	2010	15,000	6,750	1,184	(1)(4)	4.00 - 4.25%	9/1/2023-2029
Public Improvement Refunding - 2010	2011	91,560	4,000	174	(1)	4.34%	9/1/2023
Public Improvement Refunding - 2011A	2012	68,285	1,750	88	(1)	5.00%	9/1/2023
Public Improvement - 2012A	2013	74,280	70,945	12,293	(1)	3.00 - 5.00%	9/1/2023-2032
Public Improvement - 2012B	2013	6,640	3,635	708	(1)	2.55 - 3.50%	9/1/2023-2032
Certificates of Obligation - 2012	2013	24,645	15,195	3,088	(1)	3.00 - 4.00%	9/1/2023-2037
Mueller Contractual Obligation - 2012	2013	16,735	11,140	2,455	(1)(4)	2.63 - 3.38%	9/1/2023-2032
Public Improvement - 2013	2014	104,665	71,620	22,442	(1)	4.00 - 5.00%	9/1/2023-2033
Certificates of Obligation - 2013	2014	25,355	19,395	7,640	(1)	3.25 - 5.00%	9/1/2023-2038
Public Improvement Refunding - 2013A	2014	43,250	11,725	934	(1)	5.00%	9/1/2023-2024
Public Improvement - 2014	2015	89,915	86,125	35,799	(1)	3.00 - 5.00%	9/1/2023-2034
Public Improvement - 2014	2015	10,000	9,140	2,945	(1)	2.95 - 4.02%	9/1/2023-2034
Certificates of Obligation - 2014	2015	35,490	25,040	8,951	(1)	4.00 - 5.00%	9/1/2023-2034
Certificates of Obligation - 2014	2015	9,600	6,580	1,766	(1)	2.95 - 3.92%	9/1/2023-2034
Mueller Contractual Obligation - 2014	2015	15,845	12,195	2,662	(1)(4)	3.00 - 5.00%	9/1/2023-2029
Public Improvement and Refunding - 2015	2016	236,905	166,235	34,723	(1)	2.95 - 5.00%	9/1/2023-2035
Public Improvement - 2015	2016	10,000	7,520	2,244	(1)	2.89 - 4.27%	9/1/2023-2035
Certificates of Obligation - 2015	2016	43,710	32,630	12,392	(1)	3.25 - 5.00%	9/1/2023-2035
Contractual Obligation - 2015	2016	14,450	1,195	30	(2)	5.00%	11/1/2022
Public Improvement and Refunding - 2016	2017	98,365	67,560	18,366	(1)	3.00 - 5.00%	9/1/2023-2036
Certificates of Obligation - 2016	2017	44,015	34,745	13,715	(1)	3.00 - 5.00%	9/1/2023-2036
Contractual Obligation - 2016	2017	22,555	4,525	190	(2)	3.00 - 5.00%	11/1/2022-2023
Public Improvement - 2016	2017	12,000	9,050	2,096	(1)	2.01 - 3.16%	9/1/2023-2036
Certificates of Obligation - 2016	2017	8,700	6,560	1,518	(1)	2.01 - 3.16%	9/1/2023-2036
Public Improvement - 2017	2018	63,580	41,515	16,672	(1)	5.00%	9/1/2023-2037
Certificates of Obligation - 2017	2018	29,635	24,470	10,841	(1)	5.00%	9/1/2023-2037
Contractual Obligation - 2017	2018	5,075	1,915	122	(2)	3.00 - 5.00%	11/1/2022-2024
Public Improvement - 2017	2018	25,000	21,540	6,077	(1)	2.35 - 3.48%	9/1/2023-2037
Public Improvement - 2018	2019	65,595	22,600	6,001	(1)	3.00 - 5.00%	9/1/2023-2038
Certificates of Obligation - 2018	2019	7,140	6,155	2,059	(1)	3.00 - 5.00%	9/1/2023-2038
Contractual Obligation - 2018	2019	21,215	11,580	1,080	(2)	4.00 - 5.00%	11/1/2022-2025
Public Improvement - 2018	2019	6,980	6,015	2,123	(1)	3.38 - 5.00%	9/1/2023-2038
Public Improvement and Refunding - 2019	2020	146,090	80,100	34,587	(1)	4.00 - 5.00%	9/1/2023-2039
Certificates of Obligation - 2019	2020	5,055	4,550	2,271	(1)	4.00 - 5.00%	9/1/2023-2039
Contractual Obligation - 2019	2020	25,780	17,690	2,282	(2)	5.00%	11/1/2022-2026
Public Improvement - 2019	2020	40,535	35,760	9,417	(1)	1.92 - 5.00%	9/1/2023-2039
Certificates of Obligation - 2019	2020	14,935	13,175	3,469	(1)	1.92 - 5.00%	9/1/2023-2039
Public Improvement and Refunding - 2020	2021	86,440	70,270	22,697	(1)	5.00%	9/1/2023-2040
Certificates of Obligation - 2020	2021	109,080	78,075	45,857	(1)	5.00%	9/1/2023-2040
Contractual Obligation - 2020	2021	23,205	18,515	2,848	(2)	5.00%	11/1/2022-2027
Public Improvement and Refunding - 2020	2021	49,410	38,620	6,276	(1)	0.36 - 4.00%	9/1/2023-2040
Public Improvement and Refunding - 2021	2022	153,685	120,665	48,332	(1)	4.00 - 5.00%	9/1/2023-2041
Certificates of Obligation - 2021	2022	35,670	34,435	16,236	(1)	4.00 - 5.00%	9/1/2023-2041
Contractual Obligation - 2021	2022	27,110	24,880	4,866	(2)	5.00%	11/1/2022-2028
Public Improvement and Refunding - 2021	2022	81,880	70,020	16,830	(1)	1.65 - 3.00%	9/1/2023-2041
Certificates of Obligation - 2021	2022	20,300	19,460	4,194	(1)	1.00 - 4.00%	9/1/2023-2041
			$ 1,501,180				

(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 $2,353 and interest of $252 and Drainage fund principal of $1,322 and interest of $141.
(4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.

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

In October 2021, the City issued $153,685,000 of Public Improvement and Refunding Bonds, Series 2021. The net proceeds of $81,895,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility ($38,980,000), water quality protection ($22,880,000), park improvements ($16,995,000), and facility improvements ($3,040,000). The net proceeds of the refunding portion of $102,566,092 were used to refund $62,090,000 Public Improvement Bonds, Series 2011A and $39,290,000 Certificates of Obligation, Series 2011. Principal payments are due on September 1 of each year from 2022 to 2041. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2022. Total interest requirements for these bonds, at rates ranging from 4.0% to 5.0%, are $54,806,195. An economic gain of $20,465,485 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $24,136,134. An accounting loss of $443,815, which will be deferred and amortized, was recorded on this refunding.

In October 2021, the City issued $35,670,000 of Certificates of Obligation, Series 2021. The net proceeds of $43,930,000 (after issue costs, discounts, and premiums) from this issuance will be used for constructing and remodeling multiple Austin Fire Department facilities. Principal payments are due on September 1 of each year from 2022 to 2041. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2022. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are $17,646,785.

In October 2021, the City issued $27,110,000 of Public Property Finance Contractual Obligations, Series 2021. The net proceeds of $31,930,000 (after issue costs, discounts, and premiums) from this issuance will be used for capital equipment. Principal payments are due on May 1 and November 1 of each year from 2022 to 2028. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2022. Total interest requirements for these obligations, at a rate of 5.0%, are $5,634,117.

In October 2021, the City issued $81,880,000 of Public Improvement and Refunding Taxable Bonds, Series 2021. The new money net proceeds of $77,655,000 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing. The net proceeds of the refunding portion of $6,690,260 were used to refund $6,550,000 Public Improvement Bonds, Taxable Series 2011B. Interest is payable March 1 and September 1 of each year from 2022 to 2041, commencing on March 1, 2022. Principal payments are due September 1 of each year from 2022 to 2041. Total interest requirements for this obligation, at rates ranging from 1.65% to 3.00%, are $18,720,046. An economic gain of $893,671 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $1,309,842. An accounting loss of $56,250, which will be deferred and amortized, was recorded on this refunding.

In October 2021, the City issued $20,300,000 of Certificates of Obligation, Taxable Series 2021. The net proceeds of $20,525,000 (after issue costs, discounts, and premiums) from the issuance were used for Waller Creek Tunnel and Waller Creek District. Interest is payable March 1 and September 1 of each year from 2022 to 2041, commencing on March 1, 2022. Principal payments are due September 1 of each year from 2022 to 2041. Total interest requirements for this obligation, at rates ranging from 1.0% to 4.0%, are $4,610,025.

General Obligation System Debt -- In-Substance Defeasance – In March 2022, the City defeased $85,000 of Public Improvement Refunding Bonds, Series 2010, with a $87,125 cash payment. The funds were deposited in an irrevocable escrow account to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt. Debt service savings from the 2022 defeasance was $87,125 over a one-year period. An accounting loss of $6,767 was recorded and recognized in the current period on the defeasance.

In May 2022, the City defeased $485,000 of Public Improvement Refunding Bonds, Series 2020, with a cash payment of $586,626. The funds were deposited in an irrevocable escrow account to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt. Debt service savings from the 2022 defeasance was $586,625 over a seven-year period. An accounting gain of $41,150 was recorded and recognized in the current period on the defeasance.

General obligation bonds authorized and unissued amounted to $1,669,845 at September 30, 2022. Bond ratings at September 30, 2022, were Aa1 (Moody's Investors Service, Inc.), AAA (S&P Global Ratings), and AA+ (Fitch Ratings, Inc.).

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

Utility Debt -- The City has previously issued combined debt for 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. Revenue bonds authorized and unissued amount to $1,492,642,660. Bond ratings at September 30, 2022, were Aa2 (Moody's Investors Service, Inc.), AA (S&P Global Ratings), and AA- (Fitch Ratings, Inc.).

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.

Combined Utility Systems Debt -- Bonds Issued and Outstanding - The following table shows the refunding revenue bonds outstanding at September 30, 2022 (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	$ 50,290	5,162 (1)	5.25%	5/15/2023-2025

(1) Interest is paid semiannually on May 15 and November 15.

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, 2022, were P-1 (Moody's Investors Service, Inc.), A-1+ (S&P Global Ratings), and F1+ (Fitch Ratings, Inc.). 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, 2022, Austin Energy had tax exempt commercial paper notes of $151,300,000 outstanding and Austin Water had $90,000,000 of commercial paper notes outstanding with interest ranging from 1.68% to 2.8%, 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	J.P. Morgan Chase Bank NA	0.70%	Goldman Sachs	0.05%	$ 241,300	9/30/2024

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

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 $100,000,000 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, 2022, were P-1 (Moody’s Investors Service, Inc.), A-1+ (S&P Global Ratings), and F1 (Fitch Ratings, Inc.).

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.

At September 30, 2022, Austin Energy had outstanding taxable commercial paper notes of $19,200,000 with interest rates ranging from 3.25% to 3.43%. 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	Barclays Bank PLC	0.68%	Goldman Sachs	0.05%	$ 19,200	9/30/2024

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, 2022, were Aa3 (Moody’s Investors Service, Inc.), AA- (S&P Global Ratings), and AA- (Fitch Ratings, Inc.).

9 – 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, 2022 (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	$ 50,000	31,420	12,044	(1)	6.26%	11/15/2022-2032
2010B Refunding	2010	100,990	91,255	54,743	(1)	5.09 - 5.72%	11/15/2022-2040
2012A Refunding	2013	267,770	229,635	110,181	(1)	2.50 - 5.00%	11/15/2022-2040
2012B Refunding	2013	107,715	68,855	8,221	(1)	2.46 - 3.16%	11/15/2022-2027
2015A Refunding	2015	327,845	306,305	202,124	(1)	5.00%	11/15/2022-2045
2015B Refunding	2015	81,045	31,940	16,179	(1)	2.99 - 4.66%	11/15/2022-2037
2017 Refunding	2017	101,570	96,600	55,185	(1)	4.00 - 5.00%	11/15/2022-2038
2019A	2019	464,540	370,170	56,583	(1)	2.46 - 3.09%	11/15/2022-2031
2019B Refunding	2019	169,850	169,850	156,042	(1)	5.00%	11/15/2022-2049
2019C Refunding	2019	104,775	103,455	59,383	(1)	2.07 - 3.57%	11/15/2022-2049
2020A Refunding	2021	227,495	227,495	183,468	(1)	5.00%	11/15/2023-2050
2020B Refunding	2021	49,870	49,870	25,222	(1)	0.73 - 2.93%	11/15/2024-2050
			$ 1,776,850				

(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, 2022 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,683,920	1,333,238	350,682	166,036	2.11

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation, amortization of excess consideration, 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, 2022, were Aa2 (Moody’s Investors Service, Inc.), AA (S&P Global Ratings), and AA- (Fitch Ratings, Inc.).

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issue - In November 2021, the City issued $216,380,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2021. The net proceeds of $275,507,030 (after issue costs, premium and discounts) from the issuance were used to refund $102,000,000 in tax-exempt commercial paper, and $173,507,030 in separate lien revenue bonds, Series 2011. Principal payments are due November 15 of each year from 2024 to 2051. Interest is payable May 15 and November 15 of each year from 2022 to 2051. Total interest requirements for this obligation, at rates of 4.0% to 5.0%, are $140,771,574. An economic gain of $57,674,336 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $68,000,024. An accounting gain of $3,885,919, which will be deferred and amortized, was recorded on this refunding.

Water and Wastewater System Revenue Debt -- Revenue Bond Issues - In November 2021, the City issued $18,000,000 of Water and Wastewater System Revenue Bonds, Series 2021C. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $16,893,269 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2022 to 2041. Interest payments are due May 15 and November 15 of each year from 2022 to 2041. Total interest requirements for the bonds are $2,870,199, with interest rates ranging from 0.15% to 1.85%.

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

In November 2021, the City issued $23,100,000 of Water and Wastewater System Revenue Bonds, Series 2021D. This is a private placement structured through a memorandum with TWDB. Project funds of $21,924,193 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2022 to 2051. Interest payments are due May 15 and November 15 of each year from 2022 to 2051. Total interest requirements for the bonds are $250,982, with interest rates ranging from 0.00% to 0.19%.

In November 2021, the City issued $30,000,000 of Water and Wastewater System Revenue Bonds, Series 2021E. This is a private placement structured through a memorandum with TWDB. Project funds of $28,391,138 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2022 to 2051. Interest payments are due May 15 and November 15 of each year from 2022 to 2051. Total interest requirements for the bonds are $613,152, with interest rates ranging from 0.00% to 0.29%.

Water and Wastewater System Revenue Debt -- Revenue Bond In-Substance Defeasance - In December 2021, the City defeased $17,310,000 of separate lien revenue refunding bonds, Series 2011, $35,815,000 of separate lien revenue refunding bonds, Series 2012, $9,190,000 of separate lien revenue refunding bonds, Series 2013A, and $11,350,000 of separate lien revenue refunding bonds, Series 2017, with a $76,832,078 cash payment. The funds were deposited in an irrevocable escrow account, that holds 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 2022 defeasance was $83,528,870 over a six-and-a-half-year period. The savings, coupled with future planned debt defeasance transactions, will help achieve rate stability over the next few years. An accounting loss of $1,326,685 was recorded and recognized in the current period on the defeasance.

Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2022 (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	93,500	16,753	(2)	0.03 - 1.87%	11/15/2022-2031	(3)
2010	2010	31,815	21,205	--	(4)	0.00%	11/15/2022-2041	
2010B Refunding	2011	100,970	81,805	51,783	(1)	4.65 - 6.02%	11/15/2022-2040	
2012 Refunding	2012	336,820	182,585	99,865	(1)	5.00%	11/15/2022-2042	
2013A Refunding	2013	282,460	229,275	115,985	(1)	3.70 - 5.00%	11/15/2022-2043	
2014 Refunding	2014	282,205	253,240	140,279	(1)	5.00%	11/15/2022-2043	
2015A Refunding	2015	249,145	188,915	53,945	(1)	2.85 - 5.00%	11/15/2022-2036	
2016 Refunding	2016	247,770	241,450	161,121	(1)	5.00%	11/15/2022-2045	
2016A	2017	20,430	15,830	2,253	(1)	0.83 - 2.12%	11/15/2022-2036	
2017 Refunding	2017	311,100	270,430	147,497	(1)	4.22 - 5.00%	11/15/2022-2046	
2017A	2018	45,175	37,020	6,137	(1)	0.9 - 2.29%	11/15/2022-2037	
2018	2019	3,000	2,615	539	(1)	1.44 - 2.61%	11/15/2022-2038	
2019	2020	6,200	5,640	840	(1)	0.85 - 1.94%	11/15/2022-2039	
2020A	2020	11,200	10,460	451	(1)	0.00 - 0.50%	11/15/2022-2049	
2020B	2020	3,800	3,550	293	(1)	0.00 - 0.80%	11/15/2022-2049	
2020C Refunding	2021	203,505	203,505	179,432	(1)	5.00%	11/15/2022-2050	
2020D	2021	16,995	16,190	1,876	(1)	0.12 - 1.55%	11/15/2022-2040	
2021A	2021	10,400	10,120	--	(4)	0.00%	11/15/2022-2050	
2021B	2021	9,400	9,150	18	(1)	0.00 - 0.06%	11/15/2022-2050	
2021 Refunding	2022	216,380	216,380	135,779	(1)	4.00 - 5.00%	11/15/2024-2051	
2021C	2022	18,000	18,000	2,768	(1)	0.15 - 1.85%	11/15/2022-2041	
2021D	2022	23,100	23,100	246	(1)	0.00 - 1.90%	11/15/2022-2051	
2021E	2022	30,000	30,000	601	(1)	0.00 - 0.29%	11/15/2022-2051	
			$ 2,163,965					

(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.

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

Series 2008 refunding bonds are variable rate demand bonds. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008	Barclays Bank PLC	0.25%	Goldman Sachs	0.05%	$ 93,500	10/28/2022 (1)

(1) In October 2022, the variable rate bonds were refunded through the issuance of Water and Wastewater Revenue Refunding Bonds, Series 2022, thus the City has classified this debt as long-term at the end of the fiscal year.

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by the respective liquidity providers and become bank bonds with principal to be paid in equal semiannual 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, 2022 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (3)
$ 628,877	295,748	333,129	159,632	2.09

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation, other postemployment benefits and net pension liability accruals.
(3) The coverage calculation presented considers all Water and Wastewater debt service obligations, regardless of type or designation. This methodology closely approximates but does not follow exactly the coverage calculation required by the master ordinance.

Airport System Revenue Debt -- General - The City's Airport issues airport system revenue bonds to fund Airport capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport fund. Revenue bonds authorized and unissued amount to $735,795,000. Bond ratings at September 30, 2022, for the revenue bonds were A1 (Moody's Investors Service, Inc.) and A+ (S&P Global Ratings).

Airport System Revenue Debt -- Revenue Bond Issue - In May 2022, the City issued $416,060,000 of Airport System Revenue Bonds, Series 2022 (AMT). The bonds are subject to the alternative minimum tax (AMT). The net proceeds of $453,057,957 (after issue costs, discounts, and premiums) from the issuance are being used for the purposes of designing and constructing improvements to Austin-Bergstrom International Airport. Interest is payable May 15 and November 15 of each year from 2022 to 2052, commencing on November 15, 2022. Principal payments are due November 15 of each year from 2025 to 2052. Total interest requirements for this obligation, at a rate of 5.0% - 5.25%, are $418,951,638.

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

Airport System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2022 (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	34,740	2,749 (1)	2.25%	11/15/2022-2028 (2)
2014 Revenue	2015	244,495	244,495	182,674 (1)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	150,635 (1)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	105,406 (1)	5.00%	11/15/2026-2046
2019 Revenue	2019	151,720	96,675	9,926 (1)	5.00%	11/15/2022-2025
2019A Revenue	2019	16,975	16,975	23,341 (1)	5.00%	11/15/2049
2019B Revenue	2019	248,170	248,170	204,053 (1)	5.00%	11/15/2022-2048
2022 Revenue	2022	416,060	416,060	418,952 (1)	5.00 - 5.25%	11/15/2025-2052
			$ 1,372,080			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Series matures on May 15 of the final year.

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, 2022 (in thousands):

Gross Revenue (1) (5)	Other Available Funds (2)	Operating Expense (3)	Net Revenue and Other Available Funds	Debt Service Requirement (4)	Revenue Bond Coverage
$ 246,263	12,422	127,700	130,985	49,687	2.64

(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.
(5) Gross revenue includes funds from the CARES Act of $7.3 million.

Nonmajor Enterprise Fund Debt:

Convention Center Revenue Debt -- General - 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. Revenue bonds authorized and unissued amount to $760,000. Bond ratings at September 30, 2022, for the revenue bonds were Aa3 (Moody's Investors Service, Inc.), and AA (S&P Global Ratings).

Convention Center Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all Convention Center refunding revenue bonds outstanding at September 30, 2022 (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	58,410	7,307 (2)	0.05 - 1.88%	11/15/2022-2029
2012 Refunding	2012	20,185	11,660	2,300 (1)	3.63 - 5.00%	11/15/2022-2029
2016 Refunding	2017	29,080	18,660	1,430 (1)	1.88%	11/15/2022-2029
			$ 88,730			

(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.

9 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements

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%	$ 29,205	10/2/2024
2008-B	Sumitomo Mitsui Banking Corporation	0.33%	BofA Securities, Inc.	0.05%	29,205	10/7/2022 (1)
					$ 58,410	

(1) In September 2022, the City extended the letter of credit agreement. The new agreement expires October 4, 2024, thus the City has classified this debt as long-term at the end of the fiscal year.

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds 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 semiannual 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.

9 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

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
2023	$ 89,576	44,256	14,323	12,963	18,158	4,557
2024	90,696	40,342	14,971	12,318	16,720	3,714
2025	89,371	36,352	15,626	11,656	16,015	2,947
2026	88,656	32,175	16,349	10,951	15,425	2,206
2027	89,051	28,233	12,920	10,220	12,015	1,504
2028-2032	342,908	91,828	83,598	42,263	23,935	1,870
2033-2037	197,215	29,511	97,782	21,329	--	--
2038-2042	60,040	4,597	41,195	3,720	--	--
Total debt service requirements	1,047,513	307,294	296,764	125,420	102,268	16,798
Less: Unamortized bond discounts	(247)	--	(272)	--	(123)	--
Add: Unamortized bond premiums	97,909	--	42,817	--	8,473	--
Net debt	1,145,175	307,294	339,309	125,420	110,618	16,798

Fiscal Year Ended September 30	Financed Purchase Obligations Principal	Financed Purchase Obligations Interest	Total Governmental Debt Service Requirements Principal	Total Governmental Debt Service Requirements Interest	Total Governmental Debt Service Requirements Total
2023	5,417	416	127,474	62,192	189,666
2024	3,384	259	125,771	56,633	182,404
2025	3,468	175	124,480	51,130	175,610
2026	3,554	89	123,984	45,421	169,405
2027	--	--	113,986	39,957	153,943
2028-2032	--	--	450,441	135,961	586,402
2033-2037	--	--	294,997	50,840	345,837
2038-2042	--	--	101,235	8,317	109,552
Total debt service requirements	15,823	939	1,462,368	450,451	1,912,819
Less: Unamortized bond discounts	--	--	(642)	--	(642)
Add: Unamortized bond premiums	--	--	149,199	--	149,199
Net debt	$ 15,823	939	1,610,925	450,451	2,061,376

9 – 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
2023	$ 2,624	776	1,421	1,140	3,117	517
2024	2,753	646	1,494	1,078	2,810	378
2025	1,104	509	1,569	1,009	2,515	246
2026	1,189	453	1,627	947	1,830	132
2027	1,259	392	1,710	868	1,075	52
2028-2032	4,858	1,016	9,987	2,990	335	8
2033-2037	1,210	329	5,893	545	--	--
2038-2042	580	44	--	--	--	--
2043-2047	--	--	--	--	--	--
2048-2052	--	--	--	--	--	--
2053-2057	--	--	--	--	--	--
Total debt service requirements	15,577	4,165	23,701	8,577	11,682	1,333
Less: Unamortized bond discounts	--	--	(4)	--	--	--
Add: Unamortized bond premiums	2,481	--	1,893	--	849	--
Net debt	18,058	4,165	25,590	8,577	12,531	1,333

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
2023	885	156	260,500	163	193,264	239,127
2024	920	119	--	--	191,590	230,995
2025	965	79	--	--	227,475	221,779
2026	905	39	--	--	228,835	211,358
2027	--	--	--	--	245,910	201,148
2028-2032	--	--	--	--	1,178,585	844,072
2033-2037	--	--	--	--	902,509	611,328
2038-2042	--	--	--	--	920,995	380,212
2043-2047	--	--	--	--	742,605	170,442
2048-2052	--	--	--	--	336,920	40,450
2053-2057	--	--	--	--	26,945	653
Total debt service requirements	3,675	393	260,500	163	5,195,633	3,151,564
Less: Unamortized bond discounts	--	--	--	--	(1,231)	--
Add: Unamortized bond premiums	--	--	--	--	514,270	--
Net debt	$ 3,675	393	260,500	163	5,708,672	3,151,564

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(2) A portion of these bonds are variable rate bonds with rates ranging from 0.03% - 1.88%.

(Continued)

9 – 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		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2023	$ 15,930	2,486	477,741	244,365	722,106
2024	16,090	2,303	215,657	235,519	451,176
2025	16,275	2,115	249,903	225,737	475,640
2026	16,445	1,916	250,831	214,845	465,676
2027	16,675	1,712	266,629	204,172	470,801
2028-2032	64,940	5,711	1,258,705	853,797	2,112,502
2033-2037	49,421	2,966	959,033	615,168	1,574,201
2038-2042	32,625	711	954,200	380,967	1,335,167
2043-2047	14,705	217	757,310	170,659	927,969
2048-2052	13,175	67	350,095	40,517	390,612
2053-2057	--	--	26,945	653	27,598
Total debt service requirements	256,281	20,204	5,767,049	3,186,399	8,953,448
Less: Unamortized bond discounts	--	--	(1,235)	--	(1,235)
Add: Unamortized bond premiums	--	--	519,493	--	519,493
Net debt	$ 256,281	20,204	6,285,307	3,186,399	9,471,706

9 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-type Activities: Austin Energy
(in thousands)

Fiscal Year Ended September 30	Commercial Paper Notes (1)		Revenue Bonds	
	Principal	Interest	Principal	Interest
2023	$ 170,500	104	80,233	76,489
2024	--	--	88,717	73,255
2025	--	--	93,327	69,654
2026	--	--	87,875	65,890
2027	--	--	103,395	62,324
2028-2032	--	--	479,535	253,540
2033-2037	--	--	278,705	174,983
2038-2042	--	--	263,275	108,238
2043-2047	--	--	232,690	50,083
2048-2052	--	--	106,425	8,750
Total debt service requirements	170,500	104	1,814,177	943,206
Less: Unamortized bond discounts	--	--	(113)	--
Add: Unamortized bond premiums	--	--	143,686	--
Net debt	170,500	104	1,957,750	943,206

Fiscal Year Ended September 30	Total Austin Energy Debt Service Requirements		
	Principal	Interest	Total
2023	250,733	76,593	327,326
2024	88,717	73,255	161,972
2025	93,327	69,654	162,981
2026	87,875	65,890	153,765
2027	103,395	62,324	165,719
2028-2032	479,535	253,540	733,075
2033-2037	278,705	174,983	453,688
2038-2042	263,275	108,238	371,513
2043-2047	232,690	50,083	282,773
2048-2052	106,425	8,750	115,175
Total debt service requirements	1,984,677	943,310	2,927,987
Less: Unamortized bond discounts	(113)	--	(113)
Add: Unamortized bond premiums	143,686	--	143,686
Net debt	$ 2,128,250	943,310	3,071,560

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes by issuing long-term debt.

9 – 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
2023	$ 215	53	29	10	175	4	567	100
2024	252	42	31	9	--	--	589	76
2025	70	30	32	8	--	--	618	51
2026	75	26	30	7	--	--	579	25
2027	80	22	30	6	--	--	--	--
2028-2032	365	47	156	15	--	--	--	--
2033-2037	--	--	3	--	--	--	--	--
2038-2042	--	--	--	--	--	--	--	--
2043-2047	--	--	--	--	--	--	--	--
2048-2052	--	--	--	--	--	--	--	--
Total debt service requirements	1,057	220	311	55	175	4	2,353	252
Less: Unamortized bond discounts	--	--	(1)	--	--	--	--	--
Add: Unamortized bond premiums	165	--	2	--	1	--	--	--
Net debt	1,222	220	312	55	176	4	2,353	252

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
2023	90,000	59	78,261	94,359	9,105	1,427	178,352	96,012	274,364
2024	--	--	66,593	90,954	9,125	1,391	76,590	92,472	169,062
2025	--	--	96,303	87,076	9,155	1,352	106,178	88,517	194,695
2026	--	--	94,505	82,405	9,180	1,308	104,369	83,771	188,140
2027	--	--	104,050	77,761	9,260	1,259	113,420	79,048	192,468
2028-2032	--	--	498,430	313,680	47,130	5,326	546,081	319,068	865,149
2033-2037	--	--	403,809	209,478	49,421	2,966	453,233	212,444	665,677
2038-2042	--	--	376,240	107,487	32,625	711	408,865	108,198	517,063
2043-2047	--	--	190,935	33,870	14,705	217	205,640	34,087	239,727
2048-2052	--	--	64,920	6,697	13,175	67	78,095	6,764	84,859
Total debt service requirements	90,000	59	1,974,046	1,103,767	202,881	16,024	2,270,823	1,120,381	3,391,204
Less: Unamortized bond discounts	--	--	(1,001)	--	--	--	(1,002)	--	(1,002)
Add: Unamortized bond premiums	--	--	233,405	--	--	--	233,573	--	233,573
Net debt	$ 90,000	59	2,206,450	1,103,767	202,881	16,024	2,503,394	1,120,381	3,623,775

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(2) Portions of these bonds are variable rate bonds with rates of 0.03% - 1.87%.

9 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-type Activities: Airport
(in thousands)

Fiscal Year Ended September 30	Revenue Bonds Principal	Revenue Bonds Interest	Revenue Notes from Direct Placements Principal	Revenue Notes from Direct Placements Interest
2023	$ 27,095	66,024	4,630	730
2024	28,320	64,812	4,730	624
2025	29,585	63,364	4,845	517
2026	37,875	61,678	4,950	406
2027	29,585	59,991	5,060	294
2028-2032	171,905	275,616	10,525	179
2033-2037	219,995	226,867	--	--
2038-2042	281,480	164,487	--	--
2043-2047	318,980	86,489	--	--
2048-2052	165,575	25,003	--	--
2053-2057	26,945	653	--	--
Total debt service requirements	1,337,340	1,094,984	34,740	2,750
Less: Unamortized bond discounts	(84)	--	--	--
Add: Unamortized bond premiums	136,884	--	--	--
Net debt	1,474,140	1,094,984	34,740	2,750

Fiscal Year Ended September 30	Total Airport Debt Service Requirements Principal	Interest	Total
2023	31,725	66,754	98,479
2024	33,050	65,436	98,486
2025	34,430	63,881	98,311
2026	42,825	62,084	104,909
2027	34,645	60,285	94,930
2028-2032	182,430	275,795	458,225
2033-2037	219,995	226,867	446,862
2038-2042	281,480	164,487	445,967
2043-2047	318,980	86,489	405,469
2048-2052	165,575	25,003	190,578
2053-2057	26,945	653	27,598
Total debt service requirements	1,372,080	1,097,734	2,469,814
Less: Unamortized bond discounts	(84)	--	(84)
Add: Unamortized bond premiums	136,884	--	136,884
Net debt	$ 1,508,880	1,097,734	2,606,614

9 – 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
2023	$ 2,409	723	1,392	1,130	2,942	513	318	56
2024	2,501	604	1,463	1,069	2,810	378	331	43
2025	1,034	479	1,537	1,001	2,515	246	347	28
2026	1,114	427	1,597	940	1,830	132	326	14
2027	1,179	370	1,680	862	1,075	52	--	--
2028-2032	4,493	969	9,831	2,975	335	8	--	--
2033-2037	1,210	329	5,890	545	--	--	--	--
2038-2042	580	44	--	--	--	--	--	--
Total debt service requirements	14,520	3,945	23,390	8,522	11,507	1,329	1,322	141
Less: Unamortized bond discounts	--	--	(3)	--	--	--	--	--
Add: Unamortized bond premiums	2,316	--	1,891	--	848	--	--	--
Net debt	16,836	3,945	25,278	8,522	12,355	1,329	1,322	141

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
2023	7,675	2,255	2,195	329	16,931	5,006	21,937
2024	7,960	1,974	2,235	288	17,300	4,356	21,656
2025	8,260	1,685	2,275	246	15,968	3,685	19,653
2026	8,580	1,385	2,315	202	15,762	3,100	18,862
2027	8,880	1,072	2,355	159	15,169	2,515	17,684
2028-2032	28,715	1,236	7,285	206	50,659	5,394	56,053
2033-2037	--	--	--	--	7,100	874	7,974
2038-2042	--	--	--	--	580	44	624
Total debt service requirements	70,070	9,607	18,660	1,430	139,469	24,974	164,443
Less: Unamortized bond discounts	(33)	--	--	--	(36)	--	(36)
Add: Unamortized bond premiums	295	--	--	--	5,350	--	5,350
Net debt	$ 70,332	9,607	18,660	1,430	144,783	24,974	169,757

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.05% - 1.88%.

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, 2022, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity Dates	Balance (1)
General Obligation		
Public Improvement Bonds, Series 2020	9/1/2023 - 9/1/2029	$ 435
Austin Water		
Series 2012	11/15/2022	38,265
Series 2013A	5/15/2023	9,190
Series 2017	11/15/2022 - 11/15/2023	11,350
		$ 59,240

(1) The balances shown have been escrowed to their respective call dates.

10 – 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 Plan (City Employees), the City of Austin Police Officers' Retirement and Pension Plan (Police Officers), and the Fire Fighters' Relief and Retirement Plan 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' Plan	Article 6243n
Police Officers' Plan	Article 6243n-1
Fire Fighters' Plan	Article 6243e.1

State law governs the three pension systems including benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas. In 2021, the Legislature passed, and Governor signed, House Bill 4368 (HB 4368) that enacted substantial reforms to the Police Officers' pension system. These changes which became effective January 1, 2022, are intended to place the fund on an actuarially sound path and reduce the projected funding period to 30 years. A new tier was established for officers hired after December 31, 2021, contribution levels and methodologies were changed, the governance structure was revised, and certain roles previously delegated to the board were revoked or revised. Further information regarding these changes is disclosed in the relevant sections of this footnote.

Plan Financial Statements -- The most recently available financial statements of the pension funds are for the year ended December 31, 2021. 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' Plan 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' Plan covers all commissioned law enforcement officers and cadets upon enrollment in the Austin Police Academy. Effective January 1, 2022, membership in this fund is comprised of two tiers. Group A includes all Police Officers hired before the effective date, and Group B includes those hired on or after that date. The Fire Fighters' Plan 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' Plan, 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.

10 – 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.	Group A members are eligible for retirement benefits at any age with 23 years creditable service or at age 55 with 20 years creditable service (both excluding pre-membership military service). Group B members are eligible for retirement benefits at age 50 with 25 years creditable service (excluding pre-membership military service.) Any member is eligible for retirement at age 62 and any number of years of creditable service.	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% for Group A and 2.5% for Group B.	For Group A, the average of 36 highest months of base salary plus longevity pay multiplied by years and months of service multiplied by 3.2%. For Group B, 60 months and 2.5% are substituted for 36 months and 3.2%, respectively.	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 for Group A and 25 years for Group B or normal retirement calculation. Must have 10 years of service if disability is not job related and calculation is based on actual years of service.	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 went into effect in 2002.	The most recent COLA went into effect in 2007. Effective September 1, 2021, State law no longer allows the board to approve COLAs. Any such future adjustments require legislative approval.	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 2022.

10 – RETIREMENT PLANS, continued
a -- General Information, continued

Employees Covered by Benefit Terms -- Membership in the plans as of December 31, 2021, is as follows:

	City Employees	Police Officers	Fire Fighters
Inactive employees or beneficiaries:			
Currently receiving benefits	7,221	1,164	924
Entitled to but not yet receving benefits	1,369	59	29
Nonvested terminated due refunds	2,090	79	0
Active employees	10,228	1,673	1,175
Total	20,908	2,975	2,128

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 for Fire Fighters 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%	15% (1)	18.7%
City contribution (percent of earnings)	19%	10.1% (2)	22.05%
City contributions year ended September 30, 2022 (in thousands)	$148,844	43,030	23,496

(1) A rate of 15% was effective January 1, 2022 subject to a possible increase of up to 2% of pay (17% of pay total) if the Actuarially Determined Contributions (ADC) exceeds the corridor maximum. Prior to that change, the rate was 13%.
(2) An ADC of 10.1% was effective January 1, 2022. Prior to that change the rate was 21.737%. The City also contributes according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2020 over a 30-year period. For calendar year 2022 this amount is $1,038,268 per pay period.

b -- Net Pension Liability

The City's net pension liability was measured as of December 31, 2021 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 for the City Employees' and Police Officers' Plans. The Fire Fighters plan net pension liability was determined using the total pension liability from an actuarial valuation ending December 31, 2020. The valuation was updated using 2021 assumptions and rolled forward to the year ending December 31, 2021.

Actuarial Assumptions -- Actuarial assumptions used in the most recent calculation of the net pension liability include:

	City Employees	Police Officers	Fire Fighters
Inflation rate	2.5%	2.5%	2.5%
Projected annual salary increases	3.5% to 5.75%	3% to 15.2% Service based (1)	3% to 10% Service based
Investment rate of return	6.75%	7.25%	7.3%
Ad hoc postemployment benefit changes including COLAs	None	None	None
Experience study period	Data collected through December 31, 2018	January 1, 2013 – December 31, 2017	January 1, 2010 – December 31, 2019
Source for mortality assumptions	PubG-2010 Mortality Tables with full generational projection assuming immediate convergence of rates in the mortality projection scale MP-2018, 2D for male and female. Mortality improvement is projected from the mortality table's base year of 2010.	PubS-2010 Mortality Table for males and females. Generational mortality improvements projected from the year 2010 using the ultimate mortality improvement rates in the MP tables.	PubS-2010(A) Mortality Tables sex distinct with mortality improvement projected five years beyond the valuation date using scale MP-2020 and a base year of 2010.

(1) This includes the classification status change upon graduation from the academy.

10 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

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	33%	6% to 6.5%
Developed markets equities	15%	7.5% to 8%
Emerging markets equities	8%	10%
Fixed income	21%	2%
Alternative investments	13%	1.5% to 5%
Real estate	10%	5.75%
Total	100%	
Police Officers:		
Domestic equity	42.5%	7.5%
International equity	15%	8.5%
Other equity	7.5%	7.5%
US and non-US fixed income	10%	3%
Other fixed income	5%	3.5%
Real estate	15%	4.5%
Multi asset class	5%	5%
Total	100%	
Fire Fighters:		
Public domestic equity	20%	4.7%
Public foreign equity	22%	5.5%
Private equity fund of funds	15%	5.9%
Investment grade bonds	13%	(0.3%)
Treasury inflation protected securities	5%	(0.3%)
High yield/bank loans	5%	2.0%
Emerging market debt	7%	1.7%
Core real estate	5%	3.4%
Non-core real estate	5%	5.6%
Natural resources	3%	6.2%
Total	100%	

10 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

Discount Rate -- The following provides information on the discount rate used to measure the City's total pension liability. Based on the assumptions presented below, the fiduciary net position for all three 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. For the December 31, 2021 actuarial valuation, the City Employees' Plan board of directors lowered the assumed rate of return from 7.00% to 6.75%, reflecting the current outlook for future capital market returns.

	City Employees	Police Officers	Fire Fighters
Discount rate	6.75%	7.25%	7.3%
Change since last measurement date	(0.25%)	0%	0%
Long-term expected rate of return on pension plan investments	6.75%	7.25%	7.3%
Cash flow assumptions	Plan member contributions will be made at the current rate. City contributions will be made at the current rate for 33 years and then will decrease to 8%.	Plan member and employer contributions will be made in accordance with the provisions of HB 4368, 87th Texas Legislature.	Plan member contributions will be made at current contribution rates. City contributions will be continued at the currently negotiated rate of 22.05%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -- The following presents the net pension liability of each of the pension funds of the City calculated using the long-term expected rate of return on pension plan investments, as well as what the net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability (Asset)
City Employees	5.75%	$ 2,110,565	6.75%	$ 1,466,903	7.75%	$ 936,049
Police Officers	6.25%	735,779	7.25%	544,453	8.25%	373,549
Fire Fighters	6.3%	135,570	7.3%	11,832	8.3%	(92,722)

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.

10 – 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, 2021, are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Total pension liability at December 31, 2020	$ 4,701,215	1,544,153	1,232,431	7,477,799
Changes for the year:				
Service cost	122,860	40,070	28,112	191,042
Interest	324,736	110,642	91,655	527,033
Benefit changes	--	--	30,096	30,096
Differences between expected and actual experience	(11,910)	6,536	3,266	(2,108)
Assumption changes	142,270	--	--	142,270
Contribution buy back	--	3,993	--	3,993
Benefit payments including refunds	(247,128)	(80,207)	(70,183)	(397,518)
Net change in total pension liability	330,828	81,034	82,946	494,808
Total pension liability at December 31, 2021	5,032,043	1,625,187	1,315,377	7,972,607
Total plan fiduciary net position at December 31, 2020	3,199,546	938,226	1,162,024	5,299,796
Changes for the year:				
Employer contributions	141,219	35,429	22,041	198,689
Employee contributions	66,820	21,186	18,697	106,703
Contribution buy back	--	3,993	--	3,993
Pension plan net investment income (loss)	411,210	164,509	171,936	747,655
Benefits payments and refunds	(247,128)	(80,207)	(70,183)	(397,518)
Pension plan administrative and other expense	(6,527)	(2,402)	(970)	(9,899)
Net change in total plan fiduciary net position	365,594	142,508	141,521	649,623
Total plan fiduciary net position at December 31, 2021	3,565,140	1,080,734	1,303,545	5,949,419
Net pension liability at December 31, 2020	1,501,669	605,927	70,407	2,178,003
Net pension liability at December 31, 2021	$ 1,466,903	544,453	11,832	2,023,188

10 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

The City Employees' Plan had no significant changes to benefit terms. The only assumption change is the investment return assumption decreased from 7% to 6.75%.

The Police Officers' Plan had no significant changes to benefit terms or assumptions that affected the total pension liability for the measurement period, however, effective January 1, 2022, HB 4368 created a new tier of benefits for employees in the Police Officers' pension system. Participants hired on or after January 1, 2022, will have different age and service requirements for normal retirement eligibility.

The Fire Fighters' Plan had changes to benefit terms. Effective January 1, 2022 eligible retirees received a 5.4% cost-of-living adjustment.

c -- Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2022, was comprised of the following (in thousands):

	Pension Expense
City Employees	$ 161,476
Police Officers	42,730
Fire Fighters	11,707
Total	$ 215,913

10 – RETIREMENT PLANS, continued
d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2022, 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	$ 110,235	33,738	17,438	161,411
Differences between expected and actual experience	20,044	23,695	7,226	50,965
Changes in assumptions	232,806	465,642	24,543	722,991
Changes in proportionate share (between funds)	21,992	--	--	21,992
Total	385,077	523,075	49,207	957,359
Deferred Inflows of Resources				
Differences between expected and actual experience	9,561	11,583	7,767	28,911
Changes in assumptions	--	544,872	2,389	547,261
Net difference between projected and actual earnings on pension plan investments	275,396	117,842	122,384	515,622
Changes in proportionate share (between funds)	21,992	--	--	21,992
Total	$ 306,949	674,297	132,540	1,113,786

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
2023	$ 34,542	(16,264)	(20,974)	(2,696)
2024	(38,473)	(37,030)	(41,975)	(117,478)
2025	(18,360)	(19,166)	(29,244)	(66,770)
2026	(11,628)	(11,809)	(15,098)	(38,535)
2027	1,812	(45,858)	3,235	(40,811)
Thereafter	--	(54,833)	3,285	(51,548)
Total	$ (32,107)	(184,960)	(100,771)	(317,838)

11 – 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.

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 10 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 2022 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 vision premiums and certain dental premiums. 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 roll forward in the off years. The current year is a valuation year and as a result membership in the plan is presented as of December 31, 2021:

Inactive employees or beneficiaries currently receiving benefits	8,510
Inactive employees entitled to but not yet receiving benefits	3,626
Active employees	13,108
Total	25,244

11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued
b -- Total OPEB Liability

The City's total OPEB liability of $4.3 billion was determined by an actuarial valuation as of December 31, 2021, the measurement date. Of the total liability, $63.8 million is considered to be due within one year.

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 valuations from the previous reporting period. As a result, experience studies performed by the pension systems as described in Note 10a and Required Supplementary Information were also relied upon.

General Assumptions	
Inflation rate	• NA
Salary increases	• Vary by retirement group, age, and years of service
Discount rate	• 2.06%
Experience studies (Medical and Prescription)	• Experience for medical and prescription healthcare costs was based on activity from January 1, 2019 to December 31, 2021.
Experience studies (Dental)	• Experience for dental healthcare costs was based on activity from April 1, 2021 through March 31, 2022.
Healthcare cost trend rates	
Medical (pre-65)	• 6.5% graded to 4.5% over 8 years
Medical (post-65)	• 5.5% graded to 4.5% over 4 years
Prescription drug	• 7.5% graded to 4.5% over 12 years
Dental	• 3%
Administrative costs	• 2.5%
Sources for mortality rate assumptions	
General (Actives)	• PubG-2010 Employee Mortality Table projected generationally using the ultimate mortality improvement rate in the MP tables
General (Healthy retirees)	• PubG-2010 Healthy Retiree Mortality Table projected generationally using the ultimate mortality improvement rate in the MP tables
General (Disabled retirees)	• PubG-2010 Healthy Retiree Mortality Table, set forward three years, projected generationally using the ultimate mortality improvement rate in the MP tables
Police (Actives)	• PubS-2010 Employee Mortality Table projected generationally using the ultimate mortality improvement rates in the MP tables
Police (Healthly Retirees)	• PubS-2010 Healthy Retiree Mortality Table projected generationally using the ultimate mortality improvement rates in the MP tables
Police (Disabled Retirees)	• PubS-2010 Disabled Mortality Table projected generationally using the ultimate mortality improvement rates in the MP tables
Fire (Actives)	• PubS-2010(A) Employee Mortality Table projected from 2010 to 5 years beyond the valuation date using scale MP-2020
Fire (Healthy Retirees)	• PubS-2010(A) Healthy Retiree Mortality Table projected from 2010 to 5 years beyond the valuation date using scale MP-2020
Fire (Disabled retirees)	• PubS-2010(A) Disabled Mortality Table projected from 2010 to 5 years beyond the valuation date using scale MP-2020
Fire (Contingent Survivors)	• PubS-2010(A) Contingent Survivors Mortality Table projected from 2010 to 5 years beyond the valuation date using scale MP-2020

Discount Rate -- The discount rate for OPEB, which is 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, 2021, the City's actuaries used the Bond Buyer US Weekly Yields 20 General Obligation Bond Index of 2.06%.

11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

b -- Total OPEB Liability, continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate -- The following presents the City's total OPEB liability calculated using the discount rate discussed above, as well as what the total OPEB liability 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 (in thousands).

1% Decrease		Current Discount Rate		1% Increase	
Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
1.06%	$ 5,283,275	2.06%	$ 4,253,955	3.06%	$ 3,480,184

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates -- The following presents the City's total OPEB liability calculated using the healthcare cost trend rates displayed above, as well as what the total OPEB liability 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 (in thousands).

1% Decrease	Current Rate	1% Increase
Total OPEB Liability	Total OPEB Liability	Total OPEB Liability
$ 3,415,660	$ 4,253,955	$ 5,393,741

Schedule of Changes in Total OPEB Liability -- Changes in the total OPEB liability for the measurement period ended December 31, 2021 are as follows (in thousands):

Total OPEB liability at December 31, 2020	$ 4,346,367
Changes for the year:	
Service cost	195,576
Interest	95,670
Benefit changes	(36,411)
Differences between expected and actual experience	64,216
Assumption changes	(352,788)
Benefit payments	(58,675)
Net change in total OPEB liability	(92,412)
Total OPEB liability at December 31, 2021	$ 4,253,955

The OPEB plan changes included:

- Effective January 1, 2022, BlueCross BlueShield medical copays and deductibles increased for both PPO and HMO plans.
- Effective January 1, 2022, HB 4368 created a new tier of benefits for employees in the Police Officers' pension system. Participants hired on or after January 1, 2022, will have different age and service requirements for normal retirement eligibility.

The OPEB plan assumption changes included:

- Decreasing the discount rate from 2.12% to 2.06% based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date,
- Firefighters' mortality projection scale for all lives changing from MP-2019 to MP-2020 and adding a separate mortality table for Contingent Survivors,
- Updating medical, prescription drug, and dental claim costs to reflect more recent experience,
- Adjusting administrative expenses to reflect most recent vendor contracts,
- Addition of a separate 70% PPO dental coverage election assumption,
- Addition of a separate PPO dental spouse coverage election assumption of 65% for males and 35% for females.

11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

c -- Other Postemployment Benefits Expense

Total OPEB expenses recognized by the City for the fiscal year ended September 30, 2022 were $436.3 million.

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2022, 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	$ 47,240	--
Differences between expected and actual experience	84,382	4,465
Changes in assumptions	1,126,847	433,117
Changes in proportionate share (between funds)	55,031	55,031
Total	$ 1,313,500	492,613

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	
2023	$ 183,173
2024	183,173
2025	162,471
2026	153,546
2027	102,280
Thereafter	(10,996)
Total	$ 773,647

12 -- DERIVATIVE INSTRUMENTS

The City has derivative instruments 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 derivative instruments 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 and sale 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.

12 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

Hedging Derivative Instruments

Natural Gas Derivative Instruments

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).

At September 30, 2022, Austin Energy did not hold any financial derivative instruments. In the event that Austin Energy has financial derivative instruments, 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.

Congestion Revenue Rights Derivative Instruments

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 fair 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 2022, Austin Energy did not sell PCRRs. At September 30, 2022, no gains or losses remained deferred under the accounting requirements for regulated operations.

Austin Energy routinely purchases derivative instruments. There were no outstanding financial hedging derivative instruments as of September 30, 2022. Any 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 instrument contracts expose Austin Energy to custodial credit risk on exchange-traded derivative instrument positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected.

The over-the-counter agreements expose Austin Energy to credit risk. However, Austin Energy does not expect the counterparties to fail to meet their obligations given their high credit ratings and strict oversight by federal regulators. 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, 2022, no collateral was required under these provisions.

The congestion revenue rights expose Austin Energy to custodial credit risk in the event of default or nonperformance by ERCOT, a regulatory entity of the State of Texas. In the event of default of nonperformance, Austin Energy's operations will not be materially affected.

Termination Risk. Termination risk is the risk that a derivative instrument 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 derivative instruments up to the fair value of the instruments.

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).

12 – DERIVATIVE INSTRUMENTS, continued
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, 2022, the City has two outstanding swap transactions with initial and outstanding notional amounts totaling $295.9 million and $151.9 million, respectively. The fair values of the interest rate derivative instrument transactions were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The expected transaction cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing benchmark interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the transactions, where future amounts (the expected transaction cash flows) are converted to a single current amount, discounted using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows. Where applicable under the income approach an option pricing model is applied such as the Black-Scholes-Merton model, the Black-Derman-Toy model, one of the short-rate models, or other market standard models consistent with accepted practices in the market for interest rate option products. The option models consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. This valuation technique is applied consistently across all the transactions. Given the observability of inputs significant to the measurements, the fair values of the transactions are categorized as Level 2.

On September 30, 2022, 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	$	93,500	(2,449)
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		58,410	(1,243)
					$	151,910	(3,692)

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, 2022 (in thousands):

Item		Outstanding Notional Amount	Fair Value and Classification: Amount	Fair Value and Classification: Classification	Change in fair value: Deferred Outflows	Change in fair value: Deferred Inflows
Business-Type Activities:						
Hedging derivative instruments (cash flow hedges):						
WW2	$	93,500	(2,449)	Non-current liability	(11,934)	--
HOT1		58,410	(1,243)	Non-current liability	(5,864)	--
	$	151,910	(3,692)		(17,798)	--

Due to the continued low interest rate levels during fiscal year 2022, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2022. 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.

12 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

Risks

Credit risk. As of September 30, 2022, 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, 2022, are included in the table below:

			Counterparty Ratings		
Item	Related Variable Rate Bonds	Counterparty	Moody's Investors Service, Inc	S&P Global Ratings	Fitch Ratings, 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)	A2	A-	A-

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, 2022, are included in the table below (in thousands):

		Counterparty Swap Interest				
Item	Related Variable Rate Bonds	Pay	Receive	Net	Interest to Bondholders	Net Interest Payments
Business-Type Activities:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	$ (3,369)	463	(2,906)	(481)	(3,387)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(1,933)	308	(1,625)	(296)	(1,921)
		$ (5,302)	771	(4,531)	(777)	(5,308)

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, 2022, 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.

12 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

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 instruments. The City is currently not exposed to rollover risk on its hedging derivative instruments.

Investment Derivative Instruments

At September 30, 2022, the City did not have any investment derivative instruments related to interest rate swaps.

c -- Swap Payments and Associated Debt

As of September 30, 2022, 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
2023	$ 17,385	(1,834)	6,782	4,948
2024	17,350	(1,621)	5,973	4,352
2025	17,945	(1,402)	5,142	3,740
2026	14,960	(1,206)	4,357	3,151
2027	7,425	(1,128)	3,851	2,723
2028-2032	76,845	(2,668)	7,814	5,146
Total	$ 151,910	(9,859)	33,919	24,060

(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.

13 – DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2022, 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 issuances.

Nonmajor Governmental	Deficit
Special Revenue Funds:	
Project Connect	$ 3
Project Connect - Office Fund	14
Neighborhood Revitalization	19
Fiscal Surety - Land Development	5,085
Capital Projects Funds:	
2012 fund	
Transportation	3,931
2016 fund	
Mobility	123,807
2018 fund	
Library & Cultural	3,785
Parks	18,774
Open Space	5,416
Transportation	6,469
2020 fund	
Transportation	12,882
Other funds	
Health Projects	3,853
Fire - General	5,087
Public Works	311
Waller Creek District	1,152
Nonmajor Enterprise	
Austin Resource Recovery	139,904
Development Services	115,620
Transportation	167,204
Internal Service	
Liability Reserve	15,790
Workers' Compensation	8,890

14 – INTERFUND BALANCES AND TRANSFERS
a -- Interfund Receivables, Payables, and Advances

Interfund receivables, payables, and advances at September 30, 2022, are as follows (in thousands):

	Due From			
Due To	Nonmajor Governmental	Austin Water	Internal Service	Total
General Fund	$ 6	--	--	6
Nonmajor governmental	176,599	--	--	176,599
Nonmajor enterprise	--	301	--	301
Internal Service	--	--	3,741	3,741
Total	$ 176,605	301	3,741	180,647

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 ($180.6 million), the majority of which is related to capital projects ($144.8 million). Deficits in grant funds awaiting reimbursement from grantors ($30.7 million) were borrowed from Fiscal Surety - Land Development Fund. Another significant short-term loan ($3.7 million) was borrowed from the Support Services Fund to cover the pooled investments and cash deficit in the Liability Reserve Fund.

14 – INTERFUND BALANCES AND TRANSFERS, continued
a -- Interfund Receivables, Payables, and Advances, continued

	Advances To				
Advances From	**Nonmajor Governmental**	**Austin Energy**	**Austin Water**	**Nonmajor Enterprise**	**Total**
Nonmajor governmental	$ 14,568	--	--	105	14,673
Austin Water	--	5,952	--	--	5,952
Nonmajor enterprise	192	--	601	--	793
Total	$ 14,760	5,952	601	105	21,418

Advances to and advances from reflect borrowings that will not be liquidated within one year. Advances to nonmajor governmental projects are primarily for transportation, mobility, and expansion of park projects that will be funded by bonds and new development fees. Advances to Austin Water Utility from Austin Energy funded the Combined Utility System Revenue Bond Retirement Reserve Account. Austin Energy funded the entire reserve, which replaced an insurance policy previously held for combined lien reserve, on behalf of both enterprise funds.

b -- Transfers

Transfers at September 30, 2022, are as follows (in thousands):

	Transfers In						
Transfers Out	**General Fund**	**Nonmajor Governmental**	**Austin Energy**	**Austin Water**	**Nonmajor Enterprise**	**Internal Service**	**Total**
General Fund	$ --	31,511	14	--	10,724	--	42,249
Nonmajor governmental	1,260	56,973	502	--	124,663	1,200	184,598
Austin Energy	123,353	1	--	--	--	5	123,359
Austin Water	50,779	75	1,036	--	--	--	51,890
Airport	--	--	33	--	--	--	33
Nonmajor enterprise	4,486	15,359	9	75	432	92	20,453
Internal service	--	17,335	12	--	280	91	17,718
Total	$ 179,878	121,254	1,606	75	136,099	1,388	440,300

Interfund transfers are authorized through City council approval. Significant transfers include:

- Austin Energy and Austin Water transfer funds to the General Fund ($174.1 million), which are comparable to a return on investment to owners.
- The Hotel-Motel Occupancy Tax ($104.1 million) and the Vehicle Rental Tax ($12.9 million), both special revenue funds, transfer funds to Convention Center in support of convention operations and debt services.
- Affordable Housing ($15.1 million), a capital projects fund, transferred funds to Austin Housing Finance Corporation, a special revenue fund, in support of affordable housing.

15 – SELECTED REVENUES

Austin Energy and Austin Water
The Public Utility Commission of Texas (PUCT) has jurisdiction over electric utility wholesale transmission rates. The PUCT approved the City's most recent wholesale transmission rate of $1.24822/KW effective August 24, 2022. Transmission revenues totaled approximately $86 million in fiscal year 2022. 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, 2022, 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. Any over- or under-collections of the power supply, regulatory, or community benefit costs are applied to the respective cost-adjustment factor.

16 – 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 and Development Zone program under which sales 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 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 2022, the City had four active agreements under this program. One agreement satisfied the compliance requirements in fiscal year 2022 which resulted in a rebate of tax abatements of approximately $2.4 million. In addition, approximately $155 thousand of such rebates were paid for compliance requirements satisfied for prior year compliance periods. The City had no commitments related to these agreements other than the timeframe during which a compliance review will occur.

b -- Exemption Program

There were no active agreements under the Media Production Development and Zone Program during fiscal year 2022.

The City is not subject to any tax abatement agreements entered into by other governmental entities.

17 – 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 9), and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's pro-rata interest in FPP was $17.2 million as of September 30, 2022. 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.

17 – COMMITMENTS AND CONTINGENCIES, continued

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, 2022, Austin Energy's investment in the STP was approximately $361 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 9). In addition, each participant has the obligation to finance any deficits that may occur.

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 was issued a 20-year license renewal by the Nuclear Regulatory Commission (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 an asset retirement obligation. 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, 2022, the total expenses amortized over the pro-rata useful life exceeded the trust's assets by $14.6 million which is reported as part of long-term regulatory assets.

Decommissioning Trust Assets	$ 246,245
Pro Rata Decommissioning Expense	(260,892)
	$ (14,647)

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 calculation of financial assurance filed for December 31, 2020 showed that the trust assets exceeded the minimum required assurance by $83.7 million.

d -- Purchase Power

Austin Energy has commitments totaling $4.4 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041 and solar through 2046. In October 2022, a solar purchase power agreement of $200 million was terminated.

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, 2022, the financial statements include a $0.9 million environmental liability. The amount is based on 2022 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

17 – COMMITMENTS AND CONTINGENCIES, continued
f -- Airport Grant Agreement

In October 2017, the Airport entered into a grant agreement with ABLE to provide support for ABLE's $45,600,000 Series 2017 Airport Hotel Senior Revenue Refunding and Improvement Bonds issuance. The bonds are special limited obligations of ABLE and are payable by ABLE from revenues generated from the hotel located adjacent to the airport. Pursuant to the agreement, the Airport agreed to provide financial assistance to restore deficiencies in ABLE's Senior Debt Service Reserve Fund, to the extent that Surplus Airport System Revenues, as defined in the grant agreement, are available. The Airport has no obligation under this agreement to fund a deficiency if the hotel ceases operations nor does the agreement constitute a commitment, conditional or otherwise, to pay the debt service on the bonds. The terms of the agreement end on the date when the bonds are no longer outstanding. As of September 30, 2022, the Airport has provided $4.8 million in financial assistance to restore deficiencies in ABLE's Senior Debt Service Reserve Fund.

g -- 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, 2022.

h -- 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. Department of Transportation, U.S. Environmental Protection Agency and U.S. Department of Housing and Urban Development. 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.

i -- 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 2022 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	$ 55,465
Public safety	113,020
Transportation, planning, and sustainability	509,852
Public health	27,678
Public recreation and culture	187,882
Urban growth management	48,840
Business-type activities:	
Electric	217,530
Water	174,199
Wastewater	189,755
Airport	223,880
Convention	35,247
Environmental and health services	15,060
Public recreation and culture	26
Urban growth management	127,933
Total	$ 1,926,367

17 – COMMITMENTS AND CONTINGENCIES, continued
j -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2022 is as follows (in thousands):

	Encumbrances
General Fund	$ 63,729
Nonmajor governmental	
Special Revenue	45,092
Capital Projects	268,579
	$ 377,400

Significant encumbrances include reservations for 2016 bond programs ($76,743), General government projects ($37,253), 2018 transportation bond programs ($29,847), 2020 transportation bond programs ($24,945), Coronavirus State & Local Fiscal Recovery projects ($20,811), and COVID-19 contracts ($2,432).

k -- 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. Closure with TCEQ occurred in May 2021. 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, 2022, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	$ 25,381	20,803	46,184
% capacity used	100%	100%	100%
Cumulative liability accrued	25,381	20,803	46,184
Costs incurred	(25,381)	(1,374)	(26,755)
Closure and postclosure liability	$ --	19,429	19,429

These amounts are based on the 2022 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.

l -- 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 $453.7 million (adjusted to 2022 dollars) and an associated deferred outflow of resources of $192.8 million. Austin Energy has restricted assets held in an irrevocable trust to cover the eventual decommissioning costs and as of September 30, 2022, trust assets totaled $246.2 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 our ownership of FPP, two coal-fired electric generating units. A cost study performed by the LCRA 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 $18.6 million and an associated deferred outflow of resources of $14.8 million. Austin Energy, as joint owner of the facility, will amortize the deferred outflow related to regulatory obligations over 19 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 2 years.

17 – COMMITMENTS AND CONTINGENCIES, continued
l -- Asset Retirement Obligations (ARO), continued

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, 2022 and is reported as asset retirement obligations in the Austin Water fund, a major enterprise fund. The associated deferred outflow of $481 thousand will be amortized over the remaining useful lives of the City's wastewater treatment plants, which range from 4 to 39 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, 2022 and is reported as asset retirement obligations in the Fleet Maintenance fund, an internal service fund. The associated deferred outflow of $107 thousand will be amortized over the remaining useful lives of the City's petroleum underground storage tanks, which range from 1 to 21 years.

m -- 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 74% of City employees and 82% of retirees use the PPO option; approximately 9% of City employees and 16% of retirees use the HMO option; and approximately 17% of City employees and 2% 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. Stop-loss insurance covers individual claims that exceed a stated threshold amount per calendar year. Beginning in 2019 the stated threshold amount is $750,000 with an unlimited maximum. In fiscal year 2022, four claims exceeded the stop loss limit of $750,000. In fiscal year 2021, two claims exceeded the stop loss limit of $750,000. In fiscal year 2020, four claims exceeded the stop loss limit of $750,000. City coverage is unlimited for lifetime of 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 to date. 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, which is based on 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 $76.3 to $115 million. In accordance with GAAP, $76.3 million is recognized as claims payable in the financial statements with $35.7 million recognized as a current liability and $40.6 million recognized as long-term liability.

17 – COMMITMENTS AND CONTINGENCIES, continued
m -- Risk-Related Contingencies, continued

Changes in the balances of claims liability are as follows (in thousands):

	Austin Energy		Austin Water		Airport	
	2022	2021	2022	2021	2022	2021
Liability balances, beginning of year	$ 1,229	252	280	310	--	--
Claims and changes in estimates	300	1,097	293	90	1,900	--
Claim payments	(211)	(120)	(173)	(120)	--	--
Liability balances, end of year	1,318	1,229	400	280	1,900	--

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2022	2021	2022	2021	2022	2021
Liability balances, beginning of year	16,286	18,622	26,606	2,158	43,494	28,342
Claims and changes in estimates	188,234	170,960	7,075	28,368	9,232	20,596
Claim payments	(188,663)	(173,296)	(21,881)	(3,920)	(7,685)	(5,444)
Liability balances, end of year	$ 15,857	16,286	11,800	26,606	45,041	43,494

The Austin Water fund claims liability balance at fiscal year-end included liabilities of $269 thousand discounted at 4.16% in 2022 and $284 thousand discounted at 2.44% in 2021. The claims liability balance for all other funds had no discounted liability in fiscal years 2022 and 2021.

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. $2,383,268 in total assessments were levied in the year ended September 30, 2022. The aggregate principal outstanding at September 30, 2022 is $8,425,000.

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. $497,021 in total assessments were levied in the year ended September 30, 2022. The aggregate principal outstanding at September 30, 2022 is $1,675,000.

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. $1,877,811 in total assessments were levied during the fiscal year ended September 30, 2022. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2022 are $7,350,000 and $836, respectively.

17 – COMMITMENTS AND CONTINGENCIES, continued
n -- No-Commitment Special Assessment Debt, continued

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. In March 2022, partial optional redemptions of $390,000 and $1,850,000 occurred, reducing the outstanding bonds. 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. $739,185 in total assessments were levied during the fiscal year ended September 30, 2022. The aggregate principal outstanding at September 30, 2022 is $8,805,000.

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. $270,983 in total assessments were levied during the fiscal year ended September 30, 2022. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2022 are $4,290,000 and $4,994, respectively.

18 – 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, 2022. These liabilities, reported in the government-wide statement of net position, include amounts for claims and lawsuits settled subsequent to year end.

19 – 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, 2022, $209.6 million in housing revenue bonds were outstanding with an original issue value of $217.8 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, 2022, $147.3 million in revenue and revenue refunding bonds were outstanding with an original issue value of $147.3 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.

20 – 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	$ 86,249
Advances to other funds	26
Capital assets	217,104
Other noncurrent assets	205,945
Total assets	509,324
Deferred outflows of resources	38,913
LIABILITIES	
Other current liabilities	19,864
Other noncurrent liabilities	199,469
Total liabilities	219,333
Deferred inflows of resources	23,575
NET POSITION	
Net investment in capital assets	128,932
Restricted	213,634
Unrestricted	(37,237)
Total net position	$ 305,329

Condensed Statement of Revenues, Expenses, and Changes in Net Position

OPERATING REVENUES	
User fees and rentals	$ 29,246
Lease revenue	447
Total operating revenues	29,693
OPERATING EXPENSES	
Operating expenses before depreciation	62,084
Depreciation and amortization	9,087
Total operating expenses	71,171
Operating income (loss)	(41,478)
Nonoperating revenues (expenses)	(5,054)
Transfers	109,136
Change in net position	62,604
Beginning net position	242,725
Ending net position	$ 305,329

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	$ (27,035)
Noncapital financing activities	109,235
Capital and related financing activities	(33,355)
Investing activities	(2,261)
Net increase (decrease) in cash and cash equivalents	46,584
Cash and cash equivalents, beginning	219,307
Cash and cash equivalents, ending	$ 265,891

21 – SUBSEQUENT EVENTS

a -- General Obligation Bond Issue

In October 2022, the City issued $156,275,000 of Public Improvement and Refunding Bonds, Series 2022. The net proceeds of $140,000,000 (after issue costs, discounts, and premiums) from this issuance will be used as follows: streets and mobility ($119,000,000), water quality protection ($3,000,000), park improvements ($15,000,000) and cultural arts facility improvements ($3,000,000). The net proceeds of the refunding portion of $31,000,181 were used to refund $30,795,000 Public Improvement Bonds, Series 2012A. Principal payments are due on September 1 of each year from 2023 to 2042. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2023. Total interest requirements for these bonds, at a rate of 5.0%, are $71,071,146.

In October 2022, the City issued $9,300,000 of Public Property Finance Contractual Obligations, Series 2022. The net proceeds of $10,050,000 (after issue costs, discounts, and premiums) from this issuance will be used for capital equipment. Principal payments are due on May 1 and November 1 of each year from 2023 to 2029. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2023. Total interest requirements for these obligations, at a rate of 5.0%, are $1,842,750.

In October 2022, the City issued $59,555,000 of Public Improvement Bonds, Taxable Series 2022. The new money net proceeds of $60,000,000 (after issue costs, discounts, and premiums) from this issuance will be used for affordable housing. Interest is payable March 1 and September 1 of each year from 2023 to 2042, commencing on March 1, 2023. Principal payments are due September 1 of each year from 2023 to 2042. Total interest requirements for this obligation, at rates ranging from 4.44% to 5.00%, are $29,759,836.

In October 2022, the City issued $16,380,000 of Certificates of Obligation, Taxable Series 2022. The new money net proceeds of $16,500,000 (after issue costs, discounts, and premiums) from this issuance will be used for Waller Creek District and erosion control ($9,600,000), and engineering services and acquisition of a hotel property for a family violence shelter ($6,900,000). Interest is payable March 1 and September 1 of each year from 2023 to 2042, commencing on March 1, 2023. Principal payments are due September 1 of each year from 2023 to 2042. Total interest requirements for this obligation, at rates ranging from 4.49% to 5.0%, are $9,274,937.

b -- Water and Wastewater – System Revenue Refunding Bond Issue

In October 2022, the City issued $295,840,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2022. The net proceeds of $334,858,726 (after issue costs, premium and discounts) from this issuance were used to refund $90,000,000 in tax-exempt commercial paper, $156,382,579 in separate lien revenue bonds, Series 2012, and $88,455,196 in variable rate bonds, Series 2008. The first principal payment is due May 15, 2023, with all subsequent principal payments due November 15 of each year from 2023 to 2052. Interest is payable May 15 and November 15 of each year from 2023 to 2052. There was a swap termination fee of $3,165,000 associated with the refunding of the 2008 variable rate bonds. Total interest requirements for this obligation, at a rate of 5.0%, are $185,905,350. This same issuance includes $143,770,000 in forward delivery bonds, Series 2023, dated February 15, 2023, which will be used to refund $152,590,000 in separate lien revenue bonds, Series 2013A.

c -- Water and Wastewater System Revenue Debt – Revenue Bond Refunding Issue

In November 2022, the City issued $18,000,000 of Water and Wastewater System Revenue Bonds, Series 2022A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $16,702,989 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2023 to 2042. Interest payments are due May 15 and November 15 of each year from 2023 to 2042. Total interest requirements for the bonds are $6,553,403, with interest rates ranging from 2.36% to 3.60%.

In November 2022, the City issued $24,630,000 of Water and Wastewater System Revenue Bonds, Series 2022B. This is a private placement structured through a memorandum with TWDB. Project funds of $22,989,581 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2023 to 2052. Interest payments are due May 15 and November 15 of each year from 2023 to 2052. Total interest requirements for the bonds are $10,087,902, with interest rates ranging from 1.47% to 2.61%.

In November 2022, the City issued $8,300,000 of Water and Wastewater System Revenue Bonds, Series 2022C. This is a private placement structured through a memorandum with TWDB. Project funds of $7,772,512 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2023 to 2052. Interest payments are due May 15 and November 15 of each year from 2023 to 2052. Total interest requirements for the bonds are $3,239,949, with interest rates ranging from 1.37% to 2.51%.

21 – SUBSEQUENT EVENTS, continued

d -- Water and Wastewater System Revenue Debt – Revenue Bond In-Substance Defeasance

In December 2022, the City defeased $18,675,000 of separate lien revenue refunding bonds, Series 2012, $17,725,000 of separate lien revenue refunding bonds, Series 2013A, $9,800,000 of separate lien revenue refunding bonds, Series 2014, and $1,950,000 of separate lien revenue refunding bonds, Series 2020C, with a $18,770,670 cash payment for the 2012 Series and a $29,976,598 cash payment for the remaining series. The funds were deposited in irrevocable escrow accounts to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt.

e -- Winter Storm Mara

Beginning on January 31, 2023, an ice storm impacted the Southern United States, bringing heavy ice and frigid conditions to the Austin region. Icing conditions continued through February 2, 2023, and heavy accumulation on vegetation and other infrastructure impeded operations, which resulted in widespread and prolonged power outages for some Austin residents. Austin Energy's generation assets remained online during the event and no material impacts are expected to Austin Energy's operations or financial position.

The City worked in collaboration with partner utilities and contractors spanning several states to restore power and to expedite the clean-up efforts. As a result of the significant impact to the area, the City expects to apply for grant funding from the Federal Emergency Management Agency in 2023 to assist with restoration and cleanup of public property.

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APPENDIX C

SUMMARY OF CERTAIN MASTER ORDINANCE PROVISIONS

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

ATTEST:

KIRK WATSON
Mayor

SHIRLEY A. BROWN
City Clerk

APPROVED:

(City Seal)

ANDREW MARTIN
City Attorney

APPENDIX D

SELECTED MODIFIED PROVISIONS FROM ORDINANCES RELATING TO PRIOR SUBORDINATE LIEN OBLIGATIONS

References in this Appendix to Prior Lien Bonds are no longer effective. As of May 15, 2019, the last of the outstanding Prior Lien Bonds were retired. Under the terms of the Master Ordinance, the City covenanted not to issue Prior Lien Bonds in the future.

Definitions. The following definitions are provided:

City-shall mean the City of Austin, Texas, located in the Counties of Travis and Williamson.

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, 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.

<u>Pledge</u>. (a) <u>Electric Light and Power System</u>. 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 in this document 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) <u>Waterworks and Sewer System</u>. 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 in this document 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" (in this document 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 in this document 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" (in this document 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 in this document 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 (as defined in this document) 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 specified in this document, 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 $106,790,325.15 (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 (as defined in this document) to the Reserve Fund.

Currently, the Reserve Fund is fully funded at the Required Reserve 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 in this document 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 in this document 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 (referred to in this document 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 in this document 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.

Interest and Redemption Funds. 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 in this document above 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.

Accrued interest and premium, if any, received from the purchaser of the Bonds shall be deposited to the credit of the Interest and Redemption Fund and taken into consideration and reduce the amount of the monthly deposits in this document above required to be deposited in the Interest and Redemption Fund from the Net Revenues of the Systems.

Investment of Certain Funds. (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 described in this document, 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 in this document 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 in this document 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 in this document before 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 in this document, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy in this document 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.

APPENDIX E

FORM OF BOND COUNSEL'S OPINION

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May 17, 2023

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IN REGARD to the authorization and issuance of the "City of Austin, Texas, Electric Utility System Revenue Refunding and Improvement Bonds, Series 2023," dated May 17, 2023, in the principal amount of $417,615,000 (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 Trust Company, 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 who are individuals.

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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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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CITY OF AUSTIN, TEXAS • ELECTRIC UTILITY SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2023

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